

A WEBTOUR OF YOUR  
PERSI CHOICE 401(K) PLAN

*the*  
**CHOICE**  
*is yours*



## The Choice is Yours!

This web tour is designed to help you take advantage of the benefits of the PERSI Choice 401(k) Plan. By taking this tour, you'll learn how the Choice 401(k) Plan works, how to get started and much more.

To get started, click on the topic to the right that you'd like to learn about.

Start from the beginning and review all the subjects...or...skip around and browse only the subjects you're interested in. It's all up to you...the Choice is Yours!

### What do you want to learn about?

[Retirement Savings Basics](#)

[Developing a Plan](#)

[Next Step...The Choice 401\(k\) Plan](#)

[Additional Elements of the Plan](#)

[Okay, You're Signed Up...Now What?](#)

[Additional Retirement Saving Options](#)

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## Retirement Savings Basics

In this section of the web tour we'll discuss some of the basics about saving for retirement including how to...

- Determine what retirement means to you
- Recognize the factors that might affect saving for retirement
- Understand the advantages of starting early
- Overcome some of the obstacles to saving
- Outline your next steps

If you're looking for other information about the Choice 401(k) Plan, please return to the [start](#) of this Tour.



## What does retirement mean to you?

Most of us don't want to work forever

Retirement goals are different for everyone

Visiting the Beach  
Skiing  
Traveling  
Buying a Vacation Home  
Dancing  
Fishing  
Reading  
Relaxing  
Starting a New Career  
Spending More Time with Family  
Visiting Friends

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**Whatever your retirement dreams, the  
key to reaching them is...**

**SAVING!**

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## Retirement Savings Basics

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When saving for retirement, it's important to realize some factors you can control... and some you can't. Understanding these factors is an important step in your journey toward retirement as it will help you determine what other steps you need to take.

### [When You Retire](#)

### [How Much You Save](#)

### [Inflation](#)

### [Health Care Needs](#)

### [Rate of Return](#)

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#### **{pop up} How Much You Save**

The amount you save and invest today will set the stage for how much retirement income you'll have in the future. Of all the factors affecting your future retirement income, how much you save is one over which you have direct control.

#### **{pop up} Rate of Return**

The growth of your savings can be positively affected by the power of compounding. "Compounding" refers to the growth of an investment due to the continual reinvestment of earnings and income. The earlier you begin to save, the longer your investments have to benefit from this powerful aspect of retirement savings - and in the case of periods in which investment returns are less favorable, the longer you have to recover.

#### **{pop up} When You Retire**

The age at which you plan to stop working and start withdrawing funds from your various retirement vehicles (including the PERSI Base Plan, the PERSI Choice 401(k) Plan and Social Security) will affect how long your retirement savings have to grow. You can, of course, keep working longer to save more money, but keep in mind that for many individuals, a serious illness or injury (or other factors outside their control) means that retirement actually occurs sooner than they had planned.

#### **{pop up} Inflation**

The general rise in the price of goods over time will make them more expensive to buy in the future. We've all heard the story of how grandma used to go to the movie theatre for a dollar. When considering how much money you'll need in the future, just remember you won't be able to see a movie for a dollar 20 years from now. (Oh, wait... You can't even do that today, can you?)

#### **{pop up} Health Care Needs**

As we age, we likely tend to have more health care needs than when we were younger. This could mean we have to pay more because we simply use our health care benefits more often and because we may require more extensive care. In addition, we may be faced with higher premium costs for our health care coverage as we age. Coverage often becomes more challenging to obtain, and afford, during retirement.

## **So what prevents so many of us from saving for retirement today?**

Retirement seems so far away...

I just can't afford to save right now...

I'll just work longer...

I don't know how to get started...

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## **Retirement seems so far away...**

Your 20s and 30s are key ages for building the foundation of your retirement savings

### **The earlier you start the better!**

You'll benefit from compounding interest

- The interest you earn is added back to your savings to earn even more interest
- Over time your savings can really add up!

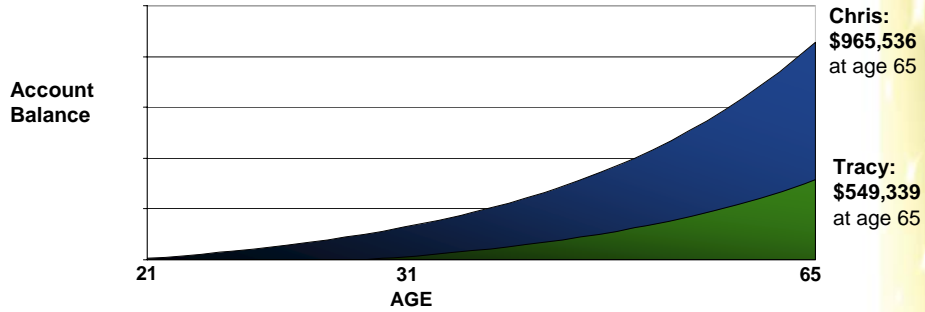
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Who Would You Rather Be?

Input Factors

- Chris begins investing at age 21
- Tracy begins investing at age 31



This example is illustrative only and should not be construed as a guarantee of investment returns. The performance of your investments may be different.



**{pop up} Input Factors**

Take the example of two potential savers: Chris and Tracy. Let's assume both start their careers initially earning \$30,000, receive 3% raises each year, contribute 6% of their pay to the Choice 401(k) Plan and earn 8% on their savings each year. Chris begins saving at 21; Tracy waits 10 years.

### **\$965,536 vs. \$549,339**

Chris has considerably more retirement savings than Tracy by the age of 65!

#### **Did Chris *really* invest that much more? No, not really...**

Chris invested a total of \$160,000 over 44 years of investing

Tracy invested a total of \$140,000 over 34 years of investing

Chris invested only \$20,000 more than Tracy, but in return, Chris reaped more than \$415,000 in extra retirement savings than did Tracy.

#### **So who would you rather be?**

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### **If you're closer to retirement...**

#### **During your 40s**

You may need to make up for some lost time; however, if you're like many people, you may have more money to invest than you did earlier in your career, since your income has likely risen.

#### **During your 50s and 60s**

As you get closer to retirement you should save as much as you can. If you have paid off your mortgage and children's college expenses, it's much easier to put significant amounts of your pay into savings.

See "[Okay, You Signed Up...Now What](#)" for even more information and tips.

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## **I just can't afford to save right now...**

Even if you start saving just a small amount now, those savings can grow to a significant amount over time.

### **What a difference just \$5 can make...**

By saving an extra \$5 per week in the PERSI Choice 401(k) Plan, you can significantly boost your long-term savings.

After 25 years, and assuming a 7% annual return, you'd increase your savings by an additional \$17,000!

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### A little goes a long way...

As you've seen, saving just a little amount can really add up to some substantial savings. And finding an extra \$5 a week may be easier than you think. Click on the tips below to see where you might find a few extra dollars...

[Movie Night](#)

[Dining Out vs. Brown Bag](#)

[Coffee & Latte](#)

[ATMs and Bill Paying](#)

If you take a few minutes to evaluate your spending habits, you'll likely find even more ways to spend less and save more.



**Movie Night** – Rather than take the family out for a movie a few times a month – with each outing easily topping \$50 once you throw in popcorn, candy and drinks – substitute one of those outings with a “movie night” at home and earmark that \$50 to your 401(k). Or, try a second-run cinema or go to a matinee, when tickets are usually cheaper.

**Dining Out vs. Brown Bag** – It’s almost always much cheaper to dine at home. Simply by skipping a \$5 fast food lunch twice a week, you can save \$10 a week.

**Coffee & Latte** – Skip the gourmet coffee. At \$3 to \$5 each, trips to your local coffee shop every morning may cost you a lot – as much as \$100 a month. Making your own coffee at home, giving up your \$3 to \$5 drink one morning a week, or downsizing your favorite drink can help you put away more cash for your retirement.

**ATMs and Bill Paying** – When getting cash from an ATM, be sure you use ATMs that don’t charge you a transaction fee. If you take out \$20 and pay a \$2 fee, you’re paying a 10% surcharge for using your own money. And sometimes you are hit for two fees – one from the ATM bank and one from your own bank. If you make several trips to an ATM each month, this can really add up. Similarly, missing the due date of a bill can cost you as much as \$25 in late fees.

### **I'll just work longer...**

One out of every two individuals who plan on working into their 60s find it isn't in the cards. Many people discover they have to stop working sooner than they planned due to:

- Health problems or a disability that prevents them from working
- Employment changes, such as downsizing
- Need to care for a spouse or family member

In other words, things that people don't, or can't, plan for often make working longer an unrealistic goal.

\*Source: The 2007 Retirement Confidence Survey

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### **I don't know how to get started...**

This simple introduction of the basics of saving is just the beginning. This tour is packed full of useful tools and resources to help speed you on your way.

Follow these steps and you'll be that much closer to your retirement goal...

