



Boise | Coeur d'Alene | Pocatello

PERSpectives FOR ACTIVE MEMBERS

Public Employee Retirement System of Idaho

Fourth Quarter 2018

TOPICS / Trustee J. Kirk Sullivan Retires From PERSI Retirement Board pg. 1 / PERSI Retirement Board Makes Decisions About Rates and COLA pg. 2-3
PERSI Employees Celebrate The Holidays By Helping The Idaho Foodbank pg. 3 / Service Interruption In January pg. 3 / Bulletin pg. 4 /
Investment News pg. 4

TRUSTEE J. KIRK SULLIVAN RETIRES FROM PERSI RETIREMENT BOARD

Following the December 2018 Public Employee Retirement System of Idaho (PERSI) Board meeting, Trustee J. Kirk Sullivan announced his retirement from the Board. Trustee Sullivan was first appointed by Idaho Governor Phil Batt in 1996 and served a total of 22 years on the Board.

Learning of Trustee Sullivan's retirement, former Chairman of the Board Jody B. Olson said, "Kirk Sullivan has an incredible internal sense of boundaries. In over twenty years working together as fellow PERSI trustees, his only concern was to do the right thing for the public employees of Idaho. Every PERSI retiree owes a portion of their check to Kirk's diligence."

Since Trustee Sullivan's appointment in 1996, PERSI membership has grown from 57,000 public employees and retirees to nearly 150,000 today, and assets under management by the Board have grown from \$4 billion in 1996 to nearly \$17 billion today. Trustee Sullivan helped guide PERSI during the booming market of the late 1990's which led to the creation of the PERSI Choice 401(k) Plan for Idaho public employees. His steady influence also helped the Board navigate through tougher times, including the "Great Recession" of 2008-2009, which decimated many public retirement systems nationwide, but from which PERSI was quick to recover.

"It has been one of my greatest honors to be able to help secure dignity and stability in retirement for Idaho's teachers, police, firefighters, and many thousands of other public servants over the years," said Sullivan. "I am proud of the many accomplishments of the Board during my tenure, and I am confident I am leaving the PERSI Trust and its membership in good hands."

PERSI will announce a replacement Trustee as soon as the Governor's office makes a selection.



J. Kirk Sullivan



PERSI RETIREMENT BOARD MAKES DECISIONS ABOUT RATES AND COLA

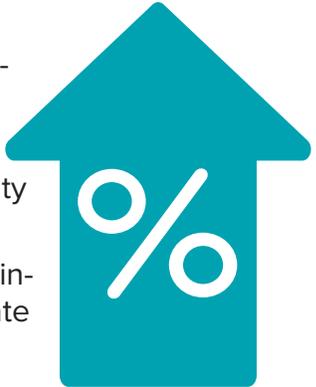
CONTRIBUTION RATE INCREASE

After reaching all-time highs at the end of August, the capital markets have seen significant volatility and drops starting in October. In particular, Wednesday, October 10th, saw the steepest plunge in the US stock markets since early February. The Dow was down -831 points and the S&P dropped -3.3%.

The current forecast for the capital markets is a continuation of occasional volatility and general sideways movement for the immediate future.

The Board, while giving strong consideration to postponing the contribution rate increase, determined that it would be in the best interest of the fund to allow the rate increase to go into effect.

The contribution rate increase will go into effect on July 1, 2019. The rates will be:



PUBLIC SAFETY

EMPLOYER 12.28% EMPLOYEE 8.81%

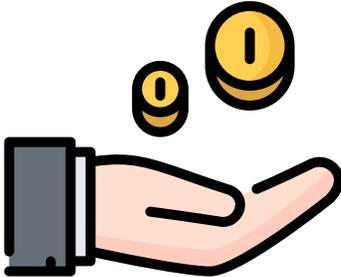
GENERAL MEMBER

EMPLOYER 11.94% EMPLOYEE 7.16%

REGULAR INTEREST RATE

The regular interest rate PERSI members will earn on their personal Base Plan accounts from January 1, 2019, through December 31, 2019, will be 7.57%.

Members are paid interest on their PERSI account balances at a rate determined annually by a formula established in PERSI rules. By rule, regular interest for each calendar year is the greater of 90% of the rate of return on the PERSI fund, net of all expenses for the fiscal year ending immediately prior to the calendar year as reported in the actuary’s annual valuation report, or 1%.



The amount of money and/or interest in a Base Plan account is only important in the event of a lump sum separation benefit or death benefit payment. The amount of money and/or interest in a Base Plan account is not a factor in the calculation of a retirement benefit.

All credited interest will be paid to the member in the event of a separation withdrawal or member’s in the case of a member’s death, a lump sum death payment is made to the member’s beneficiary.

As a reminder, every PERSI member has a personal Base Plan account. Contributions paid by employees go directly into individual accounts, held just for them. The money in those individual Base Plan accounts, plus any interest earned, will always belong to the members and will never be lost due to market conditions.

Employer contributions go into the Trust to fund future benefits for all members.

COST-OF-LIVING ADJUSTMENT

At the December 4, 2018 meeting, the Retirement Board discussed the cost-of-living adjustment

continued on page 3...

