



FUNDING AND FISCAL YEAR END STATUS EXPLAINED

Each year, using a June 30th measurement date, PERSI begins to formulate a basis for the Retirement Board’s discussions regarding contribution rates for active members and employers, as well as cost-of-living adjustments (COLAs) for retirees.

We start by comparing the market value of fund assets to the unfunded actuarial accrued liability (UAAL). UAAL is a projection of the amount of money PERSI would need in order to pay all benefits earned, now and into the future, for all PERSI members, as though those benefit payments were due in full. Then, applying a standard set of assumptions, PERSI’s actuaries calculate the amortization period (number of years) it would take to pay off the UAAL, using the existing contribution rates.

Idaho code 59-1322(5) requires the PERSI Retirement Board to take

action if the amortization period exceeds 25 years. The Board is able to decrease the amortization period by increasing contribution rates.

PERSI’s fiscal year 2016 ended June 30th, with a net investment return of approximately 1.5% and an amortization period of 36.6 years*.

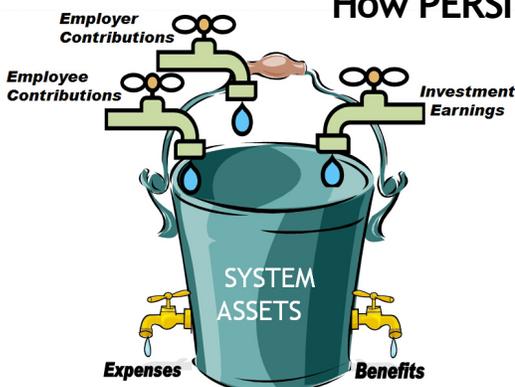
To lower the amortization period below 25 years, we anticipate the Board will consider an approximated 1% total contribution rate increase during their October meeting. Any adopted rate increase would be shared between employers and employees, and must be approved by the Idaho Legislature. An increase would not be implemented before January 1, 2018.

Idaho Code 59-1355 calls on PERSI to apply a cost-of-living adjustment (COLA) to retirement benefits

effective March 1st each year. The COLA is tied to the Consumer Price Index - Urban (CPI-U) for the 12 months ending August of the current year (approximately 1.1% for this year), and may not exceed the CPI-U or 6%, whichever is less. The Board’s COLA decision also typically occurs in the October Board meeting and is subject to amendment or rejection by the Legislature. We will give you a complete update in your fourth quarter PERSpectives newsletter.

***Earlier, this summer, PERSI’s Director met with employers around the state, and discussed contribution rates. The estimated rate increase and amortization period he used were based on a forecasting model that had not been updated with new salary assumptions, and are updated for this article.**

How PERSI is funded: Money-In and Money-Out:



Money enters the fund by way of employee and employer contributions, as well as investment returns.

Money leaves the fund by way of member benefits paid out, and the expenses associated with administering the fund.

Inside this issue:
 Fiscal Year End and Funding.....1
 New Member Web Portal.....2
 Required Minimum Distribution.3

Insights

IRIS IS HERE, ALONG WITH A NEW myPERSI PORTAL

In your last newsletter, we introduced you to PERSI's new computerized pension administration system, called the Idaho Retirement Information System (IRIS), and detailed some of our implementation plans. We are excited to share the news that we completed the full conversion last month, and are running completely (and somewhat smoothly) on IRIS today.



As a staff, we are still getting used to IRIS, and working through the inevitable growing pains/bugs that come with a new system. We want to thank you for your patience and cooperation during this exciting transition.

ONLINE MEMBER PORTAL (myPERSI)

The switch to IRIS also brought a new online member portal to replace the old myPERSI. If you haven't already re-registered in myPERSI, you'll want to do so soon, so you can start exploring! The new portal was designed with enhanced security features and procedures meant to help PERSI protect your personal data.

The new web portal is also called myPERSI, however we were not able to convert your old myPERSI registration to the new portal. You will have to re-register, using a valid email address. The new portal does not allow the sharing of a single email address between two members. When you register, you must create a new password, and also select and answer three security questions.