1. Realize you can do it
2. Review each section of this web tour
3. Develop a plan
4. Start saving today!

Avoid one of the biggest financial mistakes that people make...doing nothing!

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**Continue to the next section...**

**[Developing a Plan](#)**

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The information in this web tour is not intended as investment advice. Its purpose is to help you understand the tools and resources available to you through the Choice 401(k) Plan.



## Developing a Plan...

One of the most important steps you can take in saving for retirement is to develop a savings plan. In this section of the web tour we'll discuss how to develop a retirement savings plan, calculate how much money you may need during retirement, and examine some of the sources of retirement income that may be available to you.

If you're looking for other information about the PERSI Choice 401(k) Plan, please return to the [start](#) of this Tour.



## Where are you on the road to retirement?

Respondents to an annual survey\* asked *“If saving for retirement were like driving on the highway, where would you be?”*

- In the fast lane, passing others
- In the middle lane, keeping up
- In the slow lane, still getting started
- On the ramp, still getting started
- Lost and looking for a map

[See How  
Everyone Else  
Answered](#)

### Where are you on the road to retirement?

We all have different needs and dreams for retirement, but we should all have a good idea of which direction to go. A retirement map can help us arrive on time and in the style we want.

\*Source: 2006 Allstate Survey measuring Americans' attitudes toward retirement.



**{pop up} See How Everyone Else Answered**

### What Did Everyone Else Say???

If saving for retirement were like driving on the highway, where would you be?

In the fast lane, passing others - 20%

In the middle lane keeping up - 48%

In the slow lane, watching others go by - 13%

On the ramp, still getting started - 14%

Lost and looking for a map - 5%

## What is a retirement map?

A retirement map – or plan – is one of the most important steps you can take to prepare for retirement

### A retirement map, or plan, will help you...

- Calculate the amount of retirement savings you'll need
- Identify your current retirement income sources
- Recognize any “gaps” between what you need and what you have
- Determine what steps you may need to take to close those retirement income gaps
- Adjust your strategy when necessary to be better prepared

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## Calculating how much you'll need...

This step may seem challenging, particularly if retirement seems so far away. How much you'll need depends on a variety of factors including...

- Your current expenses
- What you plan on doing during retirement
- Inflation
- When you plan to retire
- The length of time you'll need your retirement savings to last

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{pop up} Remember...

It's important to realize that there are some factors you can control... and some you can't. See the "[Retirement Savings Basics](#)" section for more information.

## The Shoebox Audit

To determine how much your retirement income needs may be, you need to understand your current expenses. If you don't currently track your expenses, consider starting with this simple audit...

Step 1: Find a shoebox

Step 2: Toss in all your bills and receipts for a month – you may need to “create” a receipt to help you keep track of some expenses

Step 3: At the end of the month, organize your expenses into categories, such as groceries, household expenses, entertainment, gifts, auto, medical expenses, and so on.

*It's often very surprising to see where the money goes!*

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## Adjust and Monitor

Once you determine your current expenses, you'll want to adjust that amount for your anticipated retirement needs such as...

- Housing Costs
- Location
- Travel and Leisure
- Health care
- Children

You can always adjust your plan over time, but having an idea of what your monthly expenses might be during retirement can help you better prepare for those adjustments.



### **{pop up} Housing Costs**

What will your future housing costs be? Will you still have a mortgage or maybe a second home?

### **{pop up} Location**

Will you still live in the same area or will you live in a more (or less) expensive part of the country?

### **{pop up} Travel and Leisure**

Are you planning on doing more traveling once you retire or to spend more time on leisure activities, such as golf or tennis?

### **{pop up} Health care**

Remember that as we age, we generally need more health care services. Have you accounted for higher health care costs in the future?

### **{pop up} Children**

Are there current costs for children's expenses or tuition that you will no longer be responsible for?

## Don't forget about inflation!

When we're working, we often can keep pace with inflation through pay increases. During retirement, however, you'll need to protect the purchasing power of your money by factoring inflation into your savings strategy.

Let's say you determine you'll need \$35,000 each year, in *today's* dollars, to live comfortably in retirement. With a 3% inflation rate, you will need about \$47,000 to maintain your lifestyle after 10 years. By your 20<sup>th</sup> year in retirement, you'll need more than \$63,000!

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## What is your time frame?

**When do you want to retire?** – The longer you wait until retirement, the more time you’ll have to build up your savings. But remember, sometimes, people end up retiring earlier than they planned due to illness, disability or other unplanned events.

**Length of retirement** – Make sure to consider the length of your retirement, which dictates how long you’ll need your retirement savings to last. People are living longer, so you may need your retirement savings to last as long as 20 or even 30 years!

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## What are your retirement income sources?

**Pension**  
(PERSI Base Plan )



**Other Investments**  
(Such as saving through the  
PERSI Choice 401(k) Plan  
or other options available  
through your employer)

### **Social Security**

Many financial planners often refer to the “three-legged stool” of retirement income sources. For more details on the PERSI Choice 401(k) Plan, and how it differs from the PERSI Base Plan, see the next section of this tour.

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## How does it all add up?

### **Social Security and Pension (PERSI Base Plan)**

While Social Security and the PERSI Base Plan provide you with a boost toward your retirement goals, together these two components may not be enough for an individual to enjoy a comfortable, secure retirement

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### **Other Investments**

This means you'll need to save more for retirement through other investments, such as the PERSI Choice 401(k) Plan or other options available through your employer

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## The Next Step...

PERSI provides you with a personal investment tool to help you save more for retirement and help you reach your retirement goals.

### The PERSI Choice 401(k) Plan!

Click [here](#) to learn more about this valuable resource.

The information in this web tour is not intended as investment advice. Its purpose is to help you understand the tools and resources available to you through the Choice 401(k) Plan.

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## The PERSI Choice 401(k) Plan

In this section of the web tour we'll summarize some of the benefits and features of the Choice 401(k) Plan, and introduce the advantages of pre-tax deductions and tax-deferred investing.

We'll also take a brief look at rolling over money from another retirement plan account into the Choice 401(k) Plan, as well as your distribution options at the time of your retirement.

If you're looking for other information about the Choice 401(k) Plan, please return to the [start](#) of this Tour.



## Next Step – The PERSI Choice 401(k) Plan

CHOICE

### What is a retirement saving plan?

Defined Benefit  
Retirement Plan

versus

Defined Contribution  
Retirement Plan

### Who is eligible?

If you are a member of the PERSI Base (Defined Benefit) Plan, you may participate in the Choice 401(k) Plan.



#### {pop up} Defined Benefit

A defined benefit plan generally promises you a specific monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount, such as \$100 per month at retirement. Or, more often (*like the PERSI Base Plan*), it may calculate your benefit through a formula that includes factors such as your salary, your age, and the number of years you worked for the employer sponsoring the plan.

The PERSI Base Plan is a defined benefit plan and provides you with a monthly benefit upon retirement based on a specific formula. Log on to [www.persi.idaho.gov](http://www.persi.idaho.gov) for more information about the PERSI Base Plan.

#### {pop up} Defined Contribution

A defined contribution plan does not promise you a specific benefit amount at retirement. Instead, you contribute money to your individual plan account. In many cases, you are responsible for choosing how these contributions are invested, and deciding how much to contribute from your paycheck through pretax deductions. As a result, the value of a defined contribution plan, such as the Choice 401(k) Plan, is based on the decisions you make -- whether you choose to contribute and, if so, how you invest those contributions. Remember... The Choice is Yours!

At retirement, you receive the balance in your account, reflecting the contributions, investment gains or losses, and any fees charged against your account.

#### {pop up} Base Plan

As an eligible PERSI member, you're automatically enrolled in the PERSI Base Plan - with both your employer and you contributing to the Plan on your behalf.

Those contributions are designed to provide traditional pension benefits – meaning the longer you work for an employer who participates in PERSI, the greater your retirement Base Plan benefit will be. While the PERSI Base Plan is not designed to be your primary or sole means of support, it is a great start!