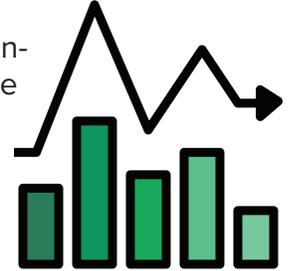


...continued from page 2

(COLA) for retirees. Trustees believe it is better to remain cautious as markets continue to see volatility (the Dow plummeted nearly 800 points during the day of the meeting) and therefore, took no action.

The legislatively-mandated 1% COLA goes into effect on March 1, 2019.

Retirees in the first year of retirement will receive a proration of the 1% COLA based on the number of months they have been retired.



PERSI EMPLOYEES CELEBRATE THE HOLIDAYS BY HELPING THE IDAHO FOODBANK

This past December, PERSI employees were encouraged to bring a wide variety of food items to support the Idaho Foodbank's School Pantry Program. This program works to create and promote increased access to supplemental emergency food and resources for school children and their families through family-friendly, easily-accessible pantries in an environment in which students and families already feel safe and comfortable.

Internal departments at PERSI formed teams to compete in the amount of food donated and hold a holiday decorating contest. PERSI staff were very eager to help and came through in abundance! In total, PERSI staff donated close to 1,500 pounds of food that will provide 1,195 meals. The Idaho Foodbank was thrilled by the generosity and enthusiasm our employees displayed. Great job PERSI!



Winners of Food Drive & Decorating Contest
Member Services, Quality Assurance,
and IT Departments



SERVICE INTERRUPTION IN JANUARY

PERSI's member portal, *myPERSI*, will be unavailable due to database maintenance and updates from **Friday, January 18th at 6:00 p.m. MDT through Sunday, January 20th at 4:00 a.m. MDT.** PERSI's website, www.persi.idaho.gov, will continue to be online and will not be affected by the upgrade.

If you have questions, please contact the PERSI Answer Center at 1-800-451-8228 or at (208) 334-3365.

ADVANTAGES OF YOUR PERSI CHOICE 401(k) PLAN

Considering taking a loan from your PERSI Choice 401(k) Plan? That can be tempting. Taking a loan from a 401(k) plan is easier than getting a bank loan. Plus you pay your account back with interest, through convenient payroll deductions. Sounds good so far. What are the down sides, if any?

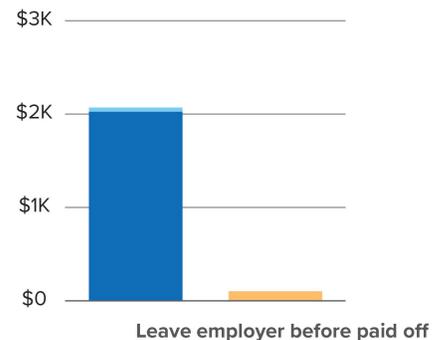
Here are some things to consider:

- The money borrowed isn't being invested. That means you miss out on the tax-deferred growth and compounded earnings on the money would have otherwise have generated.
- Your take-home pay is less because of the required loan payment.
- A 401(k) plan loan is repaid with after-tax dollars. That means future withdrawals will be taxed again on the interest component.
- If you leave your job before the loan is repaid, you still have to pay the loan in full. If not, the loan goes into default and becomes taxable income. It may also be subject to the IRS' 10% penalty for withdrawals prior to age 59-1/2.

Total potential costs of taking loan

\$2,263

- Lost investment growth: **\$2,013**
- Loan fees: **\$75**
- Default risk: **\$175**



Empower Retirement, the recordkeeper for the Choice Plan, has a calculator on its website, pre-login (www.mypersi40k.com - "Learning center" then "Wellness and financial resource center," then "calculators," then "Borrowing from your retirement plan") that can help evaluate the pros and cons of taking a loan. The loan calculator is also available after logging into your account.

The chart shows the potential cost for a loan based on these assumptions: \$5,000 loan, 5-year repayment period, 6% current interest rate, current federal income tax rate of 25%, \$75 loan origination fee, the probability they'll leave their employer before the loan is repaid is low, and a 7% expected annual rate.

In this example, the person has a potential lost investment growth of \$2,013, a \$75 loan fee, and a default risk (leaving employment and not repaying the loan) of \$175. The total potential cost for this loan is \$2,263.

If you would like to learn more, you can reach a representative at 866-437-3774 on Saturdays from 7:00 a.m. to 3:30 p.m. and Monday – Friday, 6:00 a.m. to 8:00 p.m. Mountain Time.

PERSI INVESTMENT NEWS AS OF December 18, 2018

VALUE OF THE FUND
\$ 16,709,376,292

FISCAL YEAR CHANGE IN MARKET VALUE
\$(744,052,500)

FISCAL YEAR-TO-DATE RETURNS: -3.5%

MONTH-TO-DATE RETURNS: -3.5%

*Posted monthly at www.persi.idaho.gov
Fiscal Year July 1, 2018 - June 30, 2019

RETIREMENT BOARD OF DIRECTORS

Jeff Cilek, *Chairman*
J. Kirk Sullivan, *Trustee*
Joy Fisher, *Trustee*
Celia R. Gould, *Trustee*
Park Price, *Trustee*

Executive Director • Donald Drum
Deputy Director • Michael L. Hampton
Public Information Officer • Jenny Flint



FIND US ON FACEBOOK

www.persi.idaho.gov

Costs associated with this publication are available from PERSI in accordance with Idaho Code 60-202.