



IT SEEMS LIKE WE'VE BEEN HERE BEFORE -- a message from PERSI's Executive Director --



Don Drum
PERSI Executive Director

It was only three short years ago when the country last experienced extreme volatility in the market, so current conditions are familiar. I want to calm any fears by explaining again how PERSI approaches investing and how an unfunded liability works.

PERSI's investing approach today is the same disciplined approach used in previous years. Market ups and downs are expected when investing over the long-term (20-30 years). We have learned winning can sometimes mean losing less; so PERSI's goal is to lose less when the market goes down and gain or hold on when the market goes up. Because the PERSI fund is valued daily, at any given time we know in real terms where it stands. We don't "smooth," which is a commonly used accounting method for spreading losses (or gains) over several years. We don't smooth because the practice can be potentially misleading by over/understating the value of assets; and therefore, the health of a system.

At the August Retirement Board meeting, Chief Investment Officer Bob Maynard noted that since he joined PERSI in 1993 and began tracking data, every dollar invested in PERSI is now worth \$4.26. This is a good return on investment by anyone's standards; but is especially striking when compared to a dollar invested in U.S. stocks, which only jumped in value to \$3.76 during that same time period.



Bob Maynard

Many people were surprised just a few events in early August could cause a "flash crash" of the market. The ruckus over raising the debt ceiling, the credit rating downgrade, and bad news coming out of the Eurozone triggered fears of a double-dip recession...fears that still linger today.

During these uncertain times, it's natural for members and retirees to wonder about PERSI's unfunded liability and what that debt means. It's fairly simple to explain if you think of pension debt like a mortgage. Mortgages don't have to be paid off all at once...and fortunately for pension plans, benefits are not due all at once. Retirement payments are paid over a period of time, just like a homeowner who pays off his mortgage over a period of many years. By statute, PERSI must act if the amortization period exceeds 25 years. This means, if funding is such that it would take more than 25 years to pay off the debt, something must be done to reduce that time line. Recognizing the importance of funding, PERSI has always collected contributions from members and employers...and collected them on time. Many of the systems in deep trouble have failed in this regard.

Over the past couple of years, PERSI experienced its best growth in 25 years. The fund recovered everything lost during the "Great Recession" and reached an all-time high in both returns and assets under management. Now we face another challenging time; but I remain confident the country will recover and that PERSI will continue to be among the best funded systems in the country.

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PROTECTING MEMBER INFORMATION

By statute [Idaho Code section 59-1316 and Idaho Code section 9-340C(2)], PERSI is charged with protecting member records. Prior to July 1, 2001, spouses and former spouses of members could only receive member account information after obtaining a release from the member or through a court order. In 2001, the Idaho Legislature amended Statute 59-1316(4) to authorize PERSI to provide certain information to a spouse or former spouse if it related to the division of a member's accounts or benefits. The amendment specifically exempted from disclosure the member's current address and phone numbers. This was intended to make information more readily available to those with legitimate property interests in an account, while protecting the member's privacy.

Spouses and ex-spouses are treated differently under the law. When a request for information comes to PERSI, every effort is taken to verify the identity of the person making the request to make sure they are the member's current or former spouse. In fact, PERSI uses specific identity verification procedures. The staff is trained to use the procedures to determine a caller's identity and/or relationship to the member; if anyone on the PERSI staff is ever uncertain, they refer the caller to a supervisor or manager.

Information may be given to anyone (or any

entity) the member gives written authorization to or appoints as power of attorney. Information can also be provided to a court-designated conservator or guardian. A member can also authorize release of account information to a third party by calling PERSI. Once PERSI verifies the member's identity using the verification procedures, a note will be made in the member's file indicating authorization was given for PERSI to release information. When the information is released, the letter containing the information will be addressed to the member in care of the address or fax number provided. The first page will state "*Sent at the Request of [member name] to [third-party name]*"

Information in a member's PERSI file is not considered a public record and is usually exempt from disclosure.

Person Making Request	Type of Information Being Requested		
	Account Balance Accrued Service Benefit Amount	Demographic Information (Address, Phone, SSN)	Beneficiary Information
Member	YES	YES	YES
Spouse	YES	NO	NO ***
Former Spouse or Officer of the Court	NO *	NO	NO
Beneficiary, Child, or Court Appointed Representative of Member's Estate	NO	NO	NO ***
Employer	NO **	YES**	NO**
All Others	only when court ordered	only when court ordered	only when court ordered

* Except in cases where the court has ordered a division of PERSI benefits

** Employer may obtain information for legitimate plan purposes only, and is generally limited to salary information

*** Except when the member is deceased

PERSI IS ON FACEBOOK



PERSI is testing out the social media waters. During a six-month trial phase that began in June, PERSI will be utilizing Facebook to connect with and educate members. The page was launched

because social media tools have become the preferred channel of communication for many people.

