



RETIREMENT BOARD MAKES DIFFICULT DECISION

To say PERSI had a interesting year is an understatement. Although the fund had an FY'09 loss of 16%, since March 2009 there have been significant gains. Because of these ups and downs, members have been wondering if contribution rates would be affected. After months of reviewing financial and actuarial data, at its December meeting the PERSI Retirement Board reached a unanimous decision to increase contribution rates.

Even though PERSI started the new fiscal year with reasonable optimism, because the unfunded actuarial liability exceeded 25 years, the Board had to take action pursuant to Idaho law (Idaho Code 59-1322). The Board is responsible for understanding economic conditions and investment trends as they relate to actuarial assumptions so they can adopt the right strategy to protect the system's funds regardless of any compelling or compassionate concerns. While the Board is sensitive to the budgetary constraints of members and employers, they had no option but to raise contribution rates. However, the Board does have some latitude on how and when to implement the increase, which may reduce the strain on current budgets.

The Board is taking the same approach it took in 2002. The rate increase will be phased in over three years. A six-month grace period will allow the first increase to coincide with the beginning of the state's new fiscal year on July 1, 2011. The rates for employees and employers will increase by approximately 1.5%

in each of the first two years, with the balance going into effect the third year. The total net increase is 5.31%. Employers are responsible for two-thirds of the increase and employees for one-third. As in previous years, if the economic situation changes the increases could potentially be postponed or reduced.

In less than ten years, due to economic conditions, PERSI has gone from being 113% over funded to 25% under funded. Dealing with dramatic changes like these is not easy. The Board is responsible for acting in the best interest of the fund...and this year that meant raising contribution rates. Below is a table showing the rate increase over a three-year period.

Public Employee Retirement System of Idaho New Projected Contribution Rates				
	<u>Current Rates</u>	<u>Rates 7/1/2011</u>	<u>Rates 7/1/2012</u>	<u>Rates 7/1/2013</u>
Fire and Police Members				
Employer Rate	10.73%	11.66%	12.58%	13.99%
Member Rate	7.69%	8.36%	9.03%	10.04%
Total Rate	18.42%	20.02%	21.61%	24.03%
General and Teacher Members				
Employer Rate	10.39%	11.32%	12.24%	13.65%
Member Rate	6.23%	6.79%	7.34%	8.19%
Total Rate	16.62%	18.11%	19.58%	21.84%

Historical contribution rate charts are available on the PERSI Web site at www.persi.idaho.gov; click on the "About" link on the home page.

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Insights

WHICH CREDIT CARD SUITS YOUR NEEDS?

This is the first article in a series on credit cards. The focus is on all purpose cards (e.g., VISA and MasterCard), not retail credit cards.

Before you can decide which credit card works best for you, assess your lifestyle. Do you carry balances on your cards or pay in full each month? Are you establishing or re-establishing credit? How will you use the card? Next, assess the various types of cards available to find the best match for your needs.

Student Cards are an excellent way for a young person to begin building credit while away at school. These cards are specifically for students, even if they have no previous credit history. A student card can be helpful when unexpected expenses pop up. The down side of these cards is they typically carry a higher interest rate than standard cards. And if a student is irresponsible in using the card, they (or the co-signer if the student is under age 21) can end up in debt or with bad credit.

Pre-paid Credit Cards can be used for most situations that require a credit card. The issuer does not grant credit based on financial standing; instead, the card holder "loads" the card with their own money. Getting one of these cards is relatively easy, since there is no risk. Holders of pre-paid cards should know that repayment history is not accumulated; therefore, nothing is reported to the credit reporting agencies. So if you want to establish or improve your credit score, this type of card will not help you. You should also be aware pre-paid cards are not accepted everywhere. For example, most hotels and car rental agencies will not take them to secure lodging or a vehicle.

Secured Cards are easy to get and a good way to start building your credit. They can also help you improve, rebuild or repair damaged credit. This type of card can be used like a standard credit card. To obtain a secured card, you must put down a deposit with your application, generally between \$200 - \$250. In addition, they tend to have a higher interest rate; often 14 percent or higher plus an annual fee that can run \$50 or more.

Rewards Cards provide an incentive such as cash back, airline miles, or points you redeem for products or services. You are "rewarded" for using the card. If you charge a lot and pay off your balance each month, this type of card can be a good choice. If you decide on a rewards credit card, be sure to read the terms. Some have higher than normal interest on the unpaid balance and/or annual fees that can end up cancelling out the rewards benefits. Think of it like this: if it takes you five years to accumulate enough points for an airline ticket, you may have paid between \$250 and \$300 in annual fees during that period...which reduces the value of the "reward." Secondly, most rewards cards require that you use the points within a specified period of time. For example, airline cards often require the free mileage be used within three years or the points are lost. And finally, if you don't pay off the balance each month, the interest you are charged may soon outweigh the value of the rebate or points you earned. Make sure you understand how the rewards are calculated and redeemed before signing up.

When making your decision about a credit card, consider the interest rate. Many cards offer a low introductory rate, perhaps even zero percent (0%) with a balance transfer; but this isn't the only rate to look at. What will be the interest rate charged on new purchases? Generally, if you transferred a balance, any payments you make will be applied to the low-interest transferred balance; more recent purchases (with the higher rate) will continue to accrue interest.

