



# PERSpectives



## NATIONAL DISCUSSION TAKING PLACE ON PENSIONS

Public pension systems are the subject of a lot of speculation these days. Newspapers and 24-hour cable news networks provide a steady stream of information...some accurate, some exaggerated, and most downright scary. It's no wonder questions abound, and interest in pension systems among policy makers is at an all time high. As the Plan Administrator, PERSI focuses on providing unbiased information to members, legislators, constituency groups, and the media.

While many blame the economic downturn for the sad state of public pension systems in general, the fact is some systems were experiencing difficulty long before the global economy tumbled. The good news for PERSI members is our system was doing well before the economic crisis and is doing better than most others systems now. We are stable because we have remained true to our conservative investment policies. PERSI still has challenges, however. Despite our stability, current Idaho Code requires funding adjustments.

Knowing PERSI benefits are guaranteed by current Idaho Code has provided assurance to members for many years. Still, the national discussion has turned to interpreting pension guarantee laws. A recent article in the *New York Times* titled, "In Budget Crisis, States Take Aim at Pension Costs," hit on this topic. The article cited some experts who believe state laws give a contractual relationship to state pension members that cannot be breached; others are saying such laws are being misinterpreted.

The national debate is also weighing the merits of defined benefit plans (DB) vs. defined contribution plans (DC). While research conducted by the National Institute on Retirement Security (NIRS) indicates the cost to administer a DC plan is 46 percent higher than a DB plan, that doesn't mean policy makers across the country won't be taking a close look at discontinuing DB plans entirely. (The entire NIRS report is online at [www.nirsonline.org/storage/nirs/documents/Bang%20for%20the%20Buck%20Fact%20Sheet.pdf](http://www.nirsonline.org/storage/nirs/documents/Bang%20for%20the%20Buck%20Fact%20Sheet.pdf).)

Benefit modification is another area where some states have already initiated changes. The question of how or what to modify varies widely. In some cases, vested members are retaining current benefits and/or maintaining their benefit formula, with only new or non-vested members seeing a change. In other states, no member (regardless of vesting status) is exempt from benefit changes.

The contribution rate is also a hot topic. The ratio between what employers and employees pay towards retirement is being looked at in many states. A number of systems have already modified the amount employees pay, arguing employees should bear more responsibility for their own retirement. Last fall, the PERSI Retirement Board proposed a rate increase to comply with Idaho Code funding requirements. Phase I is slated to go into effect July 1, 2011.

Cost-of-living adjustments (COLA) are another area at the forefront of the pension discussion. Legal wrangling is underway in Colorado and Minnesota regarding the right to modify COLAs for existing retirees. The outcome of those suits could influence retirees nationwide and embolden other states to change their COLA policies. Eliminating discretionary COLAs is seen by some as a way to preserve the solvency of public pension systems. During Idaho's last legislative session a COLA recommendation by the Retirement Board was challenged. That had never happened before, so benefits once considered sacrosanct are being reviewed more closely.

PERSI will continue to monitor the national discussion on pension funding and benefits. PERSI Executive Director Don Drum is traveling the state this summer, meeting with state legislators, members, employers, and constituency groups to provide education on these issues and to encourage everyone to stay informed.

Inside this issue:

|                           |   |
|---------------------------|---|
| Credit Card Features..... | 2 |
| Going Green.....          | 3 |
| Investment News.....      | 4 |

# Insights

## CREDIT CARD FEATURES: Which card is right for you?

*This is the third article in a series on credit cards.*

At first glance all credit cards may seem the same; however, each card offers a variety of features. By understanding the differences, you will be in a better position to decide which card is right for your needs.

### INTEREST RATE

The main feature that distinguishes one credit card from another is the interest rate charged on any unpaid balance. This is known as the annual percentage rate (APR). There are different APRs for different types of balances (transfer, purchase, cash advances). The APR's can be fixed or variable and may increase if payments are late. Creditors must provide written notification before increasing the APR.

Some credit cards, such as American Express, require the balance to be paid off monthly so there is no interest charge because no balance is being carried.

Introductory interest rates can be tricky. Some companies lure in customers with a low APR for transferring balances from other credit cards or for taking a cash advance, then the cardholder is hit with a high fee for the transfer or advance. Introductory rates are limited in duration; after the low rate expires, the APR can take a dramatic jump. It's important to know what the long-term APR will be before accepting the terms.

### CREDIT LIMIT

The credit limit is the maximum amount of credit extended to a cardholder. The amount depends on the individual's credit worthiness. If the maximum amount is exceeded, the credit card company may charge an "over the limit" fee. Much like the APR, the credit limit depends on the cardholder's credit rating.

