

*the*  
**CHOICE**   
*is yours*

A GUIDE TO  
YOUR CHOICE  
401(K) PLAN



**PERSI**

Public Employee Retirement System of Idaho

# CHOICE

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## Making the Choice to Save!

IN THIS SECTION

We'll discuss some of the basics about saving for retirement including how to...

- Recognize the factors that might affect saving for retirement
- Understand the advantages of starting early
- Overcome some of the obstacles to saving
- Outline your next steps

### WHY SAVE FOR THE FUTURE?

We all know how difficult saving for the future can be. In fact, putting money into a savings account – and keeping it there – can be very challenging for many of us. And when it comes to saving for retirement, an idea that may seem so far away, it can be even more challenging.

The best way to adequately ensure a comfortable retirement is to save and invest now – while you are working – and while you can participate in the PERSI Choice 401(k) Plan.

Your Choice 401(k) Plan makes saving for retirement easier and more affordable. That's because the Plan allows you to save with pre-tax dollars and you benefit from tax-deferred, compounding investment earnings. Plus, the Choice 401(k) Plan offers you a wide selection of investment options, including the PERSI Total Return Fund.

This guide is designed to help cut through the financial confusion and explain – in simpler terms – some of the basics of investing. It can help you get started, and then the rest is up to you. After reading the enclosed materials carefully, be sure to review your investment options. Next, consider your time frame until retirement, and determine how much to save... and how you want to invest your savings. That way, you'll have a savings and investment plan that fits your needs.

But, don't stop there. From time to time, review your plan to make sure it's still in line with your retirement needs. The sooner you start making informed investment decisions, the more money you will have when you need it in retirement.

### WHAT FACTORS CAN YOU CONTROL?

What does retirement mean to you – relaxing, starting a new career, or spending more time with family? Retirement goals are different for everyone, but the key to reaching those goals is saving.

When saving for retirement, it's important to realize that there are some factors you can control... and some you can't. Let's consider each of these factors.

#### How Much You Save

The amount you save and invest today will set the stage for how much retirement income you'll have in the future. Of all the factors affecting your future retirement income, how much you save is one over which you have direct control.

#### Rate of Return

The growth of your savings can be positively affected by the power of compounding. "Compounding" refers to the growth of an investment due to your earnings being reinvested.

The earlier you begin to save, the longer your investments have to benefit from this powerful aspect of retirement savings – and in the case of periods in which investment returns are less favorable, the longer you have to recover.

## When You Retire

The age at which you plan to stop working and start withdrawing funds from your various retirement vehicles (including the PERSI Base Plan, the PERSI Choice 401(k) Plan and Social Security) will affect how long your retirement savings have to grow. You can, of course, keep working longer to save more money, but keep in mind that for many individuals, a serious illness or injury (or other factors outside their control) means that retirement actually occurs sooner than they had planned.

## Inflation

Over time, increases in the price of goods and services will make them more expensive to buy in the future. We've all heard the story of how grandma used to go to the movie theater for a dollar. When considering how much money you'll need in the future, just remember you won't be able to see a movie for a dollar 20 years from now. (Oh, wait... You can't even do that today, can you?)

## Health Care Needs

As we age, we're likely to have more health care needs than when we were younger. This could mean we have to pay more because we simply use our health care benefits more often and because we may require more extensive care. In addition, we may be faced with higher premium costs for our health care coverage as we age. Coverage often becomes more challenging to obtain, and afford, during retirement.

Understanding these factors is an important step in your journey toward retirement as it will help you determine what other steps you need to take.

## IT PAYS TO START EARLY!

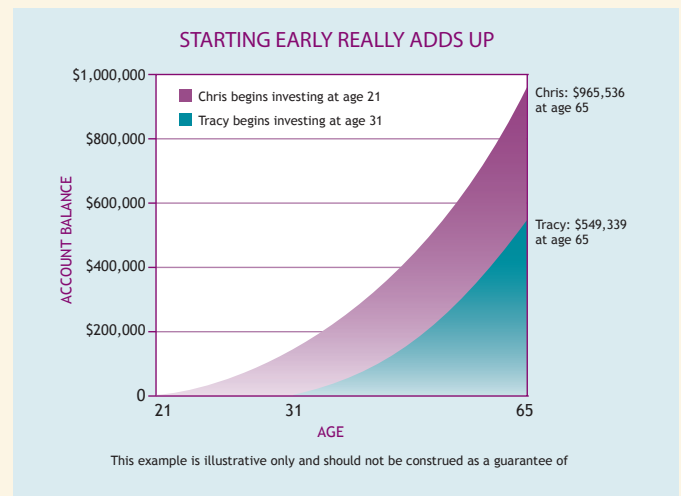
Your 20s and 30s are key ages for building the foundation of your retirement savings. Unfortunately, many of us don't start saving this early because we tell ourselves we're too young to worry about retirement and we face more immediate financial needs – such as paying off student loans, buying a car or house, or starting a family. However, the

earlier you start saving for retirement, the more time you'll have to take advantage of the benefits of compounding interest. Investing just a small amount now can grow to significant savings over time.

Take the example of two potential savers: Chris and Tracy. Let's assume both start their careers with a PERSI-participating employer initially earning \$30,000, receive 3% raises each year, contribute 6% of their pay to the Choice 401(k) Plan, and earn 8% on their savings each year. Chris begins saving at 21; Tracy waits 10 years.

The difference is dramatic, as the bar chart below shows: Chris will have saved and earned \$965,536 for retirement at age 65, while Tracy will have just \$549,339. The power of time really pays off for Chris compared to Tracy.

For only \$20,000 more in contributions during those first 10 years, the total savings are over \$415,000 more.



