



PERSpectives



Fourth Quarter 2008

Public Employee Retirement System of Idaho

PERSI SOUND DESPITE CONTINUED MARKET VOLATILITY -a message from Executive Director Don Drum-

While the financial news continues to be bleak, I can assure you PERSI remains sound. Although PERSI has not been immune from the challenges brought on by stock market fluctuations, the strength of the PERSI mission, our business model, and our fiscally conservative investment policy have continued to serve us well during these turbulent times.

When financial markets enter a downturn, PERSI inevitably hears from members who are concerned about their benefits. I believe challenging conditions present opportunities. PERSI has looked for opportunities to keep members informed about the health of the fund. Besides providing information in our newsletters, we have posted updates on our Web site at www.persi.idaho.gov and our Answer Center staff is available Monday-Friday from 7:30 a.m. to 5:30 p.m. (MT) to respond to your inquiries. In the Boise area call 334-3365, and from outside the Treasure Valley call toll-free 1(800) 451-8228 with your questions.

Despite the troubling times, we will continue to meet our obligations by paying benefits as they are due, and by providing the same – or even better – customer service. Members are invited to attend the monthly board meetings, which are generally held in the Boise office the fourth Tuesday of each month starting at 8:30 a.m. The schedule is posted on the PERSI Web site. Each board meeting begins with a 40-minute presentation and discussion on the status

of the system by PERSI’s Chief Investment Officer Bob Maynard and the investment managers. A monthly investment report is posted to the PERSI Web site following the meeting.

No one knows when the economy will stabilize; but I do know as long as there is a State of Idaho, your retirement benefits will be there because they are guaranteed by law. Unlike the Base Plan, there are no guarantees with the Choice Plan. Unfortunately investing can be risky. If you’re considering pulling out your money, it might help if you compare your trip to retirement to air travel. You wouldn’t think of jumping out of a plane because of turbulence...you would stay in the aircraft and continue the flight to your final destination. Our economy has a history of resilience, so if you ride out the turbulence, the value of your Choice Plan account has the potential to increase by the time you reach your final retirement destination.

I can’t tell you when things will turn around, but I can promise to continue updating you on the status of the PERSI fund.



Executive Director
Don Drum

NEW DEPUTY DIRECTOR NAMED



Bill Oldham

PERSI is pleased to announce that Bill Oldham has accepted the position of Deputy Director. He comes to PERSI from Analyze Soft, Inc., where he served as Vice President of Business Development for the past 2 years. Bill previously spent nearly 4 years working for the Idaho Department of Corrections as an Administrator for the Management Services Division and as the General Manager for Idaho Correctional Industries. He holds a master’s degree in Business Administration from Alaska Pacific University. His 30 years of operations and management experience, along with existing relationships within Idaho state government, position him for success at PERSI.

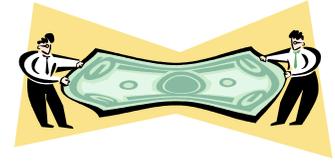
Inside this issue:

- Budgeting in Retirement...2
- Investment News.....4
- 2009 COLA.....4

Insights

STRETCHING YOUR MONEY

- living on a fixed income can be challenging -



If you're like most retirees, you live on a fixed income, and in these difficult economic times you may find it challenging to make ends meet. At the end of the month you may be asking yourself, "Where did all my money go?" The goal is to make your money last not only through each month, but also for the rest of your life... which could be another 25 years due to increased life expectancy. You may fare better if you make a budget, monitor your income and expenses, take corrective action, and hope for the best, but plan for the worst.

Not having enough for emergencies is a top issue for retirees. As a result, many retirees have come to rely more heavily on credit cards. While a credit card may solve an immediate emergency, racking up debt creates a problem. According to AARP, 59 percent of Americans age 65 or older already have difficulty paying for housing, food, gas, and medicine — so forget having anything left for an emergency. Using credit cards to sustain themselves has caused more retirees to turn to consumer credit counseling centers to avoid bankruptcy. This is a new phenomenon; it's usually the young or middle aged adults who get into financial troubles. But with inflation, increased cost of living, rising food prices, and higher utility costs, retirees on fixed incomes are feeling the pinch.

A retiree's own children are often an overlooked financial "burden." The recession has hit everyone in the pocketbook. AARP reports that more than one-third of retirees are tapping what little reserve they have to help their adult children make ends meet during these tough economic times. Many retirees also find themselves caring for adult children with medical issues, which drains their income as well as their emotional and physical reserves.

To cut costs, some retirees relocate to another city where the cost of living is substantially lower or even to another state where there is no income tax; but for most retirees this isn't a viable solution. Many retirees need and want to be near family, so it makes sense to find other ways to reduce expenses.

