



PERSI BASE PLAN FREQUENTLY ASKED QUESTIONS



Q. Will my monthly benefit check stop because of the market problems?

A. No. Retirees will continue to receive their benefit checks the first of every month as usual. Current and future retirement benefits will not be affected by current market problems. In fact, by law in March 2009 retirees will receive at least a 1% cost of living adjustment (COLA). The decision on whether the COLA will be higher will be made at the November 4, 2008, board meeting.

Q. Is PERSI running out of money?

A. No. PERSI is safe and secure. While pension systems, including PERSI, are being affected by the market decline, because of our conservative investment policy which expects downturns every 6-10 years, we are stable. PERSI is a well-diversified pension plan. Our investment strategy is not to make extraordinary gains; instead, we invest for the long-term and with the objective of reducing the possibility of significant losses. For example, on Monday, September 29th, when the market dropped 7%, PERSI dropped 3.4%.

Q. Can the PERSI trust fund be used for government shortfalls?

A. No. PERSI funds can only be used to pay retirement benefits. Idaho Code 59-1301 guarantees the obligation of PERSI through state law, which includes IRS law called the *exclusive benefit law*. The Idaho Code reads as follows:

“With respect to the retirement fund, the fiduciaries (Board, staff, and investment managers) shall discharge their duties to the fund solely in the interest of the members and their beneficiaries for the exclusive purpose of:

- 1) providing benefits to members and their beneficiaries
- 2) defraying reasonable expenses of administering the system”

Q. Are my PERSI funds insured?

A. No. PERSI is not a bank or financial institution, so it is not FDIC insured. However, benefits are assured by state law and have the backing of the State of Idaho and political subdivisions in the state. Funds in accounts held at your bank or credit union are insured by FDIC or credit union insurance up to a certain amount.

Q. Can the state or federal government take money from my account?

A. No. Your Base Plan contributions and interest are yours and cannot be used for any purpose other than to pay your retirement benefits. Your account is protected by a trust fund governed by state and federal law.

Q. How has the market drop affected the rate of return I get on my contributions to my Base Plan account?

A. Presently, the rate of return you receive has not changed. Base Plan accounts are currently earning 17.5% interest. Beginning on January 1, 2009, you will earn the floor interest rate of 1% for calendar year 2009. This may seem like a stunning drop, and frankly it is; however, the good news is that your account will still continue to earn money even as other accounts may not. When investment years are good, you benefit by receiving a higher interest rate on your account balance. Conversely, when the investment year is not so good, you still receive at least 1% interest on your contributions.

Q. Can I withdraw my Base Plan funds?

A. If you are no longer working for a PERSI employer, you may withdraw your PERSI funds. You should keep in mind, however, you will pay state and federal taxes if the funds are not rolled over into another qualified retirement account. Depending on your age, you may pay an early withdrawal penalty and/or find yourself in a higher tax bracket because the withdrawal would be considered as income. You may lose a fair amount of money if you take a withdrawal, but the choice is yours. Once you “cash out” any losses you incur are permanent. That’s why PERSI encourages you to give ample thought to where and how you move your funds so you reduce any negative ramifications.

Q. What if my bank fails and I have direct deposit, how will I get my money?

A. In recent bank failures, whether they are bought out or taken over by the federal government, customers can still access their accounts. If you are uncertain about the stability of your financial institution, you can stop your direct deposit at any time. You may want to talk to someone at your bank about your concerns and also decide where you would deposit your benefit check if you no longer have direct deposit. Funds in accounts held at your bank or credit union are insured by FDIC or credit union insurance up to a certain amount.



PERSI CHOICE 401(k) PLAN FREQUENTLY ASKED QUESTIONS



Q. Are my 401(k) investments secure?

A. The Choice 401(k) Plan is susceptible to market fluctuations. Members select their own investment choices, and also assume the risk unlike their Base Plan (pension) account. PERSI offers investment choices ranging from conservative to aggressive. Your gains or losses depend on the choices you've made. You may want to examine your current choices to determine if they are the best for you at this time.

Q. Can I lose all my 401(k) money?

A. In a volatile market, there is always a possibility of losing money; however, the likelihood is small that you would lose everything. Regardless of which investments you've chosen, they represent thousands of companies worldwide, so all those companies would have to go bankrupt to wipe you out entirely.

Q. Are my PERSI funds insured?

A. No. The Choice 401(k) Plan is not FDIC insured. No investments in the stock market are insured. The stock market operates on a risk/reward basis. It is expected to go through ups and downs over time. PERSI expects these events to happen every 6-10 years as part of a normal economic cycle. If you look back at the market historically, there have been more up cycles than downturns.

Q. Can PERSI advise me on what to do?

A. No. PERSI staff cannot tell you what to do with your investments or your account. We encourage members to talk with their financial advisors or tax consultant before making any decisions regarding their Choice 401(k) Plan account.

Q. Can I withdraw my 401(k) funds?

A. Yes, if you are inactive. Generally distributions are not available if you are still working for a PERSI employer. You may be eligible for a loan or hardship withdrawal under certain circumstances. The PERSI Web site explains this in the Choice Plan FAQ section. You should know that distributions from the Choice 401(k) Plan may be subject to a 20% federal tax withholding. Distributions before you reach age 59½ may also be subject to a 10% federal tax penalty, which applies to the amount of the distribution considered income. PERSI must withhold the 20% federal tax and forward it to the IRS. PERSI does not withhold the 10% penalty. This penalty is due when you file your annual federal income taxes. However, if your distribution is rolled over to an IRA or other eligible retirement plan, the withholding and penalty do not apply.

PERSI encourages you to give ample thought to where and how you move your funds so you reduce any negative ramifications.