But remember, even if you're not in your 20s and 30s anymore, time can still be on your side, so start now! It's never too late to start saving or to take advantage of compounding interest. Even if you may be getting close to retirement, you won't need all your money in the first few years, which should allow additional time for your savings to grow.

## WHY IS IT SO TOUGH TO SAVE?

So what prevents so many of us from saving for retirement today? We often have many reasons, including...

**I just can't afford to save right now** – Even if you start saving just a small amount now, those savings can grow to a significant amount over time. By saving an extra \$5 per week in the PERSI Choice 401(k) Plan, you can significantly boost your long-term savings.

After 25 years, and assuming a 7% annual return, you'd increase your savings by an additional \$17,000!

### A Few Extra Dollars...

Saving just a little amount can really add up to some substantial savings. And finding an extra \$5 a week may be easier than you think. Check out these tips below to see where you might find a few extra dollars.

**Movie Night** – Rather than take the family out for a movie a few times a month – with each outing easily topping \$50 once you throw in popcorn, candy and drinks – substitute one of those outings with a “movie night” at home and earmark that \$50 to your 401(k). Or, try a second-run cinema or go to a matinee, when tickets are usually cheaper.

**Dining Out vs. Brown Bag** – It's almost always much cheaper to dine at home. Simply by skipping a \$5 fast food lunch twice a week, you can save \$10 a week.

**Coffee & Latte** – Skip the gourmet coffee. At \$3 to \$5 each, trips to your local coffee shop every morning may cost you a lot – as much as \$100 a month. Making your own coffee at home, giving up your \$3 to \$5 drink one morning a week, or downsizing your favorite drink can help you put away more cash for your retirement.

**ATMs and Bill Paying** – When getting cash from an ATM, be sure you use ATMs that don't charge you a transaction fee. If you take out \$20 and pay a \$2 fee, you're paying a 10% surcharge for using your own money. And sometimes you are hit for two fees – one from the ATM bank and one from your own bank. If you make several trips to an ATM each month, this can really add up. Similarly, missing the due date of a bill can cost you as much as \$25 in late fees.

If you take a few minutes to evaluate your spending habits, you'll likely find even more ways to spend less and save more.

**I'll just work longer** – One out of every two individuals who plan on working into their 60s find it isn't in the cards<sup>1</sup>. Many people discover they have to stop working sooner than they planned due to...

- Health problems or a disability that prevents them from working
- Employment changes, such as downsizing
- The need to care for a spouse or family member

In other words, things that people don't, or can't, plan for often make working longer an unrealistic goal.

**I don't know how to get started** – This simple introduction of the basics of saving is just the beginning. This guide is packed full of helpful information to help speed you on your way.

Follow these steps and you'll be that much closer to your retirement goal...

1. Realize you can do it
2. Review each section of this guide
3. Develop a plan
4. Start saving today!

Avoid one of the biggest financial mistakes that people make...doing nothing!

## Developing a Plan

### WHERE ARE YOU ON THE ROAD TO RETIREMENT?

Respondents to an annual survey<sup>2</sup> were asked “If saving for retirement were like driving on the highway, where would you be?”

- In the fast lane, passing others
- In the middle lane, keeping up
- In the slow lane, watching others go by
- On the ramp, still getting started
- Lost and looking for a map

(To see how everyone else answered, turn to page 6.)

We all have different needs and dreams for retirement, but we should all have a good idea of which direction to go. A retirement map can help us arrive on time and in the style we want.

A retirement map – or plan – is one of the most important steps you can take to prepare for your future. A retirement map, or plan, will help you...

- Calculate the amount of retirement savings you’ll need
- Identify your current retirement income sources
- Recognize any “gaps” between what you need and what you have
- Determine what steps you may need to take to close those retirement income gaps
- Adjust your strategy when necessary to be better prepared

We’ll discuss how to...

- Develop a retirement savings plan
- Calculate how much money you may need during retirement
- Examine some of the sources of retirement income that may be available to you

IN THIS SECTION

One of the most important steps you can take in saving for retirement is to develop a savings plan. Don’t worry, it’s not as hard as you may think! We’ll show you how...

### CALCULATING HOW MUCH YOU’LL NEED

This step may seem challenging, particularly if retirement seems so far away. How much you’ll need during retirement depends on a variety of factors including...

- Your current expenses
- What you plan on doing during retirement
- Inflation
- When you plan to retire
- The length of time you’ll need your retirement savings to last

#### The Shoebox Audit

To determine how much your retirement income needs may be, you need to understand your current expenses. If you don’t currently track your expenses, consider starting with this simple audit...

**Step 1:** Find a shoebox

**Step 2:** Toss in all your bills and receipts for a month – you may need to “create” receipts to help you keep track of some expenses

**Step 3:** At the end of the month, organize your expenses into categories, such as groceries, household expenses, entertainment, gifts, auto, medical expenses, and so on.

It’s often very surprising to see where the money goes!

## Adjust and Monitor

Once you determine your current expenses, you'll want to adjust that amount for your anticipated retirement needs such as...

**Housing Costs** – What will your future housing costs be? Will you still have a mortgage or maybe a second home?

**Location** – Will you still live in the same area or will you live in a more (or less) expensive part of the country?

**Travel and Leisure** – Are you planning on doing more travelling once you retire or to spend more time on leisure activities, such as golf or tennis?

**Health Care** – Remember that as we age, we generally need more health care services. Have you accounted for higher health care costs and premiums in the future?

**Children** – Are there current costs for children's expenses or tuition for which you'll no longer be responsible?

You can always adjust your plan over time, but having an idea of what your monthly expenses might be during retirement can help you better prepare for those adjustments.

## Don't Forget About Inflation!

When we're working, we often can keep pace with inflation through pay increases. During retirement, however, you'll need to protect the purchasing power of your money by factoring inflation into your savings strategy.

