



PERSpectives



Fourth Quarter 2007

Public Employee Retirement System of Idaho

DON'T LET TAXES STRESS YOU OUT...GET ORGANIZED

Now that the holidays are over, your mailbox is no longer filled with holiday greeting cards; soon you can expect to start receiving year-end statements and other necessary documents for filing your 2007 taxes. For many of us, the next few months will be stressful. Although the best time to prepare for tax season is the year before you have to file, it's not too late to get organized and reduce the stress filing taxes can bring.

Start Early

If you don't prepare your own taxes, schedule an appointment with your tax preparer for late February. The closer it gets to the April filing deadline, the harder it will be to get an appointment. With an appointment set, you'll be more likely to stay on track in getting organized for the meeting. Plus, an early appointment will allow the tax preparer ample time to go over your documents, review your return, and possibly offer advice for next year's taxes. If you do prepare your own taxes, set a deadline for getting them done so you stay focused and have plenty of time to review the return before you file.

Organize Your Documents

Getting organized is easier if you know which documents you need. Here's a short list of some of the most common forms you'll need:

Income

- W-2s
- 1099-Misc.
- Social Security statement (1099-SSA)
- Dividend and interest statements (1099-DIV and 1099-INT)
- Brokerage statements (1099-B) (along with statements showing when you bought/sold investments)
- Proof of alimony received
- Jury pay

- Retirement distributions (1099-R)
- Record of income and expenses for any rental property you own
- Record of income and expenses for self-employment

Deductions

- Health care expenses (doctor, dentist, insurance premiums, eye care, prescriptions)
- Property taxes
- Charitable gifts
- Last year's tax preparation fees
- Job-related expenses (uniforms, publications, education, union dues)
- Loss of property due to casualty or theft
- Home office expenses

Misc. Documents

- Moving expenses
- Educational expenses (college tuition)
- Student loan interest (1098-E)
- Child or adult day care expenses
- IRA contributions

Sort, Eliminate, and File

As documents such as your W-2 form come in, put them in a single container. Do the same with the receipts and documents you already have on hand. Keeping everything in one place will make organizing them easier. As you begin sorting through the mounds of paper you've held on to during the past year, decide what's necessary and what can be eliminated. Keep the receipts and documents necessary for filing your taxes and get rid of the rest (unless you need them for a home office deduction or for warranty purposes).

Inside this issue:
 Your 1099-R From.....2
 Investment News.....4

continued on page 3

Insights

UNDERSTANDING YOUR 1099-R

Shortly after the first of the year, you will receive your PERSI 1099-R, an important document you'll need when filing your taxes. The form contains information about the Base Plan benefits paid the preceding year and is provided to retirees and to the Internal Revenue Service (IRS).

A separate 1099-R is sent to all retirees who had a distribution from their Choice Plan 401(k) account during the year. Members can easily identify which 1099 applies to which account by the looking at the Payer's Federal Identification Number. The identification numbers for the two plans are:

- Base Plan 82-0262042
- Choice Plan 82-6000952

At certain times you might receive more than one Base Plan 1099-R from PERSI. When this happens, you can calculate the total of Base Plan benefits received by adding the amounts on the forms together. But be careful to do this only with Base Plan forms. You should never add a Base Plan and Choice Plan 1099-R together.

The most common reasons a member receives two Base Plan 1099-R forms include:

- **Turned Age 59½ During Calendar Year**

If a member reaches age 59½ during the calendar year, they will receive two Base Plan 1099-R forms. The form for the months prior to age 59½ contains a Code 2 in box 7. The form for the member at age 59½ contains a Code 7 in box 7.

- **Lump Sum Distribution and Annuity**

Members who have both a lump sum distribution and an annuity during the year, will receive two Base Plan 1099-R forms.

- **Disabled Retiree - Service Retirement Age**

If a retiree who is on PERSI disability reaches service retirement age, they will receive two Base Plan forms. The form for the disability retirement benefit contains a Code 3 in box 7. The form for

the service retirement benefit contains a Code 7 in box 7.

- **Funds Transferred from Choice Plan Account**

If a member had a distribution from Choice Plan funds, they will receive a Choice Plan 1099-R in addition to the 1099-R form(s) received for the Base Plan. The IRS requires a 1099-R be sent anytime money is moved out of a qualified retirement plan whether it is a taxable event or not. The "Distribution Code" in Box 7 of the form identifies the type of distribution. For a direct rollover to a qualified plan (including a purchase of PERSI Base Plan service), a tax-sheltered annuity, a government 457(b) plan, or qualified IRA, the Distribution Code will be "G". If the Distribution Code is "G" the event was not taxable.

Boxes on a 1099-R Form

Box 1 Gross Distribution: The total amount of money distributed to you during 2007.

Box 2(a) Taxable Amount: The amount you paid in taxes and should be entered on your Form 1040.