Next Step –  
The PERSI Choice 401(k) Plan

CHOICE

## What is a retirement saving plan?

	<b>PERSI BASE PLAN Defined Benefit Plan</b>	<b>PERSI CHOICE 401(k) PLAN Defined Contribution Plan</b>
<b>Participation</b>	Employees who work 20 hours or more per week or who are salaried elected or appointed officials, and complete 5 months of employment with a PERSI employer	Members who are eligible for the Base Plan
<b>Tax deferred contributions</b>	Yes	Yes
<b>Employee contributions</b>	Yes, mandatory General member 6.23% Police/Firefighter 7.65% of gross pay	Yes, voluntary For 2009: up to \$16,500 max; \$22,500 if age 50 or over
<b>Employer contributions</b>	Yes, mandatory General member 10.39% Police/Firefighter 10.73% of gross pay	Optional, at employer's discretion
<b>Rollovers allowed (incoming &amp; outgoing)</b>	Yes, under certain circumstances (if outgoing for a termination or buy back)  No incoming funds accepted	Yes, if incoming from another qualified plan or pre-tax IRA (not from Roth IRA)  Yes, if rolling out to another qualified plan or regular or Roth IRA



Next Step –  
The PERSI Choice 401(k) Plan

CHOICE

## What is a retirement saving plan?

	<b>PERSI BASE PLAN Defined Benefit Plan</b>	<b>PERSI CHOICE 401(k) PLAN Defined Contribution Plan</b>
<b>Benefit at retirement</b>	Calculated using a defined formula	Based on account balance and distribution method selected
<b>Distribution methods</b>	Installment payments Choose from various options	Member chooses: lump sum or installment payments
<b>Member changes contribution level</b>	No	Yes, at any time (subject to employer and IRS limitations)
<b>Loans allowed</b>	No	Yes
<b>Investment options</b>	None, managed by PERSI	12 options, self-managed
<b>Cost of Living Adjustments</b>	Yes	No
<b>Disability Benefit</b>	Yes	No
<b>Death Benefit</b>	Beneficiary may get up to 2x the account balance or a lifetime benefit	Account balance distributed to beneficiary(ies)
<b>Can I run out of money?</b>	No, regardless of your account balance, a lifetime benefit is guaranteed once you are vested.	Yes. Based solely on account balance.



## What is the Choice 401(k) Plan?

The Choice 401(k) Plan is a saving tool that allows you to conveniently save for retirement. **You...**

- Elect a percentage of your pay (or a set dollar amount depending on your employer) to contribute on a pre-tax basis
- Invest those contributions, choosing among several investment options, or you can leave it in the PERSI Total Return Fund
- Can roll money over from another eligible retirement saving plan into your Choice 401(k) Plan account
- Benefit from the advantage of tax-deferred compounding
- Have access to the money in your account through loans and in-service withdrawals
- Choose when and how you access your money when you retire

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Next Step –  
The PERSI Choice 401(k) Plan

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## Your Choice 401(k) Plan Account is Ready!

Your Choice 401(k) Plan account was **automatically** set up for you when you became an eligible to participate.

The Choice 401(k) Plan is administered by a third party record keeper called ACS HR Solutions. Information about your Choice 401(k) Plan account, including your Personal Identification Number (PIN), will be mailed to you from ACS HR Solutions.

You can begin making **contributions** to your Choice 401(k) Plan account today.



### **{pop up} automatically**

Your employer sent data to PERSI indicating you are eligible to participate in the PERSI Choice 401(k) Plan. PERSI then notified the Choice 401(k) Plan record keeper (ACS HR Solutions) and an account was set up for you.

### **{pop up} contributions**

Your account is ready to accept any of the following contributions once it is set up:

- Salary Deferral Contributions
- Rollover Contributions
- Employer Contributions (if applicable)
- Gain Sharing (if applicable)

## How much may you contribute?

*Minimum*  
**\$130 a Year**

*Maximum*  
**\$16,500 a Year\***



JANUARY  
FEBRUARY  
MARCH  
APRIL  
MAY  
JUNE  
JULY  
AUGUST  
SEPTEMBER  
OCTOBER  
NOVEMBER  
DECEMBER

\*Maximum annual contribution for 2009 as determined by the IRS; higher contribution limit applies to individuals age 50 or older.

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## Getting a late start?

In addition to the regular annual contributions you make to the Choice 401(k) Plan...

**Catch-up Contributions** – If you will be age 50 or older by the end of the year, you may defer an additional \$5,500 in 2009.

Contribution maximums must also coordinate with other retirement saving plans for which you may be eligible. See “[Additional Retirement Saving Options](#)” for more information.

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## Pre-Tax Deductions

The contributions you make to the Choice 401(k) Plan are deducted from your pay before federal and state taxes are calculated. This means that money you normally would have paid to the government is working for you – giving you the opportunity to gain even more, through investment earnings that accumulate on a tax-deferred basis.

### **You Don't Spend What You Don't See**

Contributions the Choice 401(k) Plan are taken from your paycheck before you receive it. This is sometimes referred to as “paying yourself first.”

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## Next Step – The PERSI Choice 401(k) Plan

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### Pre-Tax Deductions...

Thanks to the benefits of pre-tax deductions, the amount you contribute to your account is more than the amount deducted from your pay. Or, to put it another way...with the Choice 401(k) Plan, saving “costs” you less than you might think!

	Pre-Tax Savings in the Choice Plan 401(k)	After-Tax Savings in a Traditional Account Outside of the Plan
Total Annual Pay	\$30,000	\$30,000
10% Pre-Tax Contribution*	\$3,000	\$ 0
Taxable Income	\$27,000	\$30,000
Federal Tax Withheld**	\$ 4,295	\$ 4,975
Net Income	\$22,705	\$25,025
After-Tax Savings Outside of the Plan	\$ 0	\$3,000
Spendable Income	\$22,705	\$22,025
Savings Advantage (Federal Tax)	\$ 680	\$ 0

This example is hypothetical and for illustrative purposes only. Actual taxes will vary.

\* You pay federal taxes on pre-tax contributions when you withdraw the funds. Note that you may also save on state taxes so your actual savings may be higher than the amounts shown here.

\*\* Based on a single individual with the standard deduction in 2009.

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## ***And, Tax-Deferred Investing!***

With the Choice 401(k) Plan, you also benefit from tax-deferred compounding.

### **What is that?**

In a regular savings account, you pay income taxes on any earnings.

[Show me](#)

With the Choice 401(k) plan, any earnings accumulate on a tax-deferred basis.

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**{pop up} Show me**

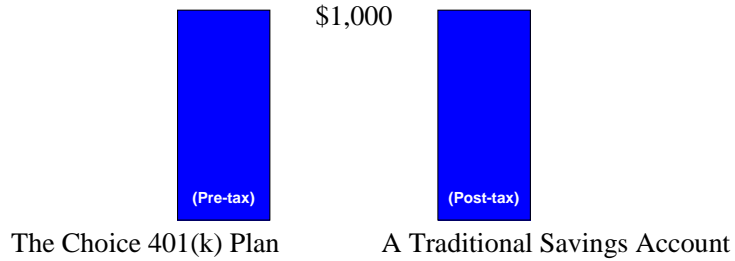
See next slide for example...

## Next Step – The PERSI Choice 401(k) Plan

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### For example...

Let's assume you have a current balance in your account of \$1,000 and generate earnings of 7%, or \$70. With...



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## Next Step – The PERSI Choice 401(k) Plan

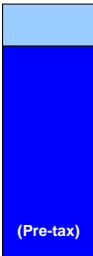
CHOICE

### For example...

Let's assume you have a current balance in your account of \$1,000 and generate earnings of 7%, or \$70. With...

The \$70 remains  
in your account,  
so that your new  
account balance  
is \$1,070.

\$1,070



(Pre-tax)

The Choice 401(k) Plan



(Post-tax)

A Traditional Savings Account

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## Next Step – The PERSI Choice 401(k) Plan

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### For example...

Let's assume you have a current balance in your account of \$1,000 and generate earnings of 7%, or \$70. With...

The \$70 remains in your account, so that your new account balance is \$1,070.

\$1,070



(Pre-tax)

The Choice 401(k) Plan

\$1,059



(Post-tax)

A Traditional Savings Account

You only keep approximately 85% of these earnings due to taxes, so you keep only \$59 instead of \$70. So your new account balance is \$1,059.

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## Next Step – The PERSI Choice 401(k) Plan

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### For example...

Let's assume you have a current balance in your account of \$1,000 and generate earnings of 7%, or \$70. With...

The \$70 remains in your account, so that your new account balance is \$1,070.

\$1,070



(Pre-tax)

The Choice 401(k) Plan

\$1,059



(Post-tax)

A Traditional Savings Account

You only keep approximately 85% of these earnings due to taxes, so you keep only \$59 instead of \$70. So your new account balance is \$1,059.

That's what meant by the advantage of tax-deferred investing!

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## Next Step – The PERSI Choice 401(k) Plan

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### You Can Put Even More Money to Work For You

If you have money in any of the following plans, you can move these funds from a prior employer or plan to the Choice 401(k) Plan

- 401(a)
- 401(k)
- 403(b)
- 457 (governmental)
- Pre-tax IRAs

Contributions you made to any of these plans on an *after-tax* basis cannot be rolled over into the Choice 401(k) Plan.

[Consider Your Options](#)

### Vesting

You are 100% vested in (fully own) all the money, including both contributions and earnings, within your Choice 401(k) Plan.



#### {pop up} Consider

You should carefully review your options when consolidating your retirement savings. Now might be a good time to sit down with your financial advisor to re-examine your investment goals, timeline, risk tolerance, and personal financial situation. Click [here](#) for a rollover request form.

## Next Step – The PERSI Choice 401(k) Plan

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### Distribution Options

The full value of your account is available to you if you retire, end your employment with a PERSI participating employer or become disabled. Depending on your circumstances, you may choose from a number of payment options...