Let's say you determine you'll need \$35,000 each year, in today's dollars, to live comfortably in retirement. With a 3% inflation rate, you will need about \$47,000 to maintain your lifestyle after 10 years. By your 20<sup>th</sup> year in retirement, you'll need more than \$63,000!

## What is Your Timeframe?

**When you want to retire** – The longer you wait until retirement, the more time you'll have to build up your savings. But remember, sometimes, people end up retiring earlier than they planned due to illness, disability or other unplanned events.

**Length of retirement** – Make sure to consider the length of your retirement, which dictates how long you'll need your retirement savings to last. People are living longer, so you may need your retirement savings to last as long as 20 or even 30 years!

## YOUR RETIREMENT INCOME SOURCES

Many financial planners often refer to the "three-legged stool" of retirement income sources: Social Security, pension plans, and personal investments.

### What Did Everyone Else Say???

If saving for retirement were like driving on the highway, where would you be?

- In the fast lane, passing others 20%
- In the middle lane keeping up 48%
- In the slow lane, watching others go by 13%
- On the ramp, still getting started 14%
- Lost and looking for a map 5%

Source: 2006 Allstate Survey measuring Americans' attitudes toward retirement.

### Social Security and Pension (PERSI Base Plan)

While Social Security and the PERSI Base Plan provide you with a boost toward your retirement goals, together these two components may not be enough for an individual to enjoy a comfortable, secure retirement

### Personal Investments

This means you'll need to save more for retirement through other investments, such as the PERSI Choice 401(k) Plan, or other options available through your employer

## Choose to Take the Next Step

### WHAT IS THE CHOICE 401(K) PLAN?

The Choice 401(k) Plan is a defined contribution plan that allows you to voluntarily save and invest through simple and convenient payroll deductions. Before we examine the highlights of the Choice 401(k) Plan, let's discuss the differences between a defined benefit plan and a defined contribution plan.

#### Defined Benefit Plan

A defined benefit plan generally promises you a specific monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount, such as \$100 per month at retirement. Or, more often, it may calculate your benefit through a formula that includes factors such as your salary, your age, and the number of years you worked for the employer sponsoring the plan.

The PERSI Base Plan is a defined benefit plan and is designed to provide you with a monthly benefit upon retirement based on a specific formula. Log on to [www.persi.idaho.gov](http://www.persi.idaho.gov) for more information about the PERSI Base Plan.

#### Defined Contribution Plan

A defined contribution plan does not promise you a specific benefit amount at retirement. Instead, you contribute money to your individual plan account. In many cases, you are responsible for choosing how these contributions are invested, and deciding how much to contribute from your paycheck through pre-tax deductions. As a result, the value of a defined contribution plan, such as the Choice 401(k) plan, is based on the decisions you make — whether you choose to contribute and, if so, how much you contribute and how you invest those contributions. Remember... **The Choice is Yours!**

At retirement, you receive the balance in your account, reflecting the contributions, investment results (gains or losses), and any fees charged against your account.

#### We'll...

- Summarize the key benefits and features of the Choice 401(k) Plan
- Introduce the advantages of pre-tax deductions and tax-deferred investing
- Examine how to roll over money from another retirement plan account into the Choice 401(k) Plan
- Discuss your distribution options at the time of your retirement

IN THIS SECTION

### WHO IS ELIGIBLE?

If you are an active member of the PERSI Base Plan, our defined benefit plan, you may participate in the Choice 401(k) Plan, a defined contribution plan. Check with your employer to determine what additional defined contribution plan options you may be eligible for.

### HIGHLIGHTS OF THE CHOICE 401(K) PLAN

The Choice 401(k) Plan is a saving tool that allows you to conveniently save for retirement. You...

- Elect a percentage of your pay (or a set dollar amount depending on your employer) to contribute on a pre-tax basis
- Invest those contributions, choosing among several investment options - or you can leave it in the PERSI Total Return Fund (see page 10 for details about this investment option)
- Can roll money over from another eligible retirement saving plan into your Choice 401(k) Plan account
- Benefit from the advantage of tax-deferred compounding
- Have access to the money in your account through loans and in-service withdrawals
- Choose when and how you access your money when you retire

## YOUR CHOICE 401(K) PLAN ACCOUNT IS READY!

Your Choice 401(k) Plan account was automatically set up for you when you became eligible to participate using data sent by your employer to PERSI. PERSI then notified the Choice 401(k) Plan record keeper (ACS HR Solutions) of your eligibility so that an account could be set up for you.

This means that, starting today, you can begin making contributions to your Choice 401(k) Plan account. These contributions can include...

- Salary Deferral Contributions
- Rollover Contributions from another plan
- Employer Contributions (if applicable)
- Gain Sharing (if applicable) from PERSI

### Account Administration

ACS HR Solutions, a third-party record keeper, administers the Choice 401(k) Plan. Account information about your Choice 401(k) Plan account, including your Personal Identification Number (PIN), will be mailed to you from ACS HR Solutions.

## HOW MUCH MAY YOU CONTRIBUTE?

When you enroll in the Choice 401(k) Plan, you choose how much you want to defer to your account. Usually this is a percentage of your pay (including overtime), in whole percentage amounts (i.e., 1%, 2%, 3%, etc.), or a set dollar amount, depending on your employer.

**Contribution Minimums** – If you enroll, you must defer at least \$130 per year to your Choice 401(k) Plan account or \$2.50 per weekly payroll (\$130 divided by 52 weekly payrolls = \$2.50).

**Contribution Maximums** – You may defer up to \$17,000 (maybe more!) during 2012 to your Choice 401(k) Plan account. See page 22 for details.

