



PERSpectives



Third Quarter 2011

Public Employee Retirement System of Idaho

IT SEEMS LIKE WE'VE BEEN HERE BEFORE -- a message from PERSI's Executive Director --



*Don Drum
PERSI Executive Director*

It was only three short years ago when the country last experienced extreme volatility in the market, so current conditions are familiar. I want to calm any fears by explaining again how PERSI approaches investing and how an unfunded liability works.

Many people were surprised just a few events in early August could cause a "flash crash" of the market. The ruckus over raising the debt ceiling, the credit rating downgrade, and bad news coming out of the Eurozone triggered fears of a double-dip recession... fears that still linger today.

During these uncertain times, it's natural for members and retirees to wonder about PERSI's unfunded liability and what that debt means. It's fairly simple to explain if you think of pension debt like a mortgage. Mortgages don't have to be paid off all at once...and fortunately for pension plans, benefits are not due all at once. Retirement payments are paid over a period of time, just like a homeowner who pays off his mortgage over a period of many years. By statute, PERSI must act if the amortization period exceeds 25 years. This means, if funding is such that it would take more than 25 years to pay off the debt, something must be done to reduce that time line. Recognizing the importance of funding, PERSI has always collected contributions from members and employers...and collected them on time. Many of the systems in deep trouble have failed in this regard.

PERSI's investing approach today is the same disciplined approach used in previous years. Market ups and downs are expected when investing over the long-term (20-30 years). We have learned winning can sometimes mean losing less; so PERSI's goal is to lose less when the market goes down and gain or hold on when the market goes up. Because the PERSI fund is valued daily, at any given time we know in real terms where it stands. We don't "smooth," which is a commonly used accounting method for spreading losses (or gains) over several years. We don't smooth because the practice can be potentially misleading by over/understating the value of assets; and therefore, the health of a system.

At the August Retirement Board meeting, Chief Investment Officer Bob Maynard noted that since he joined PERSI in 1993 and began tracking data, every dollar invested in PERSI is now worth \$4.26. This is a good return on investment by anyone's standards; but is especially striking when compared to a dollar invested in U.S. stocks, which only jumped in value to \$3.76 during that same time period.



Bob Maynard

Over the past couple of years, PERSI experienced its best growth in 25 years. The fund recovered everything lost during the "Great Recession" and reached an all-time high in both returns and assets under management. Now we face another challenging time; but I remain confident the country will recover and that PERSI will continue to be among the best funded systems in the country. For your convenience, following each board meeting an investment report is posted to the PERSI website.

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Insights

PROTECTING MEMBER INFORMATION

By statute [Idaho Code section 59-1316 and Idaho Code section 9-340C(2)], PERSI is charged with protecting member records. Prior to July 1, 2001, spouses and former spouses of members could only receive member account information after obtaining a release from the member or through a court order. In 2001, the Idaho Legislature amended Statute 59-1316(4) to authorize PERSI to provide certain information to a spouse or former spouse if it related to the division of a member's accounts or benefits. The amendment specifically exempted from disclosure the member's current address and phone numbers. This was intended to make information more readily available to those with legitimate property interests in an account, while protecting the member's privacy.

Spouses and ex-spouses are treated differently under the law. When a request for information comes to PERSI, every effort is taken to verify the identity of the person making the request to make sure they are the member's current or former spouse. In fact, PERSI uses specific identity verification procedures. The staff is trained to use the procedures to determine a caller's identity and/or relationship to the member; if anyone on the PERSI staff is ever uncertain, they refer the caller to a supervisor or manager.

Information may be given to anyone (or any

entity) the member gives written authorization to or appoints as power of attorney. Information can also be provided to a court-designated conservator or guardian. A member can also authorize release of account information to a third party by calling PERSI. Once PERSI verifies the member's identity using the verification procedures, a note will be made in the member's file indicating authorization was given for PERSI to release information. When the information is released, the letter containing the information will be addressed to the member in care of the address or fax number provided. The first page will state "*Sent at the Request of [member name] to [third-party name]*"

Information in a member's PERSI file is not considered a public record and is usually exempt from disclosure.