No matter which type of card you choose, use credit wisely. Pay off your balance each month so you aren't racking up debt. Many financial experts recommend having at least two credit cards, so if one is lost or stolen you have a back up. Remember...do your research so the decision you make will be the one that best suits your needs and lifestyle.

Next article will cover credit card features.

DISPUTING AN ERROR ON YOUR CREDIT REPORT

This is the final article in a series about credit scores.

The volume and speed at which credit data is reported is staggering. Equifax alone claims to make more than 2 billion updates each month to its consumer reporting database. Statistics indicate 70 percent of credit reports contain errors serious enough for a consumer to be denied credit cards, car loans, or even a mortgage. The good news is the Fair Credit Reporting Act requires credit reporting agencies to fix mistakes; but your diligence is needed to make sure corrections are made. Monitoring your credit is key to your financial well being.

Steps to Correct Your Credit Report

Step 1: Get a current copy of your report from all three credit reporting agencies (Equifax, TransUnion, and Experian) and check for inaccuracies. If an error is found, proceed to step 2.

Step 2: Write a letter to dispute what you think is erroneous. (You can also file a complaint online, but you will not have a record of your filing.) In your letter, list why you believe the information is inaccurate and what should replace it. Include a copy of your report, highlighting the disputed items, and include statements or canceled checks that support your claim. Provide a phone number so you can be reached if additional information is needed. Send the letter via certified mail with a return receipt requested. This will serve as proof you sent the dispute and that the credit bureaus received the letter. Also send a copy of the letter to the creditor involved so they know you are disputing information they provided to the credit bureaus.

Step 3: Once the credit reporting agencies have your dispute letter, they begin an investigation. They have 30 days to investigate your dispute and make changes to your file.

Step 4: The creditor involved is contacted by the credit bureau about your claim. The creditor begins an investigation and reports back to the credit bureaus about the findings.

Step 5: The credit agencies will update your credit information based on the outcome of the investigations.

Step 6: When the credit bureau investigations are complete, you will typically be notified of the outcome within 45 days. The notification letter will explain what, if anything, was changed on your credit report. If your dispute was accepted and you are told the error has been removed from your credit report, you will also receive an updated copy of your credit report. If your dispute was not accepted and nothing was changed, you can try filing another dispute with new or more documentation. You can also have a letter of explanation attached to your credit file that explains the reason for the dispute.

Hopefully, you will never have to dispute information on your credit report; but if you do, you'll know what steps to take. For a pamphlet on disputing credit report errors, go to the Federal Trade Commission Web site at www.ftc.gov or call toll-free at 1-877-382-4357.

NO CHANGE TO ELECTIVE CONTRIBUTION LIMITS

Section 415 of the Internal Revenue Code provides contribution limits for qualified retirement plans, which includes PERSI's Choice 401(k) Plan. Limits for 2010 remain unchanged from 2009:

- Effective Salary Deferrals -- maximum contribution that can be made on a pre-tax basis to the Choice 401(k) Plan remains at \$16,500
- Annual Benefit -- maximum annual benefit that can be paid to a participant remains at \$195,000
- Annual Compensation -- income limit used to determine benefits and contributions remains at \$245,000
- Annual Contribution -- maximum annual amount that can be made to a participant's account remains at \$49,000
- Catch-up Contribution -- contributions in excess of the annual limits by eligible participants remains at \$5,500

NEW BENEFIT PROJECTION TOOL FOR CHOICE PLAN

A new benefit projection tool has been added to the Choice 401(k) Plan Web site hosted by ACS, the plan's record keeper. This new feature, activated on December 16th, allows members to project the growth of their Choice 401(k) Plan account based on the values provided. **It is a projection, not a prediction of future benefits.**

Tool Features:

- Allows members to project account balance based on various data elements: salary, compensation increase percentage, number of years, contribution rate, and estimated rate of return.

- Allows for detailed member inputs and reflects more detailed plan rules.
- Results show total projected account balance and present breakdown of employer match (if any), contributions, and investment earnings.
- Results can be displayed in graph format.

PERSI invites Choice 401(k) Plan participants to check out this valuable new tool. Log onto the PERSI Web site at www.persi.idaho.gov and follow the Choice Plan links or call ACS toll-free at 1-866-437-3774 for more information.

SEPARATION PAYMENT OPTIONS HAVE CHANGED

Effective November 1, 2009, members who leave PERSI-covered employment and apply for a separation benefit (withdraw their Base Plan contributions plus interest) will have two options for receiving their funds:

- 1) a rollover to a qualified retirement account; OR
- 2) a warrant (check) mailed to their address of record on file with PERSI.

Please note: Address changes at the time of the request may delay processing.

Regular Interest Rate Unchanged

Effective January 1, 2010, the regular interest rate on Base Plan accounts will be 1%. The regular interest rate credited to member accounts is equal to the larger of PERSI's net investment return rate at the end of the previous fiscal year or 1%.

PERSI INVESTMENT NEWS

*as of December 8, 2009**

Value of the Fund:

\$10,550,199,849

Fiscal Year Change in Market Value:

\$1,475,150,496

Fiscal Year-to-Date Returns:

16.7%

Month-to-Date Returns:

1.1%

*Posted monthly on PERSI Web site: www.persi.idaho.gov



www.persi.idaho.gov

IDAHO
PERSpectives

Public Employee Retirement System of Idaho

PERSpectives is published quarterly for members of the Public Employee Retirement System of Idaho
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Costs associated with this publication are available from PERSI in accordance with §60-202, Idaho Code 12-05/80,000