### FEES

Many credit card companies charge an annual fee for having their card, and others don't charge anything. It pays to shop around, especially if you have a good credit rating. With less credit being extended these days, it may not be

as easy to negotiate down the fees as it was in the past. Annual fees vary, but can be as high as \$300 per year.

In addition to an annual fee, credit card companies may charge cash advance, balance transfer, credit limit increase, set-up, late, return item, and a variety of other miscellaneous fees that should be reviewed before the cardholder uses their card. Knowing the fees up-front can reduce surprises later.

Some companies charge an application fee simply to apply for their card; this is especially prevalent with secured credit cards (cards requiring a security deposit). Application fees can run anywhere from \$10 - \$50 per application.

### INCENTIVES

Despite slowing credit, competition for business still exists among credit card companies. A popular way to gain more business is to offer incentives such as frequent flyer mileage, extended warranties or travel insurance.

### REWARDS & REBATES

Some credit card companies offer rewards in the form of redeemable points to customers who use their cards. The reward depends on the card. For example, an airline VISA® will most likely offer frequent flier mileage points. Rebates come in the form of cash back on purchases. For example, purchasing \$100 in merchandise results in a percent of the purchase amount credited or refunded back.

### CASH ADVANCE

Some cards allow the cardholder to withdraw cash from their line of credit. A fee is usually associated with a cash advance.

### TYPES OF CARDS

Four basic types of credit cards are available: secured, standard, premium, and store.

Regardless of the type of credit card you choose, or the features associated with them, do your research to find the ones with the best terms to fit your usage needs.

# BEING GREEN IS EASY

PERSI thinks it's easy being green...especially when we can save money and support the environment without sacrificing customer service. By transitioning to electronic means for most communications, PERSI expects to realize significant savings each year while ensuring current information is routinely available.

When looking at the 2011 fiscal year budget, areas were identified where expenses could be reduced without impacting service. Since most written materials are already posted on the PERSI Web site for easy access at any time day or night by members, retirees, and employers, it was a "no brainer" that fewer mailings, less printing, and no warehousing expenses could make a difference in our overhead costs...and we could show our respect for the environment at the same time.

## NEWSLETTERS

Starting in September, PERSI will stop mailing its employer newsletter. For years, a link to the online newsletter has been emailed to employers each month followed by a mailed copy. As the number of employers has grown, so too has the expense of printing and mailing the newsletter. With nearly 100 percent of employers having Internet access, now is a good time to transition to the digital age.

Eventually PERSI would like to email links to members and retirees for their respective newsletters too. Because it is a huge undertaking with a lot of technical implications, it may be a while before this phase can be implemented.

## FORMS

Ensuring current forms are used by members has, at times, been a challenge. PERSI forms are ever-changing, which is why key forms are available from the PERSI Web site. Members can count on getting the most up-to-date form from a Web site download.

## HANDBOOK / MEMBER INFORMATION KIT

July 1<sup>st</sup> marks the end for printed handbooks. While the handbook has been available online for years, it was also printed in large quantities and warehoused for mailings. Bulk printing is costly. Anytime the law changed the handbook became outdated, so PERSI had to either use outdated materials or dispose of the handbooks and reprint. Warehousing was an added expense. To ensure current information is readily available to members, the

handbook will continue to be updated online but no longer be printed. If a member requests a handbook, they will receive a CD containing the handbook and Choice Plan brochures (*Member Information Kit*). Keeping information current while eliminating the need to warehouse and eventually dispose of outdated materials will result in sizable savings to PERSI each year.

## BROCHURES

As new brochures are developed, they are posted on the PERSI Web site for easy access. Much like the handbook, brochures can become obsolete rather quickly so it's important to update them often. Online is the easiest, most efficient way to provide current information to members. PERSI will continue to print brochures on-demand using in-house resources and will make them available to members who come into an office for an appointment.

## WEB SURVEY

PERSI recently implemented a Web-based survey to gather information from employers, members, retirees and other visitors. Using the Web allows PERSI to get quick feedback about the functionality of its Web site, and also collect demographic data so we better understand our users. All information will be analyzed so any changes made to the Web site will address the needs of the greatest number of people. We encourage members to take the survey... it's a good way to express your opinion.

PERSI is excited about the transition to a less-costly, more efficient and greener approach to providing materials to members, and we hope members and retirees like the new approach as well.





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## PERSI INVESTMENT NEWS

*as of June 21, 2010*

### Value of the Fund:

\$ 10,487,246,159

### Fiscal Year Change in Market Value:

\$ 1,412,196,806

### Fiscal Year-to-Date Returns:

16.6%

### Month-to-Date Returns:

2.4%

\*Posted monthly on PERSI Web site: [www.persi.idaho.gov](http://www.persi.idaho.gov)



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