

# Making the right CHOICE

## PERSI CHOICE 401(k) PLAN COMPARISON CHART

### COMPARE THE PERSI CHOICE 401(k) PLAN AND OTHER RETIREMENT SAVING OPTIONS

Unlike many employees, you have a choice when deciding how to save for retirement. The comparison chart on the next page is designed to summarize and compare some of the main features of each of the retirement savings plan options that might be available to you.

#### What Do All These Numbers Mean...401(k), 457, 403(b)?

Having choices may be better, but it doesn't always make it easier...and with all of these different numbers floating around, it's easy to become confused as to what is what. 401(k), 457, 403(b)...they're all a bunch of numbers that can sometimes make you think you're back in math class. In fact, each of these numbers refers to a different section of the Internal Revenue Code.

It's true that these plans have some features in common. All allow you to:

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

#### So...why so many choices?

Basically, it comes down to who you work for...

**Choice 401(k) Plan** – Members who are eligible for the PERSI Base Plan are also eligible to contribute to the PERSI Choice 401(k) Plan.

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

**403(b) Plans** – Generally available to employees of public and private schools, colleges, universities, churches, public hospitals, and certain charitable entities.

Members may be eligible to participate in the Choice 401(k) Plan and also in other plans such as the 457 and 403(b) plans at the same time. Check with your Human Resources representatives to determine which plan options are available to you.

	Choice 401(k) Plan	457	403(b)
<b>Who Can Participate</b>	Members who are eligible for the PERSI Base Plan are also eligible to contribute to the PERSI Choice 401(k) Plan You have received materials regarding the Choice 401(k) Plan because you are a member of the PERSI Base Plan and thus also eligible for this Plan	Generally available to certain state and local governments and non-governmental entities that are tax exempt under Internal Revenue Code 501	Generally available to employees of public and private schools, colleges, universities, churches, public hospitals and certain charitable entities
<b>Pre-Tax Contributions</b>	Yes	Yes	Yes
<b>Annual Contribution Maximum</b>	\$16,500 in 2009 (plus an additional \$5,500 if you will be age 50 or older by the end of the year)	\$16,500 in 2009 (plus an additional \$5,500 if you will be age 50 or older by the end of the year)	\$16,500 in 2009 (plus an additional \$5,500 if you will be age 50 or older by the end of the year)
<b>Coordinating Annual Contribution Maximums With Other Plans</b> See the contribution maximum calculator on the PERSI Website at <a href="http://www.persi.idaho.gov/limits_calculator/">www.persi.idaho.gov/limits_calculator/</a>	An employee eligible to contribute to both this Plan and a 457 Plan may contribute the maximum amounts to both plans for a total contribution of \$33,000 in 2009 plus any applicable catch-up contributions 401(k) and 403(b) plans share a single limit for an aggregate contribution of \$16,500 (or \$22,000, including a \$5,500 catch-up contribution) in 2009	An employee eligible to contribute to both a 457 plan and the Choice 401(k) may contribute the maximum amounts to both plans for a total contribution of \$33,000 in 2009 Check with the 457 plan to determine if there are additional catch-up contributions available	The 401(k) and 403(b) plan share a single limit for total aggregate contributions of \$16,500 (or \$22,000, including a \$5,500 catch-up contribution) in 2009 Check with the 403(b) plan to determine if there are additional catch-up contributions available
<b>Roll Over Money From Other Plans</b>	Eligible rollover funds can be accepted from 401(a), 401(k), 403(a), 403(b), 457, Pre-tax IRAs, and Spousal Beneficiaries		
<b>Administrative Fees</b>	For active PERSI Plan members, PERSI pays record keeping fees	Check with the plan administrator regarding fees that apply to the plan	
<b>Money Management Fees</b>	No direct money management fees are charged when you invest in the Total Return Fund Management fees apply to the other investment options	Check with the plan administrator regarding fees that apply to the plan	
<b>Loans</b>	Yes, for any reason (active members)	Yes, for any reason (active members)	
<b>Tax Penalties</b>	Federal tax penalty may apply to distributions made before age 59½; federal tax penalty applies if required minimum distributions aren't taken at age 70½ (minimum distribution rules have temporarily been suspended for 2009)		
<b>When Distributions Must Begin</b>	Withdrawals must begin at age 70½ provided participant is no longer working; if participant is still working at age 70½, then minimum withdrawal must begin upon separation of service (these rules have temporarily been suspended for 2009)		
<b>Distribution Methods</b>	Lump sum, monthly installment payments, rollover to eligible retirement plan, purchase of PERSI Base Plan service, or combination Check with ACS HR Solutions, the Choice 401(k) Plan administrator, regarding specific restrictions on methods of distribution	Check with the plan administrator regarding the methods of distribution available	

*Note: Statements regarding federal income tax requirements and plan provisions are based upon current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.*

*The above is only a brief summary of the plan features. It is provided for your convenience and is not intended to be detailed or comprehensive. Specific limitations and requirements are stated in detail in the Plan Documents and the Internal Revenue Code and regulations. If there are any discrepancies between this summary and the Plan Documents and the Internal Revenue Code, the Plan Documents and Internal Revenue Code will govern.*

## SO WHICH PLAN DO I CHOOSE?

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.