**Catch-up Contributions** – In addition to the regular annual contributions you make to the Choice 401(k) Plan, you may defer an additional \$5,500 if you will be age 50 or older by the end of the year.

Contribution maximums must also coordinate with other retirement saving plans for which you may be eligible. See “**Multiple Plan Maximums**” on page 22 for more information. The IRS sets the contribution maximums each year. These limits may change in the future. Visit [www.irs.gov](http://www.irs.gov) for more information about contribution maximums.

## PRE-TAX DEDUCTIONS

The contributions you make to the Choice 401(k) Plan are deducted from your pay before federal and state taxes are calculated. This means that money you normally would have paid to the government is working for you – giving you the opportunity to gain even more, through investment earnings that accumulate on a tax-deferred basis.

Thanks to the benefits of pre-tax deductions, the amount you contribute to your account is more than the amount deducted from your pay. Or, to put it another way... with the Choice 401(k) Plan, saving “costs” you less than you might think!

### You Don't Spend What You Don't See

Contributions the Choice 401(k) Plan are taken from your paycheck before you receive it. This is sometimes referred to as “paying yourself first.”

The chart below illustrates how the advantages of pre-tax savings might positively affect your take-home pay.

|                                       | Pre-Tax Savings in the Choice Plan 401(k) | After-Tax Savings in a Traditional Savings Account Outside the Plan |
|---------------------------------------|---|---|
| Total Annual Pay                      | \$30,000                                  | \$30,000  |
| 10% Pre-Tax Contribution*             | \$3,000                                   | \$0   |
| Taxable Income                        | \$27,000                                  | \$30,000  |
| Federal Tax Withheld**                | \$4,295                                   | \$4,975   |
| Net Income                            | \$22,705                                  | \$25,025  |
| After-Tax Savings Outside of the Plan | \$0                                       | \$3,000   |
| Spendable Income                      | \$22,705                                  | \$22,025  |
| Savings Advantage                     | \$680                                     | \$0   |

This example is hypothetical and for illustrative purposes only. Actual taxes will vary.

\*You pay federal taxes on pre-tax contributions when you withdraw the funds. Note that you may also save on state taxes so your actual tax savings may be higher than the amount shown here.

\*\*Based on a single individual with the standard deduction in 2009.

## AND, TAX-DEFERRED INVESTING!

With the Choice 401(k) Plan, you also benefit from tax-deferred investing. Contributions to your Choice 401(k) Plan are invested on a compounded, tax-deferred basis, meaning any earnings you accumulate are tax deferred and so the full amount of your earnings is reinvested.

For example, let's assume you have a current balance in your 401(k) plan of \$1,000 and generate earnings of 7%, or \$70. With:

- The Choice 401(k) Plan, the \$70 remains in your account, so that your new account balance is \$1,070.
- A traditional savings account, you have to pay taxes on any interest you earn, so you only keep approximately 85%<sup>3</sup> of these earnings annually. This means your new account balance is \$1,059.50, which means you have less money earning interest.

That's what is meant by the advantage of tax-deferred investing.

## YOU CAN PUT EVEN MORE MONEY TO WORK FOR YOU

If you have money in any of the following plans, you can move those funds to the Choice 401(k) Plan by making a rollover contribution from that plan into the Choice 401(k) Plan...

- 401(a)
- 401(k)
- 403(b)
- 457 (governmental)
- Pre-tax IRAs

Contributions you made to any of these plans on an after-tax basis cannot be rolled over into the Choice 401(k) Plan.

You should carefully review your options when considering a rollover into the Choice 401(k) Plan. Now might be a good time to sit down with your financial advisor to re-examine your investment goals, timeline, risk tolerance, and personal financial situation.

## VESTING

You are immediately 100% vested in (fully own) all the money, including both contributions and earnings, within your Choice 401(k) Plan.

## Additional Elements

IN THIS SECTION

We'll discuss some of the additional elements of the Choice 401(k) Plan, including...

- The Total Return Fund
- Your additional investment options
- Investment management and other fees
- Loans, withdrawals and transfers

### THE TOTAL RETURN FUND

The Total Return Fund is one of the investment options under the Choice 401(k) Plan. It is invested the same way that the PERSI Base Plan is invested, a balanced mix of asset classes, making it a diversified fund.

The Total Return Fund is the default investment fund for the Choice 401(k) Plan. When you begin contributing to the Choice 401(k) Plan, your contributions are automatically invested in the Total Return Fund. Your contributions will remain invested in this fund until you make a different investment allocation election. If you don't make such a change, your contributions will remain with the Total Return Fund.

Even though the Total Return Fund is the Choice 401(k) Plan default fund, many members choose to specifically direct their contributions to this fund because of these facts...

#### Past Performance

- The Total Return Fund has realized above-average annual returns in prior years. Keep in mind that future rates of return can't be predicted with certainty and that investments that pay higher rates of return are generally subject to higher risk and volatility. The actual rate of return on investments can vary widely

over time, especially for long-term investments. This variability includes the potential for a loss of principal on your investment.

#### No Direct Investment Management Fees

- Most investment funds charge participants direct investment management fees – whether the investment is offered through a 401(k), 457 or 403(b) plan, or other savings and investment vehicles. However PERSI does not charge its members direct investment management fees when they choose to invest their Choice 401(k) money in the Total Return Fund.

In addition to the Total Return Fund, you can choose from several other investment funds<sup>4</sup> with the Choice 401(k) Plan.

You can use these funds to create a diversified portfolio of fund options including a mix of stocks and bonds.

### CHOICE 401(K) PLAN LOANS

The primary purpose of the Choice 401(k) Plan is to save for retirement. However, you may take out a loan against your Choice 401(k) account for any reason during employment.

