



CONTRIBUTION RATE INCREASE POSTPONED

December's Retirement Board meeting included a decision to postpone the rate increase scheduled to go into effect on July 1, 2012.

This marks the second time the Retirement Board has postponed the increase, which was initially proposed in December 2009 and scheduled to be phased in over 3 years. In making the decision, the Board cited strong earnings performance and PERSi's favorable funded ratio. According to Board Chairman Jody B. Olson, "The Board had to consider market influences and the viability of employers. Investment returns were remarkably strong over the past year. The return for fiscal year 2011 topped 20%, so PERSi sufficiently recovered from the adverse effects of the 2008-2009 economic downturn. If rates were raised at this time, it would only make it more difficult for members and employers to balance already tight budgets."

Last year, the Board postponed the increase slated for July 1, 2011; this latest postponement pushes any increase to July 1, 2013. Postponing a rate increase is nothing new for the Board. After the first of three rate increases proposed in 2002 went into effect in 2004, the Board postponed and eventually cancelled

the two remaining increases because PERSi's funded ratio had reached 105% by 2007. PERSi employers and employees share the cost of funding the plan. Employers currently pay 10.39% of payroll to PERSi and general employees contribute 6.23% of their salary to fund their retirement benefits. Contribution rates today are still lower than in 1996.

PERSi Results

- In May 2011, PERSi achieved an historical high asset value of \$12.2 billion; nearly a 65% gain since the market low on March 9, 2009.
- By the close of fiscal year ending June 30, 2011, PERSi had experienced its greatest growth in 25 years and the system's funded ratio was 90.2%. According to the PEW Center on the States, a system funded at 80% or higher is a solid performer. PERSi has consistently fallen in this category.
- In October 2011, PERSi had its best monthly performance since the fund began tracking such data with a month-to-date return of 7.28%.

(The Board also approved a 1% cost-of-living adjustment (COLA) for retirees at the meeting.)



REGULAR INTEREST RATE FOR 2012

Starting January 1, 2012, the regular interest rate paid on PERSi Base Plan accounts will be 18.16%. Interest is credited monthly to each member's account.

The contributions paid by employees go into individual accounts held just for them, while employer contributions are pooled in the Trust to fund future benefits for all members. The money in the individual Base Plan accounts plus any interest earned always belongs to the members and will never be lost due to market conditions. Contributions continually earn interest, with 1% being the minimum amount an account will ever earn. Members can check their balance by logging into their account using the myPERSi button [] on the PERSi website (www.persi.idaho.gov).

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Insights

CHARITABLE GIVING AND YOUR TAXES

A charitable contribution is a donation or gift to or for the use of a qualified organization. The giving is voluntary and is made without getting or expecting to get anything of equal value in return. Qualified charitable contributions can lower your tax bill, but some specific guidelines must be followed (found in IRS Publication 526) and there are certain things you should know.

- Are the organizations you donate to qualified to receive deductible charitable contributions
- What types of contributions you can deduct
- How much you can deduct
- What records should be kept
- How to report charitable contributions

The Internal Revenue Service (IRS) offers the following tips to taxpayers about deducting charitable contributions on their tax return:

1. For a legitimate tax deduction, you must be giving to a qualified organization. You cannot deduct contributions made to specific individuals, political organizations, or candidates.
2. If you receive a benefit because of your contribution (e.g., merchandise, tickets, or other goods and services), then you can only deduct the amount that exceeds fair market value of the benefit received.
3. Donations of stock or other noncash property are usually valued at the fair market value of the property; clothing and household items must generally be in good used condition or better to be deductible. Special rules apply to vehicle donations. (See IRS Publication 526 for details.)
4. Fair market value is generally the price at which property would change hands between a knowledgeable, willing, and unpressured buyer and a knowledgeable, willing, and unpressured seller in the market.

5. Regardless of the amount, to deduct a contribution of cash, check, or other monetary gift, you must maintain a bank record, payroll deduction records, or a written communication from the organization containing the name of the organization and the date and amount of the contribution. For text message donations, a phone bill will meet the record-keeping requirement if it shows the name of the receiving organization and the date and amount of the gift.
6. To claim a deduction for gifts of cash or property equaling \$250 or more, you must have a bank record, payroll deduction records, or a written communication from the organization containing the name of the organization and the date and amount of the contribution...and whether the organization provided any goods or services in exchange for the contribution. One document may satisfy both the written communication requirement for monetary gifts and the written acknowledgement requirement for all contributions of \$250 or more. If your total deduction for all noncash contributions for the year is more than \$500, you must include IRS Form 8283 with your tax return.
7. Taxpayers donating an item or a group of similar items valued at more than \$5000 must also complete Section B of Form 8283, which generally requires documentation from a qualified appraiser.
8. Form 1040 and an Itemized Schedule A must be completed to take a deduction.

If you have questions about charitable contributions and your taxes, speak with your tax advisor.

