



PERSipectives



Fourth Quarter 2014

Public Employee Retirement System of Idaho

YOUR PERSI BASE PLAN GETS YOU IN THE RACE -- *What You Can Do to Go BIG!* --

PERSI's mission is to provide a sound retirement system and high quality service and education to help Idaho public employees build a secure retirement.

If you think of retirement as a foot race, PERSI provides you with two very powerful advantages to help you not only compete, but potentially pull away, finishing (retiring) way ahead of the pack. Effective use of the PERSI Base Plan and Choice 401(k) Plan could be the difference between an adequate retirement and a comfortable one.

PERSI Base Plan Gets You into the Race!

In today's uncertain world, knowing that PERSI's Base Plan will provide a lifetime benefit that supplements Social Security and personal savings provides reassurance to members. The disability and death benefits provide an additional safety net for the whole family. Because the Base Plan is a defined benefit plan, the lifetime allowance you receive at retirement is not solely dependent on the amount of money you contribute. Now you know what PERSI can do for you. Read on to learn more about what YOU can do to set yourself up for an even better retirement.

Go Now, Go BIG!

Since 2001, The PERSI Choice 401(k) Plan has allowed members to voluntarily contribute to a 401(k) account and to direct investments among a variety of investment options. Participating in the PERSI Choice 401(k) Plan may be one of the smartest moves you'll ever make. It is an easy way to accumulate money for your future. While the PERSI Base Plan is a great retirement plan by itself, you'll probably need more than

the Base Plan and Social Security to enjoy the kind of comfortable retirement you want.

The best way to finance a comfortable retirement is by saving and investing while you are still working. Some of the advantages of your PERSI Choice 401(k) Plan:

- Save on current taxes.
- Savings grow faster with tax-deferred compounding.
- Payroll deduction is convenient and easy.
- You can take your money with you if you change jobs.

Every Little Bit Counts

Every bit you save – no matter how large or small – increases your retirement resources (nest egg). If you think you have plenty of time to start saving in the PERSI Choice 401(k) Plan, here are some things to consider:

It pays to start early. Even if you start small, your nest egg will grow over time. Let's compare the ending balances of two hypothetical participants at age 65 – one who began saving at age 21 and contributed for only 10 years and the other who began saving at age 31 and contributed until age 65. The illustration on page 3 shows the significant advantage of starting sooner rather

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Insights

SICK LEAVE AND FOUR-DAY WORK WEEKS (SCHOOL DISTRICTS)

In order to act in the best interest of all of our members, PERSI is obligated to make equitable adjustments to sick leave balances for any school district employee working a four-day work week (IDAPA 59.01.06.550).

In order to accurately calculate each member's adjustment, PERSI obtains information from each school district to determine when the switch to four day weeks happened, contract amounts and number of work days. Because the amount of sick leave available to use for insurance purposes is determined based on *daily rate of pay*, and the simple mathematical fact that given an equal contract amount, someone working fewer days (4 versus 5 days) would have a higher *daily rate of pay*. Because of this, PERSI must make an equitable adjustment.

The examples below are meant to help explain how the unused sick leave benefit is calculated by PERSI, and show how this adjustment is needed in order to make it equitable to those who work a five-day work week:

4-day work week Example:

- Contract amount: \$65,000
- 165 working days in contract (4-day work week)
- 200 unused sick leave days at time of retirement
- $\$65,000 / 165 =$ Daily rate of pay of \$393.94
- 200 sick leave days / 2 = 100 days (per statute, only $\frac{1}{2}$ sick leave days can be used for this purpose)
- $\$393.94 \times 100 =$ \$39,394 for insurance purposes

5-Day Work Week Example:

- Contract amount: \$65,000
- 198 working days in contract
- 200 unused sick leave days at time of retirement
- $\$65,000 / 198 =$ Daily rate of pay of \$328.29
- 200 sick days / 2 = 100 days (per statute, only $\frac{1}{2}$ sick leave days can be used for this purpose)
- $328.29 \times 100 =$ \$32,829 for insurance purposes

In the above example, without an adjustment, someone working a 5-day work week would be credited with \$32,829, while someone working a 4-day work week would be credited \$39,394, or \$6,565 (16%) more than their 5-day counterpart, with all other things being equal. PERSI must make an adjustment to the 4-day work week member in order to address this inequity, by reducing their benefit by 16%. The above is a hypothetical example. The actual amount that was used to make the equitable adjustment is dependent upon the actual contract hours in a given particular situation.