#### Before Taking out a 401(k) Loan, Consider the Impact on Your Retirement Savings Plan...

A major drawback to taking a loan from your Choice 401(k) account is that when you take money out of your account, the amount earning income for your retirement is reduced. But there are also other factors you should consider...

- Loan repayments are made after tax, while contributions you make to your 401(k) are made pre tax. This means if your monthly payment is \$200

<sup>4</sup> These funds may charge investment management fees. More information about these fees can be found in the individual fund fact sheets available at [www.persi.idaho.gov](http://www.persi.idaho.gov).

and you're in the 25% tax bracket, you actually have to make roughly \$265 in gross earnings to cover the payment. This means you actually have to pay taxes twice on that money... once when you are making payments to your 401(k) loan and then again when you eventually withdraw that money from the plan.

- If you stop making payments on your loan, your unpaid balance is considered taxable and will be reported to the IRS. You will be liable for the income taxes on this amount (and possibly a penalty). You will receive a 1099 Form the following January for any unpaid amount.
- PERSI will provide information detailing loan payments to your employer/work location and to payroll so the loan payments start on time. However, it is your responsibility to ensure that your loan repayments are being deducted from your paycheck each pay period. You must make sure your loan payments are being made and that they begin on time. You will be responsible for making up any missed payments.

### The Real Cost of a 401(k) Loan

A recent study by The National Center for Policy Analysis (NCPA) revealed that a 35-year-old employee who borrows \$30,000 over a five-year period from his or her 401(k) plan, could end up with \$192,794 less in savings at retirement (age 67) than if he or she had not borrowed.

- You must pay off your outstanding 401(k) loan balance if you leave a PERSI-sponsored employer. If you don't repay your loan before your employment with a PERSI-affiliated employer ends, you will be required to repay your loan at the time you leave employment. You are only able to make loan payments through payroll deductions. If you don't pay off your loan at the time you end employment (by the end of the quarter after the last quarter a payment is due), your loan will be considered in default and consequently considered a

distribution from your plan. That means you'll pay taxes – and possibly a penalty – on the outstanding loan balance plus interest.

Remember also that taking a loan may change your attitude toward saving. Your retirement savings account is meant to provide retirement income and ideally should sit untouched until you retire. Dipping into your Choice 401(k) account savings one time may make it easier to dip into it again. Most financial advisors suggest considering all other resources before taking a 401(k) loan.

You can apply for a 401(k) loan by logging on (using your Social Security Number and PIN) to the Choice 401(k) Plan Website at [www.persi.idaho.gov](http://www.persi.idaho.gov) or by calling 1-866-437-3774 and speaking with a customer service representative at ACS, the plan record keeper.

A few rules apply...

- You may only have one outstanding loan at a time from the Choice 401(k) Plan
- You must have at least \$2,000 in your account (excluding any Gain Sharing) to take a loan
- The minimum amount you may borrow is \$1,000
- The maximum amount you may borrow is 50% of your account balance (excluding Gain Sharing amounts), or \$50,000, whichever is less
- Inactive members may not take a loan

You will know at the time you apply whether or not your 401(k) loan has been approved. Once a loan is approved, the check will be mailed to your home address. Generally loans are processed within two business days of submission or initiation, and checks are mailed within three days of being processed. By endorsing the check, you agree to be bound by the terms of the loan, which are outlined in the loan application.

## With a 401(k) Loan

- You don't pay taxes if repayments stay on schedule
- You have to repay it, plus interest or incur taxes and penalties
- Your plan balance is reduced
- You can continue to participate in the plan

## Repaying a Choice 401(k) Plan Loan

Loan repayments are made via salary (payroll) deduction, and are credited to your account according to your investment allocation. If you have not specified how you want your contributions allocated, repayments for a Choice 401(k) Plan loan will be credited to the default PERSI Total Return Fund. Loan payments, including interest are deposited back into your Choice 401(k) Plan account.

The repayment period may be up to 5 years for a general purpose loan and up to 10 years for the purchase of a primary residence.

You may pay off an outstanding loan in full at any time, however partial loan repayments in amounts different from the regularly expected loan repayments are not allowed.

The interest rate for all new loans is the Prime Rate plus 1%, as published in the Wall Street Journal on the first business day of each month.

## MAKING WITHDRAWALS WHILE EMPLOYED

You may make withdrawals from your Choice 401(k) Plan funds while you are still employed by a PERSI-affiliated employer. Such withdrawals are called "In-service withdrawals" and include the following...

### Hardship Withdrawal

A hardship withdrawal may only be taken for relieving an immediate and heavy financial need for these reasons...

- Payment of current post-secondary tuition (not tuition loan repayments)
- Unreimbursed medical expenses
- Purchase of a primary residence
- To prevent eviction or foreclosure of your primary residence
- Funeral expenses for a deceased parent, spouse, child, or dependent
- Casualty loss that qualifies as an IRS casualty loss deduction

If you are eligible for a loan, you must first apply for a regular loan to get money from the plan. If you already have an outstanding loan, or if you do not qualify for one, you may then apply for a hardship withdrawal. You may request a hardship only from your voluntary pre-tax contributions. Earnings, rollover funds, gain sharing contributions, and employer contributions are not eligible for hardship distributions.

A hardship withdrawal is not subject to the 20% federal withholding tax, but you may be required to pay a 10% IRS penalty for early withdrawal on the hardship amount (if under age 59½) in addition to regular income taxes.

You will be suspended from making voluntary employee (pre-tax) contributions to the Choice 401(k) Plan for six months if you take a hardship withdrawal. You will not be able to take a hardship withdrawal if you become an inactive member.