Initially many of the posts will come from news announcements on the PERSI website (www.persi.idaho.gov); but as more is learned about using this tool, the program could expand. For example, when the stock market started its most recent ups and downs, PERSI posted a notice that the portfolio was behaving as it should given the environment. Members were reminded that PERSI sticks with its investment

strategy because it has served the system well over the years.

To check out PERSI's Facebook page, members can click the Facebook icon located on the homepage of the PERSI website, do a search on Facebook for the Public Employee Retirement System of Idaho, or follow this link: <http://www.facebook.com/pages/Public-Employee-Retirement-System-of-Idaho/186635028045231>.

Today, 67% of people age 18-29, 21% of those age 30-39, and 6% of those age 40+ use social networking sites.

Pew Research Center

PERSI is going to continue learning more about how

Facebook can be used as an education tool and will monitor activity to determine if it makes sense to continue. As more is learned, PERSI's presence will evolve and members will be kept updated.

LENDING TO FAMILY OR FRIENDS IS SERIOUS BUSINESS

Most of us have been approached for a loan at one time or another by either a family member or friend. It can be uncomfortable....you want to help, but might fear you would be placing your relationship at risk. How you approach this type of situation can ensure you don't lose your money or your relationship.

Assess the Situation

First, resist the urge to immediately say yes without doing your due diligence. Ask why the person needs the money; after all, it is your business. Wait at least 24 hours before making a decision; during that time consider the amount involved, how close you are to the person making the request, whether the need is serious, and weigh the likelihood of getting repaid. Also assess the risk of damaging the relationship if you don't make the loan against the risk of losing the relationship if the person doesn't repay the loan. In other words, what happens if you say yes and what happens if you say no.

What if the Loan Isn't Repaid?

Be prepared for the possibility of never getting your money back. So if you decide to make the loan, lend only what you can afford to lose. Consider

whether the borrower is trustworthy and whether the need is legitimate and necessary. Is this a one-time emergency or a symptom of someone who can't manage their fiscal responsibilities or adhere to a budget? If you aren't comfortable making the loan, consider referring the person to a bank or credit union. Discourage anyone from going to a payday or title loan company except as the very last resort. These places charge as much as 300 percent interest, so it's extremely difficult to pay off the balance. This type of loan could land the borrower in even deeper financial trouble.

Making a Loan

If you do decide to loan the money, do it in a business-like manner. Be clear to the borrower the loan is a business proposition. Lay out the repayment terms, and how much and how often you expect payments to be made. Discuss whether you expect to be paid interest or want collateral on the loan. Write a contract to reinforce the money is a loan, not a gift. (This could also come in handy if you ever try to collect in small claims court.)

Follow these guidelines so hopefully the relationship will outlive the loan.

YES, PERSI STILL TAKES APPOINTMENTS

-- and also offers online tools and workshops--

Some members have mistakenly come to think they can no longer make appointments to come into a PERSI office. No one is sure how this rumor got started...but someone definitely got it wrong. Members *are always welcomed* to contact PERSI with questions and can rest assured knowing appointments can be made at any time with anyone at PERSI. Members should also know PERSI does it's best to accommodate members who drop in without an appointment.

Many members find it easier to come into the office to meet with a Retirement Specialist; others prefer to go online to do research at their own pace and at times when it's most convenient for them. That's why PERSI's staff is always available for those who want that personal contact and why an array of tools, forms, and brochures are available online for members who prefer to find answers on their own.

It's true members are encouraged to participate in the free workshops PERSI offers. The workshops are not meant to replace a meeting with a Retirement Specialist or imply the online tools aren't useful, they are meant to supplement and support both. The workshops offer information and examples relating to many complex retirement issues. PERSI wants members to leave a workshop feeling better prepared to make decisions about their future. There simply isn't enough time during a typical appointment to cover each area associated with retirement, such as Social Security, Medicare, and health care costs. The day-long *Retirement's a Beach* workshop allows ample time to cover the issues and take general questions. If necessary, the PERSI trainers even use the break time to assist with member-specific questions. To find out more or to register for a PERSI workshop, visit the education link on the PERSI website at www.persi.idaho.gov.

VOLUNTEERS NEEDED

The Capitol Tour Program is seeking volunteer guides to give tours of the State Capitol building. Each tour takes about an hour, and are scheduled Monday - Friday at 10:00 a.m. and at 1:00 p.m. Volunteers can choose the day and time that works best for them. To learn more or to volunteer contact Michelle O'Brien at (208) 332-1012.

PERSI INVESTMENT NEWS

as of September 18, 2011

Value of the Fund:

\$11,385,014,989

Fiscal Year Change in Market Value:

\$(591,765,741)

Fiscal Year-to-Date Returns:

-4.7%

Month-to-Date Returns:

-1.1%

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



www.persi.idaho.gov

I D A H O

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