- A lump sum
- **Monthly installment** payments
- **Rollover** to an eligible retirement plan
- Purchase of **Base Plan service**
- **Leave your assets** in the Plan
- A combination of options



#### **{Pop Up} Monthly installment**

You may receive monthly installment payments of your Choice 401(k) Plan account. This option also requires the balance in your account be more than \$5,000. Monthly installments can be paid in...

- A fixed monthly amount (not to exceed 120 months); or
- Substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your beneficiary.
- Installment payments are available only upon retirement, attainment of age 50, disability, or your death if your beneficiary is your surviving spouse.

You will be responsible for the record keeping fees to maintain the balance of your account during the time installment payments are being made. When you reach age 70½, your installment payments may need to be adjusted to comply with minimum distribution requirements.

#### **{Pop Up} Rollover**

You may transfer your Choice Plan account balance via direct rollover into an eligible retirement plan (401(a), another 401(k), 403(a), 403(b) or 457), Roth IRA, or pre-tax Individual Retirement Account (IRA). If you transfer money via direct rollover, you defer paying taxes (except with a Roth IRA).

## Next Step – The PERSI Choice 401(k) Plan

CHOICE

### Distribution Options

The full value of your account is available to you if you retire, end your employment with a PERSI participating employer or become disabled. Depending on your circumstances, you may choose from a number of payment options...

- A lump sum
- **Monthly installment** payments
- **Rollover** to an eligible retirement plan
- Purchase of **Base Plan service**
- **Leave your assets** in the Plan
- A combination of options



#### **{Pop Up} Base Plan service**

If you are a vested PERSI member, you may use Choice 401(k) Plan funds to purchase additional Base Plan service to increase your Base Plan retirement benefit (see Additional Elements of the Choice 401(k) Plan for more information). You must initiate a purchase of Base Plan service within 90 days before you retire.

#### **{Pop Up} Leave your assets**

You may leave your funds in the Choice Plan until a later date or until retirement if your account balance is \$200 or greater. Your account will be paid out to you and closed if you have less than \$200 in your account. By leaving money in the Plan, you defer paying taxes. However, once you reach age 70½, your account will be subject to minimum distribution requirements. You will be responsible for the annual record keeping fees (currently \$2.50 per month) to maintain this account.

The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you end your employment with a PERSI participating employer or retire.

## Additional Elements...

The PERSI Choice 401(k) Plan is an excellent tool to help you save for retirement. Some additional elements of the Choice 401(k) Plan make it even more valuable.

Click [here](#) to learn more about the additional elements of the Choice 401(k) Plan.

The information in this web tour is not intended as investment advice. Its purpose is to help you understand the tools and resources available to you through the Choice 401(k) Plan.

**Return to  
the Main Menu**



## **Additional Elements of the PERSI Choice 401(k) Plan...**

In this section of the web tour we'll discuss some of the additional elements of the Choice 401(k) Plan, including...

- The Total Return Fund
- Your additional investment options
- Investment management and other fees
- Loans, withdrawals, and transfers
- And more...

If you're looking for other information about the Choice 401(k) Plan, please return to the [start](#) of this Tour.



## The Total Return Fund

When you contribute to the Choice 401(k) Plan, your contributions are automatically invested in the Total Return Fund.

The Total Return Fund for the Choice 401(k) Plan is invested the same way that the PERSI Base Plan is invested, making it a diversified fund.

The Total Return Fund is the default investment fund for the Choice 401(k) Plan, meaning any contributions made to your account will be invested in the Total Return Fund unless you specifically elect otherwise.

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**Additional Elements of the  
PERSI Choice 401 (k) Plan** CHOICE

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## The Total Return Fund

Even though the Total Return Fund is the Choice 401(k) Plan **default fund**, many members choose to specifically direct their contributions to this fund on purpose based on...

**Past Performance\***


- Above average annual return in prior years

**No Direct Investment Management Fees**

- No direct investment management fees are charged to participants who invest in the Total Return Fund

**\*Important Investment Note**

**View the  
Total Return  
Fund  
fact sheet**



**{pop up} default fund**

Any contributions made to your account will be invested in the Total Return Fund unless you specifically elect otherwise.

**{pop up} Investment Management Fees**

Most investment funds charge participants direct investment management fees – whether the investment is offered through a 401(k), 457 or 403(b) plan, or other savings and investment vehicles. However PERSI does not charge its members direct investment management fees when they choose to invest their Choice 401(k) money in the Total Return Fund.

**{pop up} Important Investment Note**

Keep in mind that future rates of return can't be predicted with certainty and that investments that pay higher rates of return are subject to higher risk and volatility. The actual rate of return on investments can vary widely over time, especially for long-term investments. This variability includes the potential for loss of principal on your investment.

# Additional Elements of the PERSI Choice 401 (k) Plan

CHOICE

## You're in Control...

In addition to the Total Return Fund, you can choose from other investment funds with the Choice 401(k) Plan.

Fixed Income Funds	Balanced Funds	Equity Funds
<a href="#">Mellon Aggregate Bond Index Fund</a>	<a href="#">PERSI Total Return Fund</a>	<a href="#">Mellon S&amp;P 500 Stock Index Fund</a>
<a href="#">Dodge and Cox Income Fund DODIX</a>	<a href="#">Calvert Social Investment (Sudan-free) Fund CBAIX</a>	<a href="#">Vanguard Growth and Income Fund VGIAIX</a>
<a href="#">SEI Stable Asset Fund</a>		<a href="#">Mellon U.S. Equity Market Strategy (Wilshire 5000)</a>
		<a href="#">Mellon International Stock Index Fund (MSCI EAFE)</a>
		<a href="#">Brandes Institutional International Equity Fund BIIEIX</a>
		<a href="#">Mellon Market Completion Stock Index Fund (Wilshire 4500)</a>
		<a href="#">T. Rowe Price Small Cap Stock Fund OTCFX</a>

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Click on each link to view the fund fact sheet



## Additional Elements of the PERSI Choice 401 (k) Plan

CHOICE

### Fees and Expenses...

One important factor many people overlook when making investment choices are the fees and expenses associated with each fund.

You should  
always **compare** the  
fees and expenses of  
each fund!

#### Record Keeping Fees

As long as you are an **active** PERSI member, PERSI will pay the record keeping fees for you.

#### Watch for Fees and Charges...

- ✓ Associated with the basic operation of the fund, such as management fees and operating charges.
- ✓ Fees charged if you redeem or exchange funds within a certain time period.
- ✓ And others...



#### {pop up} compare

When considering an investment, you should ask about what fees may be associated with the investment fund options including:

- Record Keeping Fees – PERSI pays for active participants
- Direct Investment Management Fees – No direct investment management fees are charged to participants for the PERSI Total Return Fund; fees for the other Choice 401(k) Plan funds range from .08% to .96% of the value of the funds

The fees below are **not** charged by the PERSI Choice 401(k) Plan. However, other types of fees are often charged by retirement plans. While these do not pertain to the PERSI Choice 401(k) Plan, be sure to ask about these fees when considering saving in other retirement plans, such as a 457 or 403(b) plan:

- Individual Service Fees (i.e., loan applications, executing investment directions)
- Sales Charges (loads or commissions)
- Front-End Loads
- Back-End Loads
- Deferred Sales Charges
- Redemption Fees
- Rule 12b-1 Fees
- Insurance-Related Charges
- Surrender Charges

Please see “Additional Saving Options”

#### {pop up} active

If you end PERSI-covered employment and decide to leave your money in the Choice 401(k) Plan, you will be responsible for the record keeping fees. The fees will be assessed against your account monthly, beginning with the calendar month starting 90 days after the date you terminate or retire. The current fee is \$2.50 per month.

## Choice 401(k) Plan Loans

The primary purpose of the Choice 401(k) Plan is to save for retirement. However, you may **take out a loan** against your Choice 401(k) account for any reason during employment. A few rules apply...

- You may only have one outstanding loan at a time from the Choice 401(k) Plan
- You must have at least \$2,000 in your account (excluding any Gain Sharing) to take a loan
- The minimum amount you may borrow is \$1,000
- The maximum amount you may borrow is the lesser of 50% of your account balance (excluding Gain Sharing amounts), or \$50,000
- Inactive members may not take a loan



### **{pop up} take out a loan**

You can apply for a 401(k) loan by logging on (using your Social Security Number and PIN) to the Choice 401(k) Plan web site at [www.persi.idaho.gov](http://www.persi.idaho.gov) or by calling **1-866-437-3774** and speaking with a customer service representative.

You will know at the time you apply whether or not your 401(k) loan has been approved. Once a loan is approved, the check will be mailed to your home address. Generally loans are processed within two business days of the application, and checks are mailed within three days of being processed. By endorsing the check, you agree to be bound by the terms of the loan, which are outlined in the loan application.

## Choice 401(k) Plan Loans

### Repaying a Choice 401(k) Plan Loan

- Loan repayments are made through salary (payroll) deductions
- Payments are credited to your account according to your investment allocations **No investment allocation?**

### Repayment Periods

- 5 years for a general purpose loan
- Up to 10 years for the purchase of a primary residence

401(k) Loan  
Interest Rate

You may pay off an outstanding loan in full at any time, however partial loan repayments in amounts different from the regularly expected loan repayments are not allowed.