## Non-Hardship Withdrawal

A non-hardship withdrawal is a request for a distribution of money from your Choice 401(k) Plan account while you are still employed. You can only request a distribution of money that you have previously “rolled” into the Choice 401(k) Plan from another source. For example, if you rolled money from a retirement IRA into the Choice 401(k) Plan, you are able to request a distribution of that money at any time while you are still employed with a PERSI-sponsored employer. Active members who have Idaho Super Saver money in the Choice 401(k) Plan are eligible to request a non-hardship withdrawal of that money provided they are at least age 59½.

It is important to understand that a non-hardship withdrawal is subject to a mandatory 20% federal income tax withholding unless it is rolled over to an eligible retirement plan. It may also be subject to a federal 10% early distribution penalty if you are under age 59½.

If you become an inactive participant, a non-hardship withdrawal will no longer be available to you. However, regular withdrawal options still apply.

## IN-SERVICE TRANSFERS

Funds from your Choice 401(k) Plan account may be transferred to the PERSI Base Plan while you are still working to repay separation benefits, waiting periods or delinquent contributions. You must be actively working to begin such a repayment. If you have already started a repayment agreement through payroll deduction, you may not do an in-service transfer. Contact a PERSI representative for more information about In-Service Transfers.

### With a 401(k) Withdrawal

- Usually, you will have to pay taxes
- You cannot repay it
- Your plan balance is permanently reduced
- Certain withdrawals cause a 6-month suspension of contributions
- The IRS requires that a loan be taken before a hardship withdrawal

## GAIN SHARING CONTRIBUTIONS

For eligible members, PERSI may make a contribution to your Choice 401(k) Plan account if extraordinary funding levels in the PERSI Base Plan are achieved and the Board of Directors decides it is appropriate. This contribution is called “Gain Sharing.”

Should Gain Sharing contributions become available in the future, PERSI will provide detailed information at that time.

## You're Signed Up...Now What?

IN THIS SECTION

We'll help you determine...

- What kind of investor you are
- How you feel about investment risk and return
- How to manage your PERSI Choice 401(k) Plan investments

### INVESTING YOUR CONTRIBUTIONS

By enrolling in the Choice 401(k) Plan, you avoid the biggest financial mistake many people make when it comes to retirement planning... doing nothing!

Now take the next step: deciding how to invest your Choice 401(k) account contributions. Until you make this decision, your contributions will automatically be invested in the Total Return Fund. For many participants, staying with the Total Return Fund is the appropriate strategy. See page 10 for more details about the Total Return Fund.

But either way – staying invested in the Total Return Fund, the default investment, or choosing other investment allocations – you should consider...

- What type of investor you are
- Where to allocate your assets
- How to protect your retirement savings through diversification and rebalancing

### WHAT TYPE OF INVESTOR ARE YOU?

The goal of investing is to get back more money than you originally put in – that is, to achieve a “return” on your investment. However, while investments offer the potential for return, they also carry certain risks.

When it comes to investing, you should be aware of at least two types of risk...

- **Inflation Risk** – The risk your money will purchase less in the future than it does today.
- **Market Risk** – The risk the value of your investments will decrease – or will not increase at the expected rate.

To invest wisely, you must decide what type of investor you are. How comfortable are you with risk? Where are you on your investment time horizon? Do you have many years until retirement, or just a few? What is your current financial situation? Answers to these questions are necessary to determine what type of investor you are and where you should invest your contributions. To help you assess what type of investor you are, we've prepared this investor profile quiz on page 15.

Also, periodically seeking the advice of a financial advisor is a prudent way to determine if your investments are meeting your savings goals.

# CHOICE

Read each statement and circle the number that most accurately reflects how you feel about investing. Then add up the numbers circled to get your total score.

| How Do You Feel About Investing?  | Strongly Disagree | 1 | 2 | 3 | 4 | Strongly Agree |
|---|-------------------|---|---|---|---|----------------|
| I accept higher risks in order to pursue a higher return on my investments                          | 1                 | 2 | 3 | 4 | 5 |                |
| It's important for the return on my investments to stay ahead of inflation                          | 1                 | 2 | 3 | 4 | 5 |                |
| I don't move my investments, even if they lose money over the course of a year                      | 1                 | 2 | 3 | 4 | 5 |                |
| I invest in the Plan to save for retirement, and therefore do not plan to take a loan or withdrawal | 1                 | 2 | 3 | 4 | 5 |                |
| I am well educated about my investments, the markets and retirement issues                          | 1                 | 2 | 3 | 4 | 5 |                |

Add up the numbers you circled. Enter the total here:

## What Type of Investor Are You?

| If your score equals... | This may indicate that when it comes to investing, you're... | The type of investor you are shows how much risk you are willing to take with your investments. |
|-------------------------|--|---|
| 5 - 11                  | Conservative   |   |
| 12 - 18                 | Moderate   |   |
| 19 - 25                 | Aggressive   |   |

## CHOOSING WHERE TO INVEST YOUR SAVINGS

Most financial advisors suggest that investors diversify their portfolios to deliver the best possible returns given their personal risk tolerance. How you do it is up to you. A diversified portfolio includes fund options with a mix of stocks and bonds that allow you to maximize your investments while keeping in mind your tolerance for risk. In a diversified portfolio, while one investment is performing one way, a second investment may be performing another way. How you allocate your money among asset classes in the Choice 401(k) Plan is called “asset allocation.”

The range of investment choices in the Choice 401(k) Plan gives you great flexibility in building your savings portfolio. Remember, how you invest your assets should be based on your own financial needs and circumstances, including your remaining working years, your overall financial situation and your risk tolerance. There are three main classes of assets or investments within the Choice 401(k) Plan...

