



# PERSpectives



Third Quarter 2014

Public Employee Retirement System of Idaho



*Jody B. Olson, Chairman  
PERSI Retirement Board*

## POSITIVE RESULTS AND PEACE OF MIND - a message from Chairman Jody Olson -

Some terrific things are happening with the Public Employee Retirement System of Idaho (PERSI). I have been helping steer the system's direction for 28 years now, and I am happy to report the last fiscal year (ending June 30, 2014) was one of the best we've had. On the heels of an extraordinary 17.2% annual return on PERSI investments, and record high asset values nearing \$15 billion, I'm excited to share news with you, highlighting PERSI'S maturity, sustainability, and ability to provide significant and much anticipated relief across the board for active members, employers, and retirees.

### COST OF LIVING ADJUSTMENT

At the September Board meeting, your Board voted to recommend a 4%\* cost of living adjustment (COLA) for PERSI retirees. This marks the first time since 2008 that PERSI retirees have seen an increase in excess of 1%. Strong investment performance, solid funded status, and the Board's confidence in the sustainability of the fund all factored into the COLA recommendations. The COLA recommendations are submitted to the Legislature in late December, before the start of their session. They then have 45 days within which to either accept, amend, or reject the COLA. The Idaho Legislature has never amended or rejected a PERSI Retirement Board COLA recommendation.

### CONTRIBUTION RATES

The 2008-2009 "Great Recession" did its best to derail public pension systems; we at PERSI saw asset values dive from \$11.7 billion to

\$7.7 billion in six short months. By law, the PERSI Board had to act to stabilize the fund and bring its liabilities in line with Idaho Statute, so in 2009 we authorized a series of three contribution rate increases totaling 5.31%. The first rate increase (1.5%) took effect July 1, 2013, and last year the Board elected to postpone the 2 remaining increases (totaling 3.31%) for one year. Again, considering excellent investment performance (averaging 12.2% over the last five years), and the maturity and stability of the fund, we felt it prudent and timely to provide some relief for active members and employers. The Board unanimously chose to permanently eliminate the two remaining contribution rate increases\*. That leaves existing contribution rates for general members where they are (11.32 for employers and 6.79 for employees) for the foreseeable future. These rates are a lower percentage of pay than they were fifteen years ago.

### FIREFIGHTERS' RETIREMENT FUND (FRF)

I am particularly proud of our accomplishments on behalf of the employers, members, and retirees of the Firefighters' Retirement Fund (FRF). Back in 1980, just a few short years before I joined the PERSI Board, Idaho lawmakers rescued what was then a woefully underfunded, failing retirement system for Idaho firefighters. Retirement security for hundreds of dedicated public safety profes

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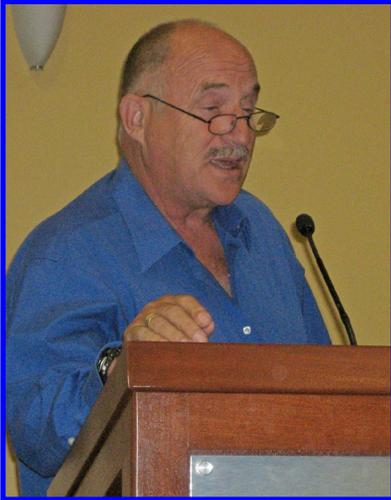
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# Insights

## PERSppectives from the "Other Side"

### -- Planning Your Own Retirement, by Dale Toweill --



*Dale Toweill recently spoke about retirement at the Idaho Fish and Game Department's 27<sup>th</sup> Annual In-Service Training School.*

As a recent (November 2012) PERSI retiree, I was asked to share my perspectives about retirement with a group of state employees. What could I share "from the other side" with former colleagues about to make the transition?

Retirement is a major life change, as different from your working life as was the transition from the "learning years" of high school and college to the "working years" of PERSI employment. In retirement, no supervisor sets your schedule or fills your calendar. You (and your spouse, if married) decide how you spend your time, whether pursuing hobbies, volunteering service to others, travel, continued education, fishing, or whatever.

The most important advice is to focus on what YOU want life in retirement to become! YOU decide what matters ... and YOU decide how to make that happen. If you do, retirement can be the most fulfilling time of your life. However, if you fail to take charge of your time, retirement may leave you bored and restless.

Almost all the questions potential retirees ask are related to finances, but in my experience finances are the wrong place to focus. Instead, your focus should be on establishing a new social network. Have a hobby? Join a club! Love to learn? Explore

classes offered online or through Community Education. Enjoy helping others? Volunteer your time to help others through your church or civic projects. Plan times to visit friends and family.

When planning, factor in activities that are inexpensive, fulfilling, and which require you to stay active. Train dogs, play golf, hike with friends, or join the gym. Physical activity is one key aspect of a healthy life-style ... and it is essential to your well-being as you age. Only AFTER you have considered how you will spend your time can you really focus on addressing a budget.

***"The most important advice is to focus on what YOU want life in retirement to become!"***

Your spending patterns WILL change after retirement, probably significantly. Knowing this, one of the critical things to do to prepare for retirement is to be sure you (and your spouse) thoroughly understand where your money goes before retirement. I recommend carefully tracking expenditures at least a year before your retirement, to be certain you both understand what you need, what you can eliminate, and what you can "re-program" for new activities. I was able to pay off my mortgage, which helped considerably as I added increased costs for health insurance and long-term care.

I also recommend you go through the drill of estate planning, as it helps ensure that you won't miss critical considerations. In my case, that review identified the need for long-term care insurance, a new (and significant) cost.