Box 4 Federal Income Tax Withheld: The amount of federal tax withheld from your distributions.

Box 5 Non-taxable contributions, if any, recovered tax-free during the year. This does NOT include health insurance premiums.

Box 7 Distribution Codes: Indicates to the IRS what type of taxable distribution the 1099 is for and whether you are over or under age 59½. *Codes are listed on the back of the 1099 form.*

Box 10 State Tax Withheld: The amount of state tax deducted from your monthly benefit.

Box 11 PERSI state identification number

Boxes 2b, 6, 8, 9a and b, and 12-15 are not applicable to your PERSI 1099-R form.

Call the PERSI Answer Center at 1-800-451-8228 or 334-3365 if you have questions about your 1099 -R.

BOARD APPROVES MAXIMUM COLA FOR RETIREES

- Why is it different from the Social Security COLA? -

At its October meeting, the Retirement Board voted to give PERSI retirees the maximum cost of living adjustment (COLA) allowed, which will be 2 percent in 2008, subject to legislative approval. If approved, the increase will be in the March benefit checks.

Retirees have asked why their PERSI COLA differs from the one given by Social Security. Simply put, they are calculated differently. The following explains how both are calculated:

Social Security bases its COLA on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) from the third quarter of the previous year to the corresponding quarter of the current year.

The PERSI COLA is tied to the Consumer Price Index for All Urban Consumers (CPI-U) for the 12 months ending August of the current year, and may not exceed the CPI or 6 percent, whichever is less. The COLA is also tied to the growth in the retirement fund's actuarial assets.

These two CPI numbers are not the same, therefore the PERSI COLA is usually different from the Social Security COLA. For 2008, the Social Security COLA was 2.3 percent, .3 percent higher than PERSI; however, it should be noted that last year PERSI's COLA was .5 percent higher than the Social Security COLA. So it's easy to see that over time, things have a way of balancing out. For more information about the Social Security COLA, visit the Social Security Web site at www.ssa.gov.

Taxes continued from page 1

Now that you're organized, you can relax until the appointment with your professional tax preparer. Or, if you plan to prepare your own return, you can get started. You may want to consider using one of the several tax software packages now available. (*PERSI is neither promoting nor endorsing these products.*) To find out more about the various software packages, go online so you can compare features and costs. (Remember, if you purchase tax software keep the receipt and deduct it from next year's taxes.)

The advantage of using tax software is that much of the guess work is eliminated. Tax software programs are typically step-by-step; therefore, you can complete a tax return faster and with fewer errors than doing it manually. Most tax software packages offer both state and federal tax forms and will transfer the information from your federal return over to your state return. This saves time and guarantees that the information found on your state tax return is the same as your federal return. The majority of the packages also offer e-filing, which can expedite a refund if you are entitled to one.

What to Do if You Can't Make the Deadline

If you simply can't meet the April 15th filing deadline, you can get an extension by completing a Form 4868 and sending it to the Internal Revenue Service on or before the filing deadline. But remember, this is just an extension, you must still file your tax return. And, if you think

you're going to owe taxes, you will still need to pay your estimated balance by the April 15th deadline. Be careful when estimating your tax liability, because you may owe penalties and interest if you underpay.



Get Ready for Next Year

Rather than starting over next year, use the same system you used this year. Empty the container where you stored your documents and receipts, put these papers along with a copy of your tax returns in a safe place. If you're ever audited, you can go right to the file. Use the empty container where you kept this year's documents to start keeping next year's paperwork. When it comes time to sort through receipts, all the necessary ones will be centralized in your tax container.

If you get organized you can take the stress out of doing your taxes. Good Luck!

RETIREE
PERSpectives
Public Employee Retirement System of Idaho

PERSpectives is published for members of the Public Employee Retirement System of Idaho
607 North 8th Street, Boise, ID 83702
Base Plan: 208.334.3365 or 1.800.451.8228
Choice Plan: 1.866.437.3774
www.persi.idaho.gov

RETIREMENT BOARD
Jody B. Olson, Chairman
Jeff Cilek, William "Bill" Deal,
Clifford T. Hayes, J. Kirk Sullivan

Alan H. Winkle, Executive Director
Patrice Perow, Editor

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

DRS/PIDnws-12-07

PERSI INVESTMENT NEWS

*as of December 11, 2007**

Value of the Fund:

\$11,874,322,735

Fiscal Year Change in Market Value:

\$411,744,322

Fiscal Year-to-Date Returns:

3.8%

Month-to-Date Returns:

0.8%

*Posted monthly on PERSI Web site: www.persi.idaho.gov



PERSI
P.O. BOX 83720
Boise, ID 83720-0078

PRSRT STD
U.S. POSTAGE PAID
PERMIT NO.1
BOISE, IDAHO