- Fixed Income Funds
- Equity Funds
- Balanced Funds

# CHOICE

## Fixed Income Funds – Moderate Growth Potential with Moderate Risk

Fixed income funds purchase “IOUs,” such as bonds, usually from a company, government or government agency (the issuer). The organizations that receive these loans promise to repay the full amount on specific dates (the maturity date – one to 30 years in the future) and, in the meantime, promise to pay a stated rate of interest (the coupon rate) to the fund. Fixed income funds generally carry less risk (and offer lower long-term return potential) than equity. But, fixed income funds have their own inherent risk, related to interest rates and credit risk of issuing, which you should consider before investing. For example, bonds issued by corporations tend to be riskier, and therefore higher yielding, than those issued by governments.

## Equity Funds – Greater Growth Potential with Greater Risk

Equity funds purchase ownership, or stock, in a variety of companies. These funds seek to make money by sharing in the different companies’ profits (in the form of cash dividends) or through capital appreciation (the increase in stock prices). Equity fund prices can be very volatile and can shift dramatically, but offer the highest growth potential.

## Balanced Funds – Greater Diversification

The basic idea behind a balanced fund is to create a mix (or balance) between the different types of investments that are part of the fund. Balanced funds invest in both equity (stocks) and fixed income (bonds) instruments in order to provide both income and capital appreciation, while minimizing volatility. The idea is to find the right mix between the various components so there is broad diversification in one plan option.

## PERSI Choice 401(k) Plan Fund Options by Asset Class

The following chart shows where each of the PERSI Choice 401(k) Plan fund options fall into each of the asset classes discussed above...

| Fixed Income Funds                    | Balanced Funds                                    | Equity Funds  |
|---------------------------------------|---|---|
| Mellon Aggregate Bond Index Fund      | PERSI Total Return Fund                           | Mellon S&P 500 Stock Index Fund                           |
| Dodge and Cox Income Fund DODIX       | Calvert Social Investment (Sudan-free) Fund CBAIX | Vanguard Growth and Income Fund VGIAIX                    |
| PERSI Short-Term Investment Portfolio |   | Mellon U.S. Equity Market Strategy (Wilshire 5000)        |
|                                       |   | Mellon International Stock Index Fund (MSCI EAFE)         |
|                                       |   | Brandes Institutional International Equity Fund BIIEIX    |
|                                       |   | Mellon Market Completion Stock Index Fund (Wilshire 4500) |
|                                       |   | T. Rowe Price Small Cap Stock Fund OTCFX                  |

For more information about the PERSI Choice 401(k) Plan fund options, please see “Creating Your Investment Portfolio” on page 18.

## INVESTMENT TIME HORIZON

The mix of your investments should change as your time horizon moves. Of course, everyone's life is different and you may experience certain events earlier or later in life.

### Early Career

Your 20s and 30s are key ages for building the foundation of your retirement savings. Unfortunately, many of us don't start saving this early because we tell ourselves we're too young to worry about retirement and we face more immediate financial needs - such as paying off student loans, buying a car or house, or starting a family. However, the earlier you start saving for retirement, the more time you'll have to take advantage of the benefits of compounding earnings. Investing just a small amount now can grow to significant savings over time.

Try to save as much as you can during this time, because before you know it, you'll be in the mid-career part of life. Even if you save just a small amount now, over time you have the power to build significant savings for your future.

At the same time, when choosing how to invest your retirement savings, consider the fact that it will likely be years - decades - before you'll need to access this money.

### Mid Career

If you're like most people, during your 40s you may have more money to save than you did earlier in your career, since your income has likely risen. At the same time, though, this stage of your life can also be where we may have many of our biggest expenses, such as sending the kids to college.

Still, if you only recently started saving for retirement, you may need to find a way to put away extra money to make up for lost time. Once you start saving for retirement, continuing the habit is important. It may be easy to get side-tracked by other financial concerns, but saving for your retirement is one of the most important financial investments you can make.

If you haven't done so already, at this point, you may want to consider working with a financial planner to make sure you're on track to reach your financial goals. When evaluating your investment options, consider how much longer you have until you'll want to begin tapping into those retirement savings; consider too the possibility that you may have to stop working sooner than you think.

### Late Career

Your 50s and early 60s are important years for retirement planning. As you get closer to retirement you should save as much as you can. If you have paid off your mortgage and children's college expenses it's much easier to put significant amounts of your pay into savings.

Regardless of your situation, in the final years of your full-time career you should do everything you can to ensure that you have enough put aside to meet your retirement needs. At the same time, you should consider gradually reducing the amount of risk you have in your investments, because you are approaching the years when you will need your savings - and if you experience a major market downturn at this stage, you have less time to recover.

## CREATING YOUR INVESTMENT PORTFOLIO

When you create your own portfolio, you review and select the investment funds you're interested in, and manage your account on an ongoing basis. You can select from the investment funds shown below, including the Total Return Fund, to create a diversified portfolio.

Individual fund fact sheets are available on the PERSI Website to help you research what funds might be best for you based on your investment timeline and investor profile. You should also consider how investment management fees might affect your overall returns.

## Investment Fund Options

### Balanced Options

**PERSI Total Return Fund.** This is the plan's default investment fund. It invests Choice 401(k) Plan participants' contributions along with the assets of the PERSI Base Plan. It is a diversified fund that generally invests 50-65% in US and global equities, 10-20% in international equities, and roughly 23-33% in fixed income securities. It includes primarily publicly traded stocks and bonds with significant private holdings in real estate, private equity and commercial mortgages.

**Calvert Social Investment (Sudan-Free) Fund.** This is a diversified fund which represents a Sudan-free balanced option for Plan participants. Calvert defines "SRI" as Sustainable and Responsible Investing, although it is often used as an abbreviation for Socially Responsible Investing. This fund seeks to achieve a competitive total return through an actively managed portfolio of approximately 60% stocks and 40% bonds and other fixed income instruments, which offer income and capital growth opportunity, and satisfy the investment and social criteria.