The bottom line (assuming you have a full PERSI retirement) is that your income is unlikely to change

much when your PERSI pension is supplemented by Social Security (and possibly, a pension and social security for your spouse). While you are unlikely to suddenly become wealthy, you may find (as I did) that you have as much disposable income following retirement as before, since you will no longer be spending money on work-related items such as a daily commute, and no longer contributing to long-term savings.

Retirement gives you freedom to focus on what matters to you, to define what it means to fully enjoy your life and family, and perhaps leave that legacy you always longed to have time for. So unless you have a burning desire to try a new activity that can also supplement your income, don't retire just to rush into a new job.

In fact, don't plan on supplementing your retirement income (or drawing down your retirement savings unless absolutely necessary) for the first year after retirement. Make a real commitment to retire, and give yourself a year to adjust to your new-found freedom as well as your new budget. You will learn something about yourself as you add or eliminate activities over the first year or two. I recommend that you leave the savings you accumulated during your working years untouched, to provide the necessary cushion for cost-of-living changes and unforeseen medical or other needs that inevitably appear as we age.

So, make the plunge ... and I hope that you find your retirement as fulfilling as I have found mine!

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## E-NEWSLETTERS: WE STILL NEED EMAIL ADDRESSES.

With the third quarter behind us, we are making progress in converting the active member *PERSpectives* newsletter from paper delivery to electronic -- and again, we are asking all members who have not already signed up for myPERSI, or provided PERSI with an email address to please do so right away!

Once you're signed up, you will automatically receive the quarterly *PERSpectives* e-newsletter. Just look for the myPERSI Login button on our home page.

myPERSI Login

From there, it takes only a few minutes, and once you're set up, you'll be able to access information about your Base Plan and Choice 401(k) Plan accounts, as well as all sorts of helpful retirement planning tools.

The electronic newsletter will continue to provide all the information you expect in the paper format, along with many additional new resources -- all while saving money, paper and time. This transition will not happen overnight. While we already have a majority of member email addresses, we still need some of you to

enroll in the myPERSI portal on the PERSI website ([www.persi.idaho.gov](http://www.persi.idaho.gov)).

We began phasing out the mailing process starting first quarter, 2014. Those members for whom we already have email addresses will receive an electronic newsletter. We realize this conversion does not have a "one size fits all" approach, so if you choose not to set up a myPERSI account, or you want to continue receiving a paper newsletter in the mail, just call PERSI Member Services at 1-800-451-8228 and we will assist you over the phone.

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## CHECK YOUR ANNUAL STATEMENT!

Each September, PERSI sends active and inactive members a Base Plan statement that reflects account data as of the end of PERSI's most recent fiscal year (June 30, 2014). This unaudited offering provides valuable, specific information about your retirement, death, separation, and disability retirement benefits.

Besides mailing statements to members, PERSI also makes them available online. You can access your personal statement using the myPERSI () button on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Please carefully review the credited service and beneficiary sections of your statement, and report any discrepancies to PERSI's Member Service Center at 1-800-451-8228.

***Reminder: The Base Plan annual statement should not be confused with Choice 401(k) Plan year-end statements. Those will be mailed separately to participating members by the plan record keeper, Xerox HR Solutions (usually in late January or early February).***

sionals was in jeopardy, so the Legislature closed the fund to new members and entrusted administration of the fund and its investments to the PERSI Retirement Board. (From that point on, all new eligible hires were to be enrolled in PERSI.) In the 35 years since then, PERSI has been able to keep FRF retirees whole, and fortify the fund to the point where, today, it is fully funded at approximately 110%. This dramatic turnaround has afforded the Board a long-awaited opportunity to provide contribution relief to the 22 cities, counties and fire districts across the state, dutifully paying 17.24% of payroll into the fund since 1980. Effective January 1<sup>st</sup>, 2015, these 22 employers' contributions will be reduced to 5% of payroll - effectively saving them a total of nearly \$7.75 million each year moving forward. We made this decision with confidence that

contribution rates will likely never go up in the future, and every single retiree's and beneficiary's FRF benefit will be secure and paid for, until the very last one passes.

The last six years have been a real grind for PERSI members, staff, and leadership. Now is the first time we have been in a position to affect this much positive change since 2001, when the system exceeded 113% funded and we were able to return nearly \$155 million back to members -- both active and retired -- in a historic one-time gain sharing event. It sure feels good to be back! I hope today's news serves as evidence that your retirement is secure, and in good hands. Thank you for your dedicated service to the people of your community and the State of Idaho.

**\*Final COLA and contribution rates are subject to Board acceptance of the final fiscal year 2014 valuation, and legislative review. The COLA recommendations are submitted to the Legislature in late December, before the start of their session. They then have 45 days within which to either accept, amend, or reject the COLA. The final COLA will take effect March 1, 2015. Not all retirees will receive the full 4% COLA. Individual COLA calculations will be based on the retiree's date of last contribution. Retirees will receive a detailed remittance letter in March.**



[www.persi.idaho.gov](http://www.persi.idaho.gov)

**PERSI INVESTMENT NEWS**  
*for Base Plan as of September 19, 2014*

**Value of the Fund:**  
**\$14,801,628,284**

**Fiscal Year Change in Market Value:**  
**\$ 115,045,188**

**Fiscal Year-to-Date Returns:**  
**0.4%**

**Month-to-Date Returns:**  
**-0.8%**

\*Posted monthly on PERSI website: [www.persi.idaho.gov/](http://www.persi.idaho.gov/)  
 Fiscal Year 7/1/2014 - 6/30/2015

**IDAHO**  
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 Public Employee Retirement System of Idaho

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