A Quick Check Chart is on page 4 of this newsletter.

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NEW YEAR: TIME TO REVIEW YOUR SUPPLEMENTAL RETIREMENT PLAN



Most supplemental retirement savings accounts have suffered setbacks since the market turmoil first began in 2008. The closer you are to retirement, the more difficult any losses have probably been. With a new year upon us, now is a good time to get a fresh start in managing your supplemental retirement savings accounts.

What Do You Have?

Start by gathering the most recent statements for your supplemental retirement savings accounts [401(k), 457, 403(b), IRA, etc.]. Tally the total in each account to determine the current value so you know what you actually have. If you aren't currently participating in a supplemental retirement savings plan now is a good time to consider getting started. PERSI recommends the Choice 401(k) Plan, but any supplemental account is better than none at all.

Use An Online Calculator To Run The Numbers

After determining the value of your nest egg and how much you are contributing to accounts each month, use an online calculator to estimate how much you should save to meet your retirement goals. (CNN Money http://cgi.money.cnn.com/tools/retirementneed/retirementneed_plain.html; MSN <http://money.msn.com/retirement/retirement-calculator.aspx>; and Bank of America <http://www.merrilledge.com/m/pages/retirement/personal-retirement-number.aspx> offer simple calculators.) The more detailed calculators allow you to adjust factors such as pension and Social Security income, savings rate, and retirement date and age. Play with the numbers because extending your retirement age or date can dramatically affect your savings needs.

Evaluating Your Risk Tolerance

Following the past several years of market ups and downs, you may find you are not as bold as you once thought when it comes to investing. If safety and capital preservation are among your top concerns, you may want to reevaluate your current investment choices. It may be time to consider less risky investments and to determine if stable value options are better for your personal situation.

What's Your Asset Allocation?

Now's also a good time to make sure you have the right blend of investments. This is key to successful investing. You should consider establishing a long-term asset allocation strategy that's consistent with your risk tolerance and considers how many years you are away from retirement. Once you establish a strategy, it should be revisited at least annually to make sure it's still right for you. If it's not, make appropriate adjustments (i.e., change your asset allocation or contribution amount).

Be Honest With Yourself

If you know you're not saving what you need for retirement, it's time to take action. Either adjust your retirement vision and goals or adjust the amount you're putting away. The amount you have saved for retirement is directly related to the action you take during your working years. Although times are difficult, it's smart to participate in a supplemental plan. Most people find they can contribute at least 1% of their income towards a supplemental retirement account. If the money is taken out as a payroll deduction, those polled claim they never miss it... and they are happy to get a small tax break since taxes are deferred until the funds are withdrawn at retirement.

Key To Success

The key to success is how much and how regularly you save. If you aren't currently setting aside funds in a supplement retirement account your future may be at risk. Saving as little as 1% of your pay each pay period can add up over time...and it's likely such a small amount won't dramatically impact your financial situation now. Participating in one of PERSI's free retirement workshops can provide insights on the benefit of saving for retirement regardless of your age or financial situation. Visit the PERSI website (www.persi.idaho.gov) to learn more about the workshops and how to register for one. To learn more about the PERSI Choice 401(k) Plan, you can find links to several brochures and Choice Plan fact sheets on the website.

Make 2012 the year you get serious about saving for your retirement...you'll be glad you did.

Quick Checklist for Charitable Giving and Your Taxes

Deductible As Charitable Contributions	Not Deductible As Charitable Contributions
<p>Money or property you give to:</p> <ul style="list-style-type: none"> • Churches, synagogues, temples, mosques, and other religious organizations • Federal, state, and local governments, if your contribution is solely for public purposes (for example, a gift to reduce the public debt) • Nonprofit schools and hospitals • Public parks and recreation facilities • Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys and Girls Clubs of America, etc. • War veterans' groups • Charitable organizations listed in Publication 78 • Expenses paid for a student living with you, sponsored by a qualified organization • Out-of-pocket expenses when you serve a qualified organization as a volunteer 	<p>Money or property you give to:</p> <ul style="list-style-type: none"> • Civic leagues, social and sports clubs, labor unions, and chambers of commerce • Foreign organizations (except certain Canadian, Israeli, and Mexican charities) • Groups that are run for personal profit • Groups whose purpose is to lobby for law changes • Homeowners' associations • Individuals • Political groups or candidates for public office • Cost of raffle, bingo, or lottery tickets • Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups • Tuition • Value of your time or services • Value of blood given to a blood bank

Source: Internal Revenue Service
www.irs.gov



PERSI INVESTMENT NEWS
as of December 15, 2011

Value of the Fund:
\$11,181,983,596

Fiscal Year Change in Market Value:
\$(794,797,134)

Fiscal Year-to-Date Returns:
-5.9%

Month-to-Date Returns:
-1.7%

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


www.persi.idaho.gov

I D A H O
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