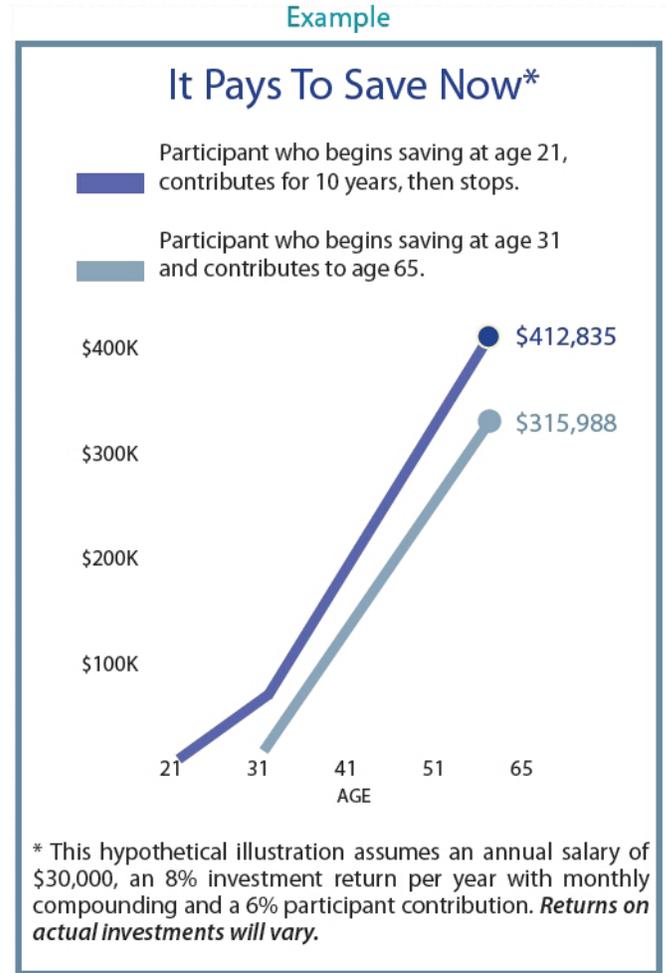
We hope this has been helpful in explaining why the adjustment may be necessary to an individual's unused sick leave. If you have any questions please contact the PERSI Answer Center at 1-800-451-8228.

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than later. Beginning today and saving for just 10 years will add up to more than if you wait 10 years, then save for the next 34 years.

As you can see in the example, there's a benefit to starting early. The participant who started saving at age 21 and stopped at age 31 has \$412,835 at age 65. The other participant, who started saving at age 31 and saved for the next 34 years, has substantially less – \$315,988. Still a good amount of money, but far less than the person who began making contributions early in their career.

Even if you're not in your 20s anymore, time can be on your side; so start now. Through compounding, your investment earns even more. If you start now, you can put away a good-sized nest egg.



Questions?
Call the **PERSI Answer Center**
Toll-free
1-800-451-8228
www.persi.idaho.gov

REGULAR INTEREST FOR CALENDAR YEAR 2015

At the October Retirement Board meeting, PERSI Financial Officer, Jim Monroe announced member Base Plan accounts will earn 15.04% from January 1, 2015 through December 31, 2015.

Every PERSI member has a personal Base plan account. Employee contributions go into personal accounts, while employer contributions go into the Trust to fund future

benefits for all members. The money in a member's personal Base Plan account plus any interest earned always belongs to the member.

LONG-TIME PERSI TRUSTEE RETIRING

PERSI wants to recognize Trustee Bill Deal for his many years of service on the Retirement Board, as he prepares to enter the ranks of PERSI retirees!



Trustee Deal recently announced plans to retire from his position as Director of the State of Idaho Department of Insurance, effective

December 31st. He is also stepping down from his position on the PERSI Retirement Board, which he has held since 2007.

Trustee Deal helped steer PERSI through the troubled waters of the "Great Recession" and is leaving PERSI in a very stable position. He will be missed.

The Governor has not yet named a replacement to fill Trustee Deal's seat on the Board.

PERSI EMPLOYEE and MANAGER OF THE YEAR

PERSI is proud to introduce 2014 Employee of the Year, Ryan Evey. Ryan has worked extensively during this past year on helping our employers become certified in our new IRIS reporting system so they can transmit their monthly payroll data to us using IRIS.



This involved working with more than 700 employers and vendors who submitted multiple test files during the certification process. Ryan is patient, helpful and diligent in his efforts. The certification process is a rigorous undertaking for our employers. Ryan's guidance and commitment are instrumental in the success of the employer reporting phase of PERSI's new IRIS system.

Congratulations to PERSI Manager of the Year, Melody Hodges! This past year, Melody stepped up to help when we really needed her. With 20 years of PERSI knowledge, Melody was able to fill in when we had key staff and other managers out. Melody maintains a very positive attitude and is well respected by staff for her knowledge and commitment to PERSI.



In addition, Melody has been instrumental in the development of PERSI's new pension administration system, IRIS. Melody is also very committed to our members and is able to resolve their inquiries and questions in a professional, thorough manner, resulting in many compliments from members about the service she provides.



PERSI INVESTMENT NEWS

for Base Plan as of November 28, 2014

Value of the Fund:

\$14,873,572,728

Fiscal Year Change in Market Value:

\$ 186,989,632

Fiscal Year-to-Date Returns:

1.5%

Month-to-Date Returns:

1.5%

*Posted monthly on PERSI website: www.persi.idaho.gov/
Fiscal Year 7/1/2014 - 6/30/2015

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PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
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Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code.