



## 1% COST-OF-LIVING ADJUSTMENT FOR 2013

At its December 4, 2012 meeting, the PERSI Retirement Board briefly discussed the cost-of-living adjustment (COLA) for retirees (and the contribution rate increase among other issues), but took no action. By statute (59-1355) a discretionary COLA requires the Board to act, but a 1% COLA (assuming the CPI-U is greater than or equal to 1%), does not require Board action.

### COLA BASIS

The COLA is based on the Consumer Price Index for Urban workers (CPI-U) for the 12 months ending August of the current year. The COLA is meant to keep retirement payments equal with inflation and help PERSI retirees maintain 100% purchasing power. Based on the August 2012 CPI-U, a total of 1.69% was available as a COLA this year.

### LEGISLATIVE REVIEW

A COLA of 1% is not subject to legislative review. If the CPI-U is greater than 1% and the Retirement Board finds the fund's actuarial assets equal or exceed the actuarial liabilities,

including the cost of the COLA, it may provide for a discretionary COLA to bring the total COLA up to the CPI-U or to a maximum of 6%. A discretionary COLA greater than 1% is subject to legislative review and can be amended or rejected by the Legislature through a concurrent resolution. The Board has some discretion to provide for a retroactive COLA, which is also subject to legislative review.

### HOW A COLA IS APPLIED

COLAs are applied as a percentage increase to retiree monthly benefits. (e.g., if a retiree's benefit is \$1000/month in February and the COLA is 1%, starting on March 1st the retiree's benefit would increase to \$1010/month.)

### COLA ADJUSTMENT

For retirees in their first year of retirement, the COLA (and any retroactive COLA, if applicable) is applied as a percentage of the full COLA depending on the percentage of the year retirement was in effect. (e.g., if a member's date of last contribution was August 1st and the

retirement date was September 1st, he/she was retired for 50% of the year (6 months: September - February). This retiree would receive 50% of the value of the COLA. For 2013, that would be 0.5% of the 1% COLA.)

### RETROACTIVE COLA

A retroactive COLA is when the Board goes back and picks up any amount not awarded in previous years to restore 100% purchasing power to retirees. The Board is hopeful and optimistic about restoring full purchasing power in the future. Balancing the health of the fund with retiree needs is not easy. Retroactive COLAs are generally awarded when PERSI's funded level is high and market conditions are stable.

"I am committed to restoring our retirees to 100% purchasing power over time," says Retirement Board Chairman Jody Olson. "Given the economy and PERSI's 1.6% return last fiscal year, the Board felt a discretionary COLA could not be justified this year. Revisiting this next year when the economy and funding improves is more prudent."

## 1099 FORMS

PERSI's 1099 forms (tax document for pension distributions) for 2012 will be mailed by mid-January. The form will also be available online at [www.persi.idaho.gov](http://www.persi.idaho.gov) by the end of January. If you haven't received your 1099 in the mail by January 31, 2013, please call the PERSI Answer Center toll-free at 1-800-451-8228 or 208-334-3365 from the Boise area. If you call, please have your personal information available including your Social Security Number. To save time, you can print your

1099 from the PERSI website by signing in using the mypersi button [ [myPERSI Login](#) ].

When the page loads, click on the gray box that says "Go to 1099R."

### Inside this issue:

What Wills Do and Don't Cover.....	2
Best Time to Buy.....	3
Investment News.....	4

# Insights

## A SNAPSHOT OF WHAT A WILL DOES AND DOES NOT COVER

A will controls the distribution of many, but not all, of your assets upon your death. It's good to know what a will does and does not cover.

### WHAT'S INCLUDED?

A *Last Will and Testament* can be as simple or as complex as your financial situation. Regardless of your situation, however, nearly all wills have some provisions in common.

1) Your name and a statement about being of sound mind. This declares you understood the provisions of your will and how your assets are to be distributed. Most wills, therefore, begin with a self-testifying statement. (e.g., I, John Doe, a resident of Boise, Idaho, being of sound mind, declare this as my will.)

2) A statement revoking all previous wills is generally included next.

3) Wills typically include the name of your spouse and date of marriage, plus the names of children, if any. Full legal names should be used to avoid ambiguity.

4) Any special distributions or gifts and instructions for payment of debts, taxes, and final expenses.

5) Name of your personal representative and an alternate to execute your wishes. Called an executor, this person will work with your attorney or bank to settle your estate.

6) If you have minor children, be sure to name a guardian and an alternate if your first choice cannot undertake this responsibility. (Be sure to talk with your two choices so this doesn't come as a surprise should something happen.) Also name a fiduciary guardian (who is different from the caregiver guardian) to handle the financial care of your children.

### WHAT'S NOT INCLUDED?

Generally speaking, wills dispose of probate property you held as an individual; jointly held assets or assets held in trust are not probate property.

- Personal property including a car, furniture, clothing, etc, isn't typically part of a will. These items are generally covered in a *letter of instruction* or a *letter of last instruction* that spells out how they are to be distributed. These items can also be assigned to a revocable living trust called an assignment.
- Beneficiaries named in assets such as life insurance policies or retirement accounts (e.g., PERSI) are not affected by your will. The payouts for these are determined when you named a beneficiary, which is why it's so important to keep your designation current.
- Assets held for a trust beneficiary such as an Irrevocable Trust or a Revocable Living Trust, are paid according to trust instructions not your will.
- Assets held in joint tenancy means each joint tenant holds 100% of the asset; if one tenant passes away, their name is removed as owner but the others remain. Joint tenancy creates a Right of Survivorship.