### **{pop up} No investment allocation?**

If you have not specified how you want your contributions allocated, repayments for a Choice 401(k) Plan loan will be credited to the default PERSI Total Return Fund.

### **{pop up} 401(k) Loan Interest Rate**

The interest rate for all new loans is the Prime Rate plus 1%, as published in the Wall Street Journal on the first business day of each month.

## Additional Elements of the PERSI Choice 401 (k) Plan

CHOICE

### Consider the Downside...

A major drawback to taking a loan from your Choice 401(k) account is that when you take money out of your account, there's less earning income for your retirement. But there are also other factors...

- Loan repayments are made **after tax**, while contributions you make to your 401(k) are made pre tax
- If you stop making payments on your loan, your unpaid balance is considered **taxable**.
- It is your **responsibility** to ensure that your loan repayments are being deducted from your paycheck each pay period
- You must **pay off** your 401(k) loan payments if you leave a PERSI sponsored employer and want to avoid tax consequences
- Taking a loan may change your **attitude** toward saving



#### **{pop up} after tax**

This means if your monthly payment is \$200 and you're in the 25% tax bracket, you actually have to make roughly \$265 in gross earnings to cover the payment. This means you actually have to pay taxes twice on that money...once when you are making payments to your 401(k) loan and then again when you eventually withdrawal that money from the plan.

#### **{pop up} taxable**

If your loan goes into default, any unpaid amounts will be reported to the IRS and you will be liable for the income taxes on this amount (and possibly a penalty). You will receive a 1099 Form the following January for any unpaid amount.

#### **{pop up} responsibility**

You must make sure your loan payments are being made and that they begin on time. You will be responsible for making up any missed payments.

#### **{pop up} pay off**

If you don't repay your loan before your employment with a PERSI-affiliated employer ends, you will be required to repay your loan at the time you leave employment. You are only able to make loan payments through payroll deductions. If you don't pay off your loan at the time you end employment, your loan will be considered in default and consequently considered a distribution from your plan. That means you'll pay taxes – and possibly a penalty – on the outstanding loan balance plus interest.

#### **{pop up} attitude**

Your retirement savings account is meant to provide retirement income and ideally should sit untouched until you retire. Dipping into your Choice 401(k) account savings one time may make it easier to dip into it again. Most financial advisors suggest considering all other resources before taking a 401(k) loan.

## Additional Elements of the PERSI Choice 401 (k) Plan

CHOICE

### **Making Withdrawals While Employed**

You may make In-service withdrawals of your Choice 401(k) Plan funds as follows...

#### **Hardship Withdrawal**

A hardship withdrawal may only be taken for relieving an immediate and heavy financial need for these reasons...

- Payment of current post-secondary tuition (not loan repayments)
- Unreimbursed medical expenses
- Purchase of a primary residence
- To prevent eviction or foreclosure of your primary residence
- Funeral expenses for a deceased parent, spouse, child, or dependent
- Casualty loss that qualifies as an IRS casualty loss deduction

#### **Non-Hardship Withdrawal**

A non-hardship withdrawal can be made for any reason, but is limited to rollover balances only and is not available to inactive participants.



#### **{pop up} Hardship Withdrawal**

To receive a hardship withdrawal, you must first exercise all other loan or withdrawal options that may be available, including a Non-Hardship In-Service Withdrawal. The withdrawal may only include your pre-tax contributions – Gain Sharing contributions are not available for a hardship withdrawal.

A hardship withdrawal is not subject to the 20% federal withholding tax, but you may be required to pay a 10% IRS penalty for early withdrawal on the hardship amount (if under age 59 ½) in addition to regular income taxes.

You will be suspended from making voluntary employee (pre-tax) contributions to the Choice 401(k) Plan for 6 months if you take a hardship withdrawal. Inactive members are not able to take a hardship withdrawal.

#### **{pop up} Non-Hardship Withdrawal**

A non-hardship withdrawal is a request for a distribution of money from your Choice 401(k) Plan account while you are still employed. You can only request a distribution of money that you have previously “rolled” into the Choice 401(k) Plan from another source. For example, if you rolled money from a retirement IRA into the Choice 401(k) Plan, you are able to request a distribution of the rollover balance at any time while you are still employed with a PERSI-sponsored employer. Members who have Idaho Super Saver money in the Choice 401(k) Plan are eligible to request a non-hardship withdrawal of that money provided they are an active member and are at least age 59 ½.

## In-Service Transfers

Funds from your Choice 401(k) Plan account may be **transferred** to the PERSI Base Plan while you are still working to repay separation benefits, waiting periods, or delinquent contributions.

## Gain Sharing Contributions

For eligible members, PERSI *may* make a contribution to your Choice 401(k) Plan account if extraordinary funding levels in the PERSI Base Plan are achieved and the Board of Directors decide it is appropriate. This contribution is called “Gain Sharing.”

Should Gain Sharing contributions become available in the future, PERSI will provide detailed information at that time.



### {pop up} In-Service Transfers

You must be actively working to begin such a repayment. If you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer. Contact a PERSI representative at 1-800-451-8228 (7:30 a.m. to 5:30 p.m. MST Monday through Friday) for more information about In-Service Transfers.

## Purchasing Base Plan Service

If you are a vested PERSI member with 60 months of service credit, you may use Choice 401(k) Plan funds to purchase additional Base Plan service to increase your Base Plan retirement benefit.

- You may purchase up to 48 months (4 years) of service
- There are no service requirements and you may purchase service for any reason
- You must **initiate** a purchase of Base Plan Service within 90 days before you retire
- The purchase of Base Plan service may only be done as an extension of your **current service**

You can estimate how much a purchase of service may cost by using the Purchase of Service calculator at <http://www.persi.idaho.gov>



### {pop up} initiated

Because the purchase cost for Base Plan Service is based on many factors – your salary, age, years of service and more – an exact cost cannot be determined until you are actually ready to retire. In addition, to purchase Base Plan service using funds from your Choice 401(k) Plan, you must wait until you have a “distributable event”, such as retirement, to gain access your Choice 401(k) Plan funds. You have 90 days before you retire to initiate the process to purchase Base Plan service.

### {pop up} current service

Extending current service means that if you...

- Are a general member at retirement, you may not purchase police/firefighter service and vice versa.
- Have mixed service (general and police/PERSI firefighter), you may only purchase service as an extension of your membership class at retirement (if you once were a police officer, but are a general member at retirement, you may only purchase as a general member).
- Are a Board Member or Part-Time Elected/Appointed official at retirement, you may only purchase service to be applied at the minimum-benefit level. If you were once a Board Member of Elected/Appointed official but are a full-time employee at retirement, you may purchase service as a full-time employee.

**Continue to the next section...**

**[Okay You're Signed Up...Now What?](#)**

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The information in this web tour is not intended as investment advice. Its purpose is to help you understand the tools and resources available to you through the Choice 401(k) Plan.



## Okay, You're Signed Up...Now What?

In this section of the web tour we'll help you determine what kind of investor you are and how you feel about investment risk and return. We'll also review how to manage the investments in your PERSI Choice 401(k) Plan.

If you're looking for other information about the Choice 401(k) Plan, please return to the [start](#) of this Tour.



Okay, You're Signed Up...Now What?

CHOICE

## Directing Your Contributions

By enrolling in the Choice 401(k) Plan, you avoid the biggest financial mistake many people make when it comes to retirement planning...doing nothing!

Now take the next step: decide how to invest your Choice 401(k) account contributions. Until you make this decision, your contributions will automatically be invested in the [Total Return Fund](#).

If you decide you want to direct your contributions to one or more other investment options, then before choosing which of the available fund options are right for you, you should consider...

- What type of investor you are
- Where to allocate your assets
- How to protect your retirement savings through diversification and rebalancing

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### **{pop up} Total Return Fund**

The Total Return Fund is invested the same way that the PERSI Base Plan is invested, making it a diversified fund.

## Understanding Risk

The goal of investing is to get back more money than you originally put in – that is, to achieve a “return” on your investment. However, while investments offer the potential for return, they also carry certain risks.

**What is Risk?** When it comes to investing, you should be aware of at least two types of risk...

- **Inflation Risk** – The risk your money will purchase less in the future than it does today.
- **Market Risk** – The risk the value of your investments will decrease – or will not increase at the expected rate.

Everyone has a different tolerance for risk...do you know yours?

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## How do you feel about risk and investing?

Answer these questions...Select (and make note of) the number that most accurately reflects how you feel about risk and investing:

### Question 1

I accept higher risks in order to pursue a higher return on my investments

Strongly  
Disagree



Strongly  
Agree

1

2

3

4

5



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## How do you feel about risk and investing?