Person Making Request	Type of Information Being Requested		
	Account Balance Accrued Service Benefit Amount	Demographic Information (Address, Phone, SSN)	Beneficiary Information
Member	YES	YES	YES
Spouse	YES	NO	NO ***
Former Spouse or Officer of the Court	NO *	NO	NO
Beneficiary, Child, or Court Appointed Representative of Member's Estate	NO	NO	NO ***
Employer	NO **	YES**	NO**
All Others	only when court ordered	only when court ordered	only when court ordered

* Except in cases where the court has ordered a division of PERSI benefits

** Employer may obtain information for legitimate plan purposes only, and is generally limited to salary information

*** Except when the member is deceased

GETTING A CALL FROM THE EMERGENCY ROOM



Your phone rings late one night. When you pick up, the voice on the other end says, “This is Dr. Francis from the emergency room at St. Luke’s calling. Your sister

has been injured in a car accident and named you as the person to call in an emergency. Do you know if she’s taking any medications?” **GULP! GASP! YIKES!**

If a family member or close friend was seriously ill or injured, would you be able to provide life-saving information? According to emergency room physicians, most of the time the emergency contact person is not prepared to answer questions. This can delay treatment when every minute counts. If the emergency personnel proceed without needed information they could do more harm than good.

What if it was you in the emergency room. Would the person you designated as an emergency contact know

your basic health history, current health issues, the medications you’re taking, or even the name of your primary care physician? If not, take the responsibility off your family and friends by carrying a card in your wallet with all the updated information. The card – which could be a simple index card – should include:

- Medications you take regularly
- Current medical conditions
- Allergies
- Blood type
- Medical insurance
- Name and phone number of primary physician
- Name and phone number of a family member
- Brief medical history (diabetes, sleep apnea, etc)
- Funeral arrangement preferences
- Living will information/health care proxy
- Your feelings about life support/organ donation

Having this kind of information readily available could mean the difference between life and death.

REQUIRED MINIMUM DISTRIBUTIONS - CHOICE 401(K) PLAN

Many people aren’t familiar with the minimum distribution requirements established by the Internal Revenue Service (IRS) for taking withdrawals from retirement plan accounts when they reach a certain age.

PERSI members with a Choice 401(k) Plan account who turned 70½ or older in 2011 and who have retired or terminated from their PERSI employer must begin taking distributions from their account. This is called a Required Minimum Distribution (RMD).

The IRS uses the following formula to determine how much an individual must take from a retirement account.

- The account balance as of 12/31/2010
- Divide this amount by the appropriate factor from the Uniform Lifetime Table (available from the IRS)
- Minus any withdrawals/payments taken during the calendar year

Account Balance ÷ Factor - Withdrawals = RMD

Each November, ACS (the Choice Plan record keeper) sends RMD notifications to each terminated Choice Plan participant who is at least 70½ or who will turn 70½ before the end of the calendar year. *Active participants are not required to take a minimum distribution.* The RMD notification from ACS includes the following:

- A letter about the RMD requirements
- A personalized statement showing the participant’s calculated RMD amount for the year
- An RMD form
- A 402(f) Special Tax Notice (plans are required to send this to participant’s *before* they make a distribution decision)
- A return envelope addressed to ACS. (*RMD forms are not returned to PERSI.*)

PERSI has a one-page RMD brochure on its website (www.persi.idaho.gov) that provides more detailed information about both the Base Plan and Choice Plan required distributions. You can also obtain information from the IRS website (www.irs.gov).



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

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VOLUNTEERS NEEDED

The Capitol Tour Program is seeking volunteer guides to give tours of the State Capitol building. Each tour takes about an hour, and are scheduled Monday - Friday at 10:00 a.m. and at 1:00 p.m. Volunteers can choose the day and time that works best for them. To learn more or to volunteer contact Michelle O'Brien at (208) 332-1012.



www.persi.idaho.gov



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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

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PERSI INVESTMENT NEWS

as of September 18, 2011

Value of the Fund:

\$11,385,014,989

Fiscal Year Change in Market Value:

\$(591,765,741)

Fiscal Year-to-Date Returns:

-4.7%

Month-to-Date Returns:

-1.1%

*Posted monthly on PERSI website: www.persi.idaho.gov