We encourage you to give some serious thought to whether the Choice 401(k) Plan might be right for you. The Choice 401(k) Plan is an excellent tool to help you save for retirement, especially as it:

**Reflects PERSI's Dedication to Our Members** – Our ultimate mission is to assist our members in planning for a secure retirement by providing high-quality friendly service, retirement education and information. Our focus is to provide a comprehensive retirement package to our members.

**Includes Minimal Fees** – PERSI pays the record keeping fees for you as long as you are an active PERSI member. No direct investment management fees are charged for the Total Return Fund.

**Features the Total Return Fund** – This default fund option mirrors exactly the investments of the Base Plan's Trust assets, making it a diversified fund. In addition, as a PERSI member, you are not charged direct investment management fees.

**Results in a Partnership of the PERSI Choice 401(k) and Base Plans** – The combination of the PERSI Base Plan and the Choice 401(k) Plan can work together to provide you with a valuable retirement benefit.

## TAKE A CLOSER LOOK...

PERSI has developed an online "Web Tour" to help you better understand the features of the Choice 401(k) Plan. Click on "Take the Web Tour" on the PERSI Website or go directly to [www.persi.idaho.gov/choice](http://www.persi.idaho.gov/choice).

By taking this tour, you will be considerably more familiar with the Choice 401(k) Plan and how to use the tools and resources available to you.

## ENROLL TODAY!

While we believe the PERSI Choice 401(k) Plan is a great supplemental retirement option to help you reach your long-term financial goals, we encourage you to avoid one of the biggest financial mistakes that people make – doing nothing! So no matter which option is best for you, start today.

To enroll in the Choice 401(k) Plan, complete the Deferral Election Form RS801 that accompanied this comparison chart (or download one from the PERSI Website) and return it to your Human Resources or Payroll Department. Your contributions will begin as soon as administratively possible, which is usually the next pay cycle.

## BE AWARE OF FEES...

Whether you enroll in the Choice 401(k) Plan or a 403(b) or 457 plan, you are able to choose how your contributions are invested. There are several different choices of investment funds, which range from the most stable type of investment to investments that have a greater potential risk and reward.

One important factor that many people overlook when making their investment choices are the fees and expenses associated with each investment. For example, these funds may have expenses or fees associated with the basic operation of the fund, such as management fees and other operating expenses. Some may also include fees that are charged if you exchange or redeem funds within a certain time period of initially contributing to that fund.

Be aware that all of these fees may negatively affect your fund returns. Here's an example. Let's assume that 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, and you chose:

- ◆ **Investment Fund A** – Your account balance could grow to **\$227,000**
- ◆ **Investment Fund B** – Your account balance would only grow to **\$163,000**

The 1% difference in investment management fees would reduce your account balance at retirement by 28% – a difference of **\$64,000!**

You can find more information about investment fees on the Department of Labor's Website at:

[www.dol.gov/ebsa/publications/401k\\_employee.html](http://www.dol.gov/ebsa/publications/401k_employee.html)

**But it gets better...**if you enroll in the PERSI Choice 401(k) Plan, you have the option of investing your contributions in the Total Return Fund (the plan's default fund). **No direct investment management fees are associated with the Choice 401(k) Plan Total Return Fund.**

## WHEN CONSIDERING AN INVESTMENT...

Ask about what fees may be associated with the investment fund options including:

- ◆ **Record Keeping Fees** – PERSI pays for active participants who enroll in the Choice 401(k) Plan
- ◆ **Investment Management Fees** – No direct investment management fees are charged for the PERSI Total Return Fund and the fees for the other Choice 401(k) Plan funds range from .08% to .96%

The fees below are **not** charged by PERSI, but you should also ask about these fees for any other investment fund option you are considering:

- ◆ 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

Log on to [www.persi.idaho.gov/investments](http://www.persi.idaho.gov/investments) for more information about fees and your Choice 401(k) Plan investment options.