Answer these questions...Select (and make note of) the number that most accurately reflects how you feel about risk and investing:

### Question 2

It's important for the return on my investments to stay ahead of inflation

Strongly  
Disagree



Strongly  
Agree

1

2

3

4

5

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## How do you feel about risk and investing?

Answer these questions...Select (and make note of) the number that most accurately reflects how you feel about risk and investing:

### Question 3

I don't move my investments, even if they lose money over the course of a year.

Strongly  
Disagree



Strongly  
Agree

1

2

3

4

5



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## How do you feel about risk and investing?

Answer these questions...Select (and make note of) the number that most accurately reflects how you feel about risk and investing:

### Question 4

I invest in the Plan to save for retirement, and therefore do not plan to take a loan or withdrawal.

Strongly  
Disagree



Strongly  
Agree

1

2

3

4

5



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## How do you feel about risk and investing?

Answer these questions...Select (and make note of) the number that most accurately reflects how you feel about risk and investing:

### Question 5

I am well educated about my investments, the markets and retirement issues.

Strongly  
Disagree



Strongly  
Agree

1

2

3

4

5

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## How do you feel about risk and investing?

The type of investor you are shows how much risk you are willing to take with your investments:

**Total Score**

**Note to Reviewer:** This score should tally from how the member answers on the previous 5 slides.

Your Score...

May indicate what type of investor you are...

Mental Note...

5 – 11  
12 – 18  
19 – 25

Conservative  
Moderate  
Aggressive



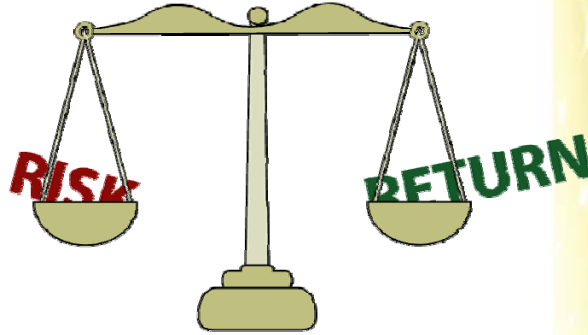
### {pop up} Mental Note...

You may want to make a mental note of what type of investor you are – we'll return to these three types later in this module.

## Understanding Asset Allocation

Finding the balance between risk and return...

How you allocate your money among asset classes in the Choice 401(k) Plan is called "asset allocation"



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## Okay, You're Signed Up...Now What?

CHOICE

### Investment Types

There are three main classes of assets or investments...

**Equity  
Funds**

Greater Growth  
Potential  
With  
Greater  
Risk

Equity Fund Types

**Fixed Income  
Funds**

Moderate Growth  
Potential  
With  
Moderate  
Risk

**Balanced  
Funds**

Greater  
Diversification



#### {pop up} Equity Funds

Equity funds purchase ownership, called “equity or stock,” in a variety of companies. These funds seek to make money by sharing in the different companies’ profits (in the form of cash dividends) or through capital appreciation (the increase in stock prices). Equity fund prices can be very volatile and can shift dramatically, but offer the highest growth potential.

#### {pop up} Fixed Income Funds

Fixed income funds purchase “IOUs,” such as bonds, usually from a company, government or government agency (the issuer). The organizations that receive these loans promise to repay the full amount on specific dates (the maturity date — one to 30 years in the future) and, in the meantime, promise to pay a stated rate of interest (the coupon rate) to the fund. Bonds generally carry less risk (and offer lower long-term return potential) than equity funds. But, fixed income funds have their own inherent risk to interest rates and credit risk of issuing parties. For example, bonds issued by corporations tend to be riskier, and therefore higher yielding, than those issued by governments.

#### {pop up} Balanced Funds

The basic idea behind a balanced fund is to create a mix (or balance) between the different types of investments that are part of the fund. Balanced funds invest in both equity (stocks) and fixed income (bonds) instruments in order to provide both income and capital appreciation, while minimizing volatility. The idea is to find the right mix between the various components so there is broad diversification in one plan option.

#### {pop up} Equity Fund Types

Equity funds can be classified even further into even more types of asset classes including...

#### Large-Cap Equity Funds

Large-capitalization funds generally invest in the stock of companies with market values of greater than \$10 billion. Stock investors receive dividends if they are paid and share in the gain or loss if the price of the stock goes up or down.

#### International Equity Funds/Global Equity Funds

International equity funds generally invest in the stock of companies located outside the United States. Global equity funds generally invest in the stock of companies both inside and outside the United States. International investing may entail additional risks, such as currency exchange fluctuations and political instability.

#### Mid-Cap Equity Funds

Mid-capitalization funds generally invest in the stock of companies with market values in the \$2 billion to \$10 billion range.

#### Small-Cap Equity Funds

Small-capitalization funds generally invest in companies with a market value below \$2 billion.

## Okay, You're Signed Up...Now What?

CHOICE

### Investment Time Horizon

The mix of your investments should change as your time horizon moves. Of course, everyone's life is different and you may experience certain events in your life earlier or later in life.

#### Early Career

Additional Tips

#### Mid Career

Additional Tips

#### Late Career

Additional Tips



#### {pop up} Early Career

Your 20s and 30s are key ages for building the foundation of your retirement savings. Unfortunately, many of us don't start saving this early because we tell ourselves we're too young to worry about retirement and we face more immediate financial needs – such as paying off student loans, buying a car or house, or starting a family. However, the earlier you start saving for retirement, the more time you'll have to take advantage of the benefits of compounding earnings. Investing just a small amount now can grow to significant savings over time.

Try to save as much as you can during this time, because before you know it, you'll be in the mid-career part of life. Even if you invest just a small amount now, over time you have the power to build significant savings for your future.

#### {pop up} Mid Career

If you're like most people, during your 40s you may have more money to invest than you did earlier in your career, since your income has likely risen. At the same time, though, this stage of our life can also be where we may have many of our biggest expenses, such as sending the kids to college. Still, if you only recently started saving for retirement, you may need to find a way to put away extra money to make up for lost time. Once you start saving for retirement, it's important to continue the habit. It may be easy to get sidetracked by other financial concerns, but saving for your retirement is one of the most important financial investments you can make.

If you haven't done so already, at this point, you may want to consider working with a financial planner to make sure you're on track to reach your financial goals. When evaluating your investment options, consider how much longer you have until you'll want to begin tapping into those retirement savings; consider too the possibility that you may have to stop working sooner than you think.

#### {pop up} Late Career

Your 50s and early 60s are important years for retirement planning. As you get closer to retirement you should save as much as you can. If you have paid off your mortgage and children's college expenses it's much easier to put significant amounts of your pay into savings. Regardless of your situation, in the final years of your full-time career you should do everything you can to ensure that you have enough put aside to meet your retirement needs. At the same time, consider gradually reducing the amount of risk you have in your investments, because you are approaching the years when you will need your savings if you experience a major market downturn at this stage, you have less time to recover.

## Investment Time Horizon

The mix of your investments should change as your time horizon moves. Of course, everyone's life is different and you may experience certain events in your life earlier or later in life.

### Early Career

Additional Tips

### Mid Career

Additional Tips

### Late Career

Additional Tips



### {pop up} early career additional tips

#### Tips for the Early Career

- Build an emergency fund with three to six months of basic living expenses.
- If you don't own a home already, begin saving for one.
- Make sure to pay off your credit cards each month.
- Considering the advantages of tax-deferred savings and compound earnings, contribute as much as you can to the Choice 401(k) Plan.
- Given the amount of time you have until you retire, you can probably afford to diversify your investments into more aggressive investments, such as stock mutual funds. You should have time to ride out any market downturns.

### {pop up} mid career additional tips

#### Tips for the Mid-Career

- Continue to contribute to the Choice 401(k) Plan.
- Make sure that you've prepared basic estate planning documents, such as a will or trust.
- Ensure you have enough life and disability insurance to protect your family.
- Review your asset allocation annually and make necessary adjustments – remember, you can do this on the Choice 401(k) Plan website
- Keep paying your credit cards off each month.
- You still have 20 to 25 years before retirement, so you will still benefit considerably from compounding interest.

### {pop up} late career additional tips

#### Tips for the Late Career

- Take advantage of the catch-up contributions available through the Choice 401(k) Plan.
- Discuss when your retirement income will be available and the advantages of withdrawing money with the Social Security Administration and your financial planner.
- Consider long-term care insurance or retirement health care insurance needs.
- With retirement on the horizon, you may want to shift some of your savings to lower risk investments that are designed to help preserve your capital.

Okay, You're Signed Up...Now What?

CHOICE

## Creating Your Investment Portfolio

When you create your own portfolio, you review and select the investment **funds** you're interested in, and manage your account on an ongoing basis.

You can select from the investment funds, including the Total Return Fund, to create a **diversified** portfolio.

Use the **individual fund fact sheets** to research what funds might be best for you based on your investment timeline and investor profile. Remember to consider how investment management fees might affect your overall returns.



### **{pop up} Funds**

When you select a specific fund within the Choice 401(k) Plan, you are also bound by the rules for that particular investment fund option.