While it's generally safer to have a will drawn up by an attorney who understands the laws of your state, it isn't absolutely necessary. For example, Idaho recognizes wills handwritten by the testator (aka, holographic wills). You may want to check the laws of the state in which you reside if you want to prepare your own will. Simple wills generally run a few hundred dollars to prepare; the price goes up depending on the complexity of your situation. If you die without a valid will (intestate), the courts will distribute your assets.

# A SEASON FOR EVERYTHING: KNOW THE BEST TIME TO BUY

The holidays are over, and chances are you don't want to think about shopping again anytime soon. When you are ready to hit the stores once again, be aware you might get better pricing if you wait until the right "season" to make your purchase. Benjamin Franklin once said, "Necessity never made a good bargain." That couldn't be more true. Certain items are better priced throughout the year; so wait if you can, then shop wisely and save money using these tips.

**Holiday Items:** It comes as no surprise the prices of holiday wrapping paper, ornaments, cookie tins, and holiday baskets and decor are reduced after Christmas.

**New Cars:** Next year's models usually arrive in showrooms in September, making the current year model a good buy. Dealers generally offer incentives in the fall because they want to make room for the new models. Research shows weekday mornings are a good time to car shop because fewer buyers are on hand and the salespeople are often anxious to strike a deal.

**High Definition TV:** December is a great time to shop for a new TV because of holiday sales; however, the after holiday sales can be equal or better than the pre-Christmas sales. The bargains generally stop by mid-January in anticipation of the Super Bowl...with anticipation of the game, retailers don't put TVs on sale. If you're not in a hurry, wait until March or April when the older models go on sale. This is when manufacturers generally release new models, so retailers cut prices to make room for the new merchandise.

**Flooring:** Try to wait until December or January to get new flooring. Flooring retailers are busy in the fall when the people who've purchased a house over the summer are trying to spruce up their new home or when people are freshening up the house for the coming holidays. By December, business slows and the best deals are offered.

**Cell Phones:** Typically the best pricing comes in June and December -- graduation and Christmas or Hanukkah. This is when the retailers are vying for your business. Competition is fierce and better deals can be made... be sure to ask for a discount.

**Gym Memberships:** New Year's resolutions make gym membership take off in January, so not the best time

to buy. Wait a few months, when those resolutions are broken, the gym is less crowded, and the weather is turning warmer. Most people would prefer to exercise outside during the warm months, so this is your opportunity to get the best deal from your local gym. Often sign-up fees are waived and free months are given as an incentive to new members.

**Clothing:** Generally, if you wait 6-8 weeks after the item hits the store, you'll see the price drop. Thursday evening is a good time to shop because the weekend sales have started, the selection is still good, you won't have to deal with picked-over stock or wait in long lines at the register.

**Tools:** Think Father's Day. You will generally get the best pricing during the first three weeks of June.

**Dishes:** Dinnerware is a popular wedding gift. The most popular month for weddings is June, so that's when stores usually put dishes on sale.

**Linens:** White sales are held in January to encourage shoppers to stock up on towels and bedding. Those same items generally go on sale again in August as college students prepare to leave home for dorm living.

**Groceries:** Shopping Sunday evening allows you to take advantage of the Sunday paper coupons. If you hit the store in the off hours, you may find unadvertised specials on meats, prepared foods, and baked goods that need to be sold by the end of the day.

**Gift Cards:** People who don't want the gift cards they received for the holidays often put them up for sale on eBay, plasticjungle.com, or similar sites in January.

**Furniture:** New products are released twice a year -- in February and August. That means you can find some sweet deals in January and July when the stores are making room for the new inventory next month.

**Final Tip:** Consider shopping for the holidays all year round when you can take advantage of the best pricing -- you'll have more time for yourself and your family when the holidays come...and hopefully you'll have more money in your pocket.

*Source: moneywatch, smartmoney, moneycrashers, frugal living*



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

**PRSR STD**  
**U.S. POSTAGE PAID**  
**PERMIT NO. 829**  
**BOISE, IDAHO**



Find us on  
**Facebook**



[www.persi.idaho.gov](http://www.persi.idaho.gov)



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](http://www.persi.idaho.gov)

RETIREMENT BOARD  
Jody B. Olson, Chairman  
Jeff Celik, William "Bill" Deal,  
Joy Fisher, 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

## **PERSI INVESTMENT NEWS**

*for Base Plan as of December 17, 2012*

**Value of the Fund:**  
**\$12,511,949,097**

**Fiscal Year Change in Market Value:**  
**\$ 577,953,152**

**Fiscal Year-to-Date Returns:**  
**5.6%**

**Month-to-Date Returns:**  
**1.0%**

\*Posted monthly on PERSI website: [www.persi.idaho.gov](http://www.persi.idaho.gov)  
Fiscal Year 7/1/2012 - 6/30/2013

PRS-RNL-4Q12