The new myPERSI has improved security features and allows greater flexibility:

- You can choose a preferred method of communication - (email/regular mail).
- You can sign up for and update direct deposit information.
- You can view Choice 401(k) Plan account information (if you have a Choice Plan account).
- You can add and change beneficiary information.
- You can view and change Idaho State tax withholding information.
- You can sign up to receive PERSI newsletters.

For retirees choosing electronic delivery of documents and correspondence, that information will be posted directly in your myPERSI account on the portal rather than being emailed directly to you. You will receive an email from PERSI, directing you to log in to retrieve them.

As always, members with questions or needing help are encouraged to call the PERSI Answer Center at 1-800-451-8228 or (208) 334-3365.

**Member and Retiree
Account Access**

myPERSI Login

REQUIRED MINIMUM DISTRIBUTION

The PERSI Base Plan and the PERSI Choice 401(k) Plan are both qualified plans under the Internal Revenue Code. The PERSI Base Plan is a mandatory defined benefit plan, while the PERSI Choice 401(k) Plan is a voluntary defined contribution plan. Being “qualified plans” is what allows employee contributions to be made on a tax-deferred basis. As qualified plans, the Base and Choice Plans are subject to certain requirements of IRS Code.

One such requirement is the Required Minimum Distribution (RMD). The RMD rules require you to withdraw a certain amount of money once you reach a certain age if you are no longer working for a PERSI employer. *Failure to take RMD payments may result in substantial IRS penalties.*

Generally, the first RMD must be taken by April 1st following the calendar year you turn 70½ or the year you terminate employment, whichever comes later. In subsequent years, the RMD deadline is December 31st.

How RMD Rules Apply to the PERSI Base Plan

- Under PERSI statutes, vested members are required to begin taking distribution of their Base Plan funds when they reach service retirement age or separate from service with a PERSI employer, whichever comes later. This requirement under the PERSI rules generally satisfies any RMD requirements that would otherwise be applicable.
- Non-vested, inactive members who are age 70½ are subject to RMD rules. According to the IRS, if you have multiple retirement accounts you must calculate the RMD amount for each, but you do not have to take the RMD from each. You can add the separate RMD amounts and take the total distribution from just one account. Since PERSI cannot distribute partial payment amounts, you must either take the distribution of the entire Base Plan balance

or satisfy the RMD requirements by taking the distribution from another retirement account.

How RMD Rules Apply to the Choice 401(k) Plan

- If you are an inactive member age 70½ or older you will be notified by Empower Retirement, the Choice Plan’s record keeper, when you are obliged to take an RMD. This correspondence is sent in early November and explains the particulars affecting your account. Any required payments are processed and mailed to you the latter part of December.
- Your first RMD payment can be deferred until April 1st of the following year. Members who elect to defer their first payment will receive two RMD payments the following year (one in March prior to the April 1st deadline and one in December prior to the December 31st deadline).
- The RMD amount is calculated by Empower Retirement. The formula uses the prior year-end balance divided by the factor in the IRS life expectancy table less any payments received that calendar year.
- For 401(k) plans, IRS rules require the RMD calculation be applied to each individual 401(k) account. In other words, RMD payments you receive from other retirement plans are not factored into the RMD amount for the Choice Plan.
- While you may withdraw an amount greater than the RMD calculation, you cannot withdraw any less than that.

For more information about RMD rules, please refer to the IRS website at www.irs.gov; there you can find several reference documents related to RMD. You may want to consult with your financial planner especially if you have several retirement plans and/or IRA accounts.



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PERSI INVESTMENT NEWS

as of September 15, 2016

Value of the Fund:

\$ 15,156,138,666

Fiscal Year Change in Market Value:

\$ 309,284,945

Fiscal Year-to-Date Returns:

2.3%

Month-to-Date Returns:

-0.9%

*Posted monthly on PERSI website: www.persi.idaho.gov
 Fiscal Year 7/1/2016- 6/30/2017

RETIREMENT

PERSpectives

Public Employee Retirement System of Idaho

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