In many cases, there just isn't a way to get around expenses. After all you need housing, food, and utilities; but there might be ways to cut back without radically changing your lifestyle. Living below your means is a strategy that works for some. You're probably familiar with "living above your means," which translates to spending more than you earn. Conversely, "living below your means" translates to spending less than you bring in. Applying this strategy doesn't mean you have to deprive yourself of little indulgences; it simply means using a sensible approach to living and spending. For example, take advantage of free movies from your library instead of paying to rent them from the video store or getting them off cable. Start a garden with your friends to cut the cost of buying produce. You can share the work and the harvest...and stay active. It's a winning combination.

The trick is to stretch your money so you have more buying power. Start by knowing what's coming in and what's going out each month...and over the course of a year. Using the form on the next page, you can get a clearer picture of your situation and perhaps figure out where you might cut expenses.

As a PERSI retiree, you're among the lucky few. You receive a cost of living adjustment (COLA) each year to help maintain your standard of living. The COLA is tied to the Consumer Price Index for all Urban Consumers (CPI-U) for the 12 months ending in August of the current year, and may not exceed the CPI or 6 percent, whichever is less. It is also tied to the growth in the retirement fund's actuarial assets. The Retirement Board cannot declare a COLA unless the fund's actuarial assets exceed its actuarial liabilities, including the cost of the adjustment. While the 2009 COLA is probably less than what you hoped for (page 4), and your net gain may be eaten up by increased living expenses, finding steady income that produces even a 1 percent increase is better than many investments available today. So despite these trying times, being a PERSI retiree still has its advantages. Like you, PERSI is prepared for the worst, but hopes for the best in 2009.

My Money at a Glance

Date: _____

Essential Expenses

	Monthly	Annually
Housing		
Mortgage/Rent	\$	\$
Maintenance	\$	\$
Repairs	\$	\$
Insurance	\$	\$
Property Tax	\$	\$
Food	\$	\$
Clothing	\$	\$
Utilities		
Gas	\$	\$
Electric	\$	\$
Water	\$	\$
Phone	\$	\$
Other	\$	\$
Taxes		
Federal	\$	\$
State	\$	\$
Other	\$	\$
Insurance		
Auto	\$	\$
Healthcare	\$	\$
Long Term	\$	\$
Medicare	\$	\$
Life	\$	\$
Transportation		
Car Payment	\$	\$
Fuel	\$	\$
Maintenance	\$	\$
Other	\$	\$
Family Misc.		
Education	\$	\$
Parental	\$	\$
Other	\$	\$
Other	\$	\$
TOTAL	\$ _____	\$ _____

Discretionary Spending

	Monthly	Annually
Leisure/Entertainment		
Eating out	\$	\$
Movies	\$	\$
Movie Rentals	\$	\$
Cable/Satellite TV	\$	\$
Vacations	\$	\$
Travel	\$	\$
Hobbies	\$	\$
Education	\$	\$
Club Memberships	\$	\$
Charitable Contributions	\$	\$
Misc.		
Savings	\$	\$
Gifts	\$	\$
Helping Adult Children	\$	\$
TOTAL	\$ _____	\$ _____
Income		
Social Security	\$	\$
PERSI	\$	\$
Other Retirement	\$	\$
Investments	\$	\$
Rental Properties	\$	\$
Other	\$	\$
TOTAL	\$ _____	\$ _____
Shortage	\$ _____	

Where I can make cuts:

1. \$ _____
2. \$ _____
3. \$ _____
4. \$ _____
5. \$ _____



Cut and use

RETIREMENT
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

Donald D. Drum, Executive Director
Patrice Perow, Editor

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

DRS/PIDnws-12-08

PERSI INVESTMENT NEWS

as of December 14, 2008

Value of the Fund:

\$8,441,584,303

Fiscal Year Change in Market Value:

\$(2,470,141,571)

Fiscal Year-to-Date Returns:

-22.4 %

Month-to-Date Returns:

0.6%

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

COLA ANNOUNCED

On December 16, 2008, the Retirement Board approved a 1 percent cost of living adjustment (COLA) for retirees effective March 1, 2009 (subject to legislative approval). This amount was determined appropriate given the \$1.2 billion actuarial loss suffered by PERSI as a result of market volatility. In making the decision, the Board followed Idaho Statute 59-1355 that states the Board must consider not only the actuarial valuation of the fund at the end of the recently concluded fiscal year, but also the funding level and amortization period for the unfunded actuarial liability. As in years past, the board has the ability to award a retro-COLA to restore retirees to full purchasing power when the economy rebounds.



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

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