### **{pop up} diversified**

Diversification is the spreading or lowering of risk by investing in different types of investments.

### **{pop up} individual fund fact sheets**

Individual fund fact sheets are available at  
[http://www.persi.idaho.gov/investments/choice\\_plan\\_investments.cfm](http://www.persi.idaho.gov/investments/choice_plan_investments.cfm).

## Managing Your Investment Portfolio

Remember these important points when creating and managing your own personal investment portfolio.

- Invest with a long-term perspective
- Be wary of being too cautious
- Review your asset allocation regularly
- Take advantage of dollar-cost averaging

### Be Aware of Fees...

One important factor many people overlook when making their investment choices are the fees and expenses associated with each investment. Refer to "[Additional Saving Options](#)" for more information.



#### **{pop up} Invest with a long-term perspective**

It's a good idea to keep your long-term investment goals in mind. Stock and bond funds frequently rise and fall in value. You may be tempted to move your money out of such funds if the value of your portfolio declines, but keep your investment horizon in mind. If you are in your 20s, 30s, or 40s, you have many years of investing ahead of you, and you can afford to take some risk in exchange for the possibility of higher long-term returns.

#### **{pop up} Be wary of being too cautious**

Although it may make sense to invest a portion of your money in cash equivalents, having all of your money there simply because you perceive those investments as "safe" may shortchange you in the long run. Consider this: If you invest everything in a money market account that returns 3% and inflation is 4%, your money will actually lose 1% of its spending power over that period.

#### **{pop up} Review your asset allocation regularly**

You might need to change your asset allocation when your long-term goals change. Your life and your financial situation change as time passes, so be sure to review your investment mix and your long-term goals on a regular basis. You may want to consult a financial adviser before you make changes to your allocation.

#### **{pop up} Take advantage of dollar-cost averaging**

When you choose an investment fund through the Choice 401(k) Plan, your money purchases "shares" of that fund.

Because your Choice 401(k) Plan contributions are automatically deducted from your paycheck, you automatically take advantage of an investing philosophy called "dollar-cost averaging." You've probably heard the old adage "buy low, sell high." With dollar-cost averaging, you don't have to worry about timing the market – that is, trying to buy when share prices are low or "on sale."

Even the most experienced investors don't always know the "best" time to buy. That's where dollar-cost averaging comes in. When you dollar-cost-average, you buy more fund shares when prices are low and fewer shares when prices are high. In a generally rising market, this means the average price you pay for your shares can be less than the average share price. In other words, you take advantage of all the sales that come along because you're continually investing.

Okay, You're Signed Up...Now What?

CHOICE

**Continue to the next section...**

**[Additional Saving Options](#)**

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The information in this web tour is not intended as investment advice. Its purpose is to help you understand the tools and resources available to you through the Choice 401(k) Plan.



## Additional Saving Options...

Unlike many employees, you have a choice when deciding how to save for retirement. In this section of the Web Tour, we'll take a look at some of the other options you may be eligible for in addition to the PERSI Choice 401(k) Plan.

We'll also review the important topic of investment management fees and expenses.

If you're looking for other information about the Choice 401(k) Plan, please return to the [start](#) of this Tour.



## Take some time to compare...

Unlike many employees, you have a choice when deciding how to save for retirement.

In addition to the Choice 401(k) Plan, you may also be eligible to participate in a...

### 457 Plan

### 403(b) Plan

The PERSI Choice 401(k) Plan Comparison Chart summarizes and compares some of the main features of the plan options that might be available to you.



#### **{pop up} eligible**

Check with your employer to learn about the retirement plan options you may be eligible for. You may be eligible to participate in multiple plans, including 457, 403(b) or other 401(k) plans, in addition to the Choice 401(k) Plan.

#### **{pop up} 457 Plan**

457 Plans are generally available to employees of certain state and local governments and non-governmental entities that are tax exempt under Section 501 of the Internal Revenue Code.

Members generally will be eligible to participate in the Choice 401(k) Plan and may also enroll in other plans such as 457 plans.

You may enroll in any of the options available to you at the same time. Check with your Human Resources representatives to determine which plan options are available to you.

#### **{pop up} 403(b) Plan**

A 403(b) retirement plan is generally available to employees of public and private schools, colleges, universities, churches, public hospitals, and certain charitable entities.

Members generally will be eligible to participate in the Choice 401(k) Plan and may also enroll in other plans such as 403(b) plans.

You may enroll in any of the options available to you at the same time. Check with your Human Resources representatives to determine which plan options are available to you.

## Participating in multiple plans...

Members eligible to participate in multiple types of plan options will have the following contribution maximums...

Choice 401(k) Plan and 457 plan maximums

or

Choice 401(k) Plan and 403(b) plan maximums

You may enroll in one or multiple options at the same time.

## Why so many choices?

Generally it comes down to what organization or employer you work for – Check with your Human Resources Department to determine which plan options are available to you.



### **{pop up} The Choice 401(k) Plan and the 457**

An employee eligible to contribute to both the Choice 401(k) Plan and a 457 plan may contribute the maximum contribution amount (\$16,500) to each plan type for a total contribution of \$33,000 in 2009. If you will be age 50 or older in 2009, you may also make additional catch-up contributions. If you contribute to both the Choice 401(k) Plan and a 457 plan, you can make an additional catch-up contribution up to \$5,500 in each plan for a total of \$11,000 more for an overall contribution maximum of \$44,000. The limits are subject to change by the IRS.

Check with the 457 plan to determine if additional catch-up contributions are available.

### **{pop up} The Choice 401(k) Plan and the 403(b)**

The Choice 401(k) Plan and 403(b) plan share a single limit for total aggregate contributions of \$16,500 (or \$22,000 catch up contributions for age 50 or older) in 2009.

Check with the 403(b) plan to determine if additional catch-up contributions are available.

## Take some time to compare...

It's true these various savings plans have some features in common. All of these plans allow you to...

- Direct a portion of your pay to a personalized account on a pre-tax basis
- Save for retirement while deferring income taxes today
- Diversify your portfolio among several investment options

## Which one do I pick?

That's a good question...and we know you don't want to hear this, but we can't pick for you. The choice is yours and it's up to you to determine which plan's features are most important to you.

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## Consider Investment Fund Fees...

Remember to ask about what fees may be associated with the investment funds in each of your plan options (401(k), 457 or 403(b) plans) including...

- Record Keeping Fees
- Investment Management Fees

The following fees\* are not charged by PERSI, but you should ask about these fees for any other investment you are considering:

- Individual Service Fees
- Sales Charges
- Front-End Loads
- Back-End Loads
- Rule 12b-1 Fees
- Insurance-Related Charges
- Surrender Charges

\*Source: Department of Labor



### {pop up} Record Keeping Fees

These fees pay for the day-to-day operation of a plan and covers expenses for basic administrative services, such as plan record keeping, accounting, legal and trustee services. **PERSI pays the record keeping fees for you as long as you are an active PERSI member.**

### {pop up} Investment Management Fees

By far the largest component of plan fees is associated with managing plan investments. Fees for investment management and other investment-related services generally are assessed as a percentage of assets invested. You should pay attention to these fees. You pay for them in the form of an indirect charge against your account because they are deducted directly from your investment returns. Your net total return is your return after these fees have been deducted. For this reason, these fees, which are not specifically identified on statements of investments, may not be immediately apparent.

No direct investment fund fees are associated with the PERSI Total Return Fund. The other Choice 401(k) Plan options have investment management fees ranging from 0.08% to 0.96% of the value of the funds.

### {pop up} Individual Service Fees

In addition to overall administrative expenses, there may be individual service fees associated with optional features offered under a plan. Individual service fees are charged separately to the accounts of individuals who choose to take advantage of a particular plan feature. For example, individual service fees may be charged to a participant for taking a loan from the plan or for executing participant investment directions.

**PERSI does not charge any individual service fees**

### {pop up} Sales Charges

These are basically transaction costs for the buying and selling of shares. They may be computed in different ways, depending upon the particular investment product.

**PERSI does not assess any sales charges**

## Consider Investment Fund Fees...

Remember to ask about what fees may be associated with the investment funds in each of your plan options (401(k), 457 or 403(b) plans) including...

- Record Keeping Fees
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The following fees\* are not charged by PERSI, but you should ask about these fees for any other investment you are considering:

- Individual Service Fees
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- Front-End Loads
- Back-End Loads
- Rule 12b-1 Fees
- Insurance-Related Charges
- Surrender Charges

\*Source: Department of Labor



### {pop up} Front-End Loads

Some investments assess sales charges. These charges may be paid when you invest in a fund (known as a front-end load). A front-end load is deducted up front and, therefore, reduces the amount of your initial investment.

**PERSI does not charge or assess any front-end loads**

### {pop up} Back-End Loads

Sales charges paid when you sell shares. A back-end load is determined by how long you keep your investment. There are various types of back-end loads, including some which decrease and eventually disappear over time. If you decide to sell a fund share when a back-end load is in effect, you will be charged the load. Back-end loads can also be referred to as deferred sales charges or redemption fees.

**PERSI does not charge or assess any back-end loads, deferred sales charges or redemption fees.**

### {pop up} Rule 12b-1 Fees

Rule 12b-1 fees are ongoing fees paid out of fund assets. Rule 12b-1 fees may be used to pay commissions to brokers and other salespersons, to pay for advertising and other costs of promoting the fund to investors and to pay various service providers to a plan pursuant to a bundled services arrangement. They are usually between 0.25 percent and 1.00 percent of assets annually.

**PERSI does not charge any Rule 12b-1 Fees**

## Consider Investment Fund Fees...

Remember to ask about what fees may be associated with the investment funds in each of your plan options (401(k), 457 or 403(b) plans) including...

- Record Keeping Fees
- Investment Management Fees

The following fees\* are not charged by PERSI, but you should ask about these fees for any other investment you are considering:

- Individual Service Fees
- Sales Charges
- Front-End Loads
- Back-End Loads
- Rule 12b-1 Fees
- Insurance-Related Charges
- Surrender Charges

\*Source: Department of Labor



### {pop up} Insurance-Related Charges

Insurance-related charges are associated with investment alternatives that include an insurance component. They include items such as sales expenses, mortality risk charges and the cost of issuing and administering contracts.

**PERSI does not charge any insurance-related charges**

### {pop up} Surrender Charges

Surrender and transfer charges are fees a financial company may charge if you withdraw an amount from the fund. This fee may be imposed if these events occur before the expiration of a stated period and commonly decrease and disappear over time. It is similar to an early withdrawal penalty on a bank certificate of deposit or to a back-end load or redemption fee charged by some funds.

**PERSI does not charge any Surrender Charges**

## Investment Fund Fee Example...

Assume you have \$25,000 in retirement savings and are choosing to invest your money in one of these two investment funds:

**Investment Fund A** – Average management fee is **0.5%**

**Investment Fund B** – Average management fee is **1.5%**

If you make no more contributions to your account, but the returns on the investments in your account average 7% over the next 35 years...

[How much difference does it make?](#)

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## How Much Difference Does it Make?

With average investment management fees of...

0.5%

1.5%

Your account balance will grow to...



Assumes you make no more contributions to your account, but the returns on the investments in your account average 7 percent over the next 35 years. Actual returns on investment may vary.

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## How Much Difference Does it Make?

Investment management fees...

0.5%          versus          1.5%

**A difference of \$64,000!**

The 1 percent difference in investment management fees would reduce your account balance at retirement by 28 percent!

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**[Frequently Asked Questions](#)**

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**[Contact and Contribution Information](#)**

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## You're Account is Ready!

As a PERSI member, a Choice 401(k) Plan account had been automatically set up for you when you become eligible to participate and your employer notified PERSI.

Be sure to watch for important information mailed to your home, including:

- Choice 401(k) Plan highlight summary and plan comparison information
- Your Personal Identification Number (PIN) which is mailed separately from all other materials

Once your Choice 401(k) Plan account is active, you can begin making [contributions](#).



### **{pop up} contributions**

Your Choice 401(k) Plan account can begin accepting contributions from any of these sources once it is active:

- Salary Deferral Contributions
- Eligible Rollover Contributions
- Employer Contributions (if applicable)
- Gain Sharing Contributions (if applicable)

## Contributing to the PERSI Choice 401(k) Plan

By contributing to the Choice 401(k) Plan, you avoid the biggest financial mistake that many people make when it comes to preparing for retirement...doing nothing! Follow the steps below to get started:

- Step 1:** Review your Choice 401(k) Plan materials, if you have not done so already
- Step 2:** Complete the Choice 401(k) Plan Deferral Election Form included in your enrollment materials (click on the link below to download a copy of the form)
- Step 3:** Give the completed form to your employer's Human Resources or Payroll Department (do not send this form to PERSI)

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[Print a Choice 401\(k\) Plan Deferral Election Form](#)



## Watch for Your PIN...

After you become a member of the PERSI Base Plan, a personal identification number (PIN) is **mailed** to your home address. This PIN is important as you can use this PIN to access your account information. In addition, you'll receive...

- Instructions on how to access your Choice 401(k) Plan account information
- A reminder to select your investment allocation if you want your contributions invested in something other than the default PERSI Total Return Fund.

If you lose or misplace your PIN, you may request a reminder PIN letter using either the **Web site** or the **toll-free number**.



### **{mailed}**

Your PIN information is mailed by the PERSI Choice 401(k) Plan record keeper, ACS HR Solutions.

### **{pop up} Web site**

Link to [www.persi.idaho.gov/choice.htm](http://www.persi.idaho.gov/choice.htm)

### **{pop up} toll-free number**

You can talk with a Choice 401(k) Plan customer service representative anytime between the hours of 7 a.m. and 6 p.m. Mountain Time, Monday through Friday. Just call 1-866-437-3774.

## 24-Hour Account Information

You can access your account online 24 hours a day, seven days a week by visiting the PERSI Choice 401(k) Plan Web site to...

- Change your investment elections
- Transfer balances
- Request a loan or withdrawal
- Change your Personal Identification Number (PIN)
- Link to other investment sites
- Use modeling tools and retirement calculators

[Access Your Account Online](#)

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## Managing Your Account

Once you enroll in the Choice 401(k) Plan, you can always...

**Change Your Deferral Amount**

**Change Your Investment Elections**

**Transfer Money Between Investment Funds**

Investment Fund Restrictions



### **{pop up} Change Your Deferral Amount**

You may change the amount of your Choice 401(k) Plan contribution (salary deferral) at any time by completing a new Choice 401(k) Plan Deferral Election form and submitting it to your Human Resources or Payroll Department. The requested change will be made as soon as administratively possible (usually within the next pay cycle). A confirmation statement of the change will be mailed to you by ACS HR Solutions.

**You must make this change with your Human Resources or Payroll Department – your employer will need to know how much to deduct from your paycheck.**

### **{pop up} Change Your Investment Election**

You may select or change how your future Choice 401(k) Plan contributions are invested at any time. Access your account on the internet or speak to a customer service representative to select between the individual investment funds.

All future contribution types (voluntary, employer, or gain sharing) have the same investment election. Investment elections must be made in 1% increments; fractional (i.e., 1/3, 2/3) contribution amounts are not allowed. You will be sent a confirmation of any investment election changes by mail within 2 business days.

### **{pop up} Transfer Money Between Investment Funds**

You may move or transfer you existing Choice 401(k) Plan account between investment funds at any time - there is no fee for making a fund transfer. Access your account on the internet or speak to a customer service representative to select between the individual investment funds. You will need your Social Security Number and PIN to initiate a fund transfer.

Transfers may be initiated online 24 hours a day, 7 days a week (customer service representatives are available Monday through Friday between the hours of 7 a.m. and 6 p.m. Mountain time). Requests received before 2:00 pm MST will be processed at that business day's closing net value. Requests received after 2:00 pm MST or on holidays will be processed at the next business day's closing net value. Transfers received after 2:00 pm on Fridays and weekends will be processed at the close of business on Monday.

### **{pop up} Investment Fund Restrictions**

The number of trades (transfers) into and out of the two international funds, Mellon International and Brandes International, will be limited to two (2) trades per fund in a 90-day period. The 90-day period will be based on calendar days and will be calculated on a rolling period from the current date back 90 days. Systematic purchases and redemptions, such as payroll deferrals, rollovers, and scheduled periodic distributions, are exempt from this limitation.

If you move any portion of your holdings out of the Vanguard Growth & Income Fund via transfer or fund reallocation, you will be prohibited from reinvesting in this same fund for a 60-day period. The 60-day purchase restriction period will be based on calendar days and will be calculated on a rolling period from the current date back 60 days. If you initiate subsequent transfers out of the fund, during the 60 calendar day block, the subsequent money transfer out of the fund will extend the purchase block restriction. Systematic purchases and redemptions, such as payroll deferrals, rollovers, and scheduled periodic distributions, are exempt from this limitation.

For more information about the Choice 401(k) Plan investment fund policy, click [here](#).

## Questions?

If you have questions about your Choice 401(k) Plan benefits, you can do research online or call via telephone...

**Internet**

**Telephone**

**Additional  
Questions**

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### **{pop up} Internet**

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

### **{pop up} Telephone**

You can access the voice response system 24 hours a day, 7 days a week, however you can also talk with a Choice 401(k) Plan customer service representative 7 a.m. to 6 p.m. Mountain Time, Monday through Friday at 1-866-437-3774.

### **{pop up} Additional Questions**

Representatives from ACS HR Solutions, the Choice 401(k) Plan administrator, are available to answer your questions about the Choice 401(k) Plan. However, if you wish to speak to a PERSI representative (or if you have questions about your PERSI Base Plan service), please call PERSI at 1-800-451-8228, 7:30 a.m. to 5:30 p.m. Mountain Time, Monday through Friday.