### Equity Options

**Mellon U.S. Equity Market Strategy (Wilshire 5000).** This is a broad market index fund which seeks to replicate the performance and characteristics of the Wilshire 5000 Index providing long-term capital growth from exposure to stocks that represent the entire U.S. equity market.

**Mellon S&P 500 Stock Index Fund.** This option seeks to replicate the performance and characteristics of the Standard & Poor's 500 Index. The fund should provide long-term capital growth by investing in the stocks that are weighted toward the largest domestic companies. The fund should hold each stock in proportion to its weight in the index.

**Vanguard Growth and Income Fund.** This actively managed, large-capitalization core fund seeks long-term growth of capital and income from dividends. The fund invests in a diversified group of stocks and seeks to provide higher returns than the Standard & Poor's 500 Index while having similar risk characteristics.

**Mellon Market Completion Stock Index Fund (Wilshire 4500).** This mid-capitalization index fund seeks to replicate the returns and characteristics of the Wilshire 4500 Completion Index.

**T. Rowe Price Small Cap Stock Fund.** This actively managed, small capitalization core fund seeks to achieve investment returns that are consistently superior to the Russell 2000 Small Cap Index.

**Mellon International Stock Index Fund (MSCI EAFE).** This international equity index fund seeks to replicate the performance and characteristics of the MSCI EAFE (Free) Index. The fund seeks to provide long-term capital growth by investing in international stocks. The fund invests in developed markets and hold each stock in proportion to its weight in the index.

**Brandes Institutional International Equity Fund.** This actively managed, large capitalization, international equity fund seeks long-term capital appreciation by investing principally in common and preferred stocks of foreign companies in developed markets and securities that are convertible into such common stocks. The fund typically invests 80% of assets in equities of issuers located in no less than three foreign, developed market countries; up to 20% in securities of companies located in emerging market countries; and up to 10% in small capitalization companies.

### Fixed Income Options

**Mellon Aggregated Bond Index Fund.** This aggregate index fund seeks to replicate the performance and characteristics of the Barclays Capital U.S. Aggregated Index, a broad fixed-income index covering the U.S. investment grade bond market.

**Dodge and Cox Income Fund.** This actively managed fixed income fund seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

**PERSI Short-Term Investment Portfolio.** This fund seeks to provide fixed income returns consistent with prevailing, short-term U.S. interest rates while focusing on capital preservation and liquidity. Both the yield and principal value may fluctuate.

The fund descriptions included in this brochure provide a summary of each fund's investment approach and are not a guarantee of future investment performance. Capital preservation and money market fund unit/shares are not issued or guaranteed by the U.S. government. There can be no assurance that any capital preservation or money market funds will be able to maintain a stable net asset value of \$1.00 per share/unit as yields fluctuate. The net asset value and investment return of equity and bond funds will fluctuate, and fund shares may be worth more or less than original cost upon redemption.

## INVESTMENT FEES

One important factor many people overlook when making investment choices are the investment fees associated with each fund.

When considering an investment, you should ask about what fees may be associated with it. Investment funds may include one or more of the following fees...

- **Record Keeping Fees** – PERSI pays these fees for active participants<sup>5</sup>
- **Investment Fees** – No direct investment fees are charged to participants who invest in the PERSI Total Return Fund; fees for the other Choice 401(k) Plan funds range from .08% to .96% of the value of the funds.

Other types of fees often apply to retirement plans – but not to the PERSI Choice 401(k) Plan. When considering saving in other retirement plans, such as a 457 or 403(b) plan, be sure to ask about these potential fees...

- Individual Service Fees (i.e., loan applications, executing investment directions)
- Sales Charges (loads or commissions)
- Front-End Loads
- Back-End Loads
- Deferred Sales Charges
- Redemption Fees
- Rule 12b-1 Fees
- Insurance-Related Charges
- Surrender Charges

For more details on these fees, see page 23 or log on to [www.persi.idaho.gov/investments](http://www.persi.idaho.gov/investments).

### Watch for Fees and Charges...

- Associated with the basic operation of the fund, such as management fees and operating charges.
- That may apply when you redeem or exchange funds within a certain time period.
- That you may incur under other circumstances.

## MANAGING YOUR INVESTMENT PORTFOLIO

Once you enroll in the Choice 401(k) Plan, you can always...

### Change Your Deferral Amount

You may change the amount of your Choice 401(k) Plan contribution (salary deferral) at any time by completing a new Choice 401(k) Plan Deferral Election form and submitting it to your Human Resources or Payroll Department. The requested change will be made as soon as administratively possible (usually within the next pay cycle).

You must make this change with your Human Resources or Payroll Department – your employer will need to know how much you authorize to deduct from your paycheck.

### Change Your Investment Election

You may select or change how your future Choice 401(k) Plan contributions are invested online at any time by logging on to [www.persi.idaho.gov](http://www.persi.idaho.gov) or by calling 1-866-437-3774 to speak to an ACS customer service representative. All future contribution types (voluntary, employer, or gain sharing) have the same investment election. Investment elections must be made in 1% increments; fractional (i.e.,  $\frac{1}{3}$ ,  $\frac{2}{3}$ ) contribution amounts are not allowed. You will be sent a confirmation of any investment election changes by mail within 2 business days.

<sup>5</sup> If you end your PERSI-covered employment and decide to leave your money in the Choice 401(k) Plan, you will be responsible for the record keeping fees. The fees will be assessed against your account monthly, beginning with the calendar month starting 90 days after the date you terminate or retire. The current fee is \$2.40 per month.

## Transfer Money Between Investment Funds

You may transfer your existing Choice 401(k) Plan account between investment funds<sup>6</sup> – no fee is charged for making a fund transfer. You will need your Social Security Number and PIN to initiate a fund transfer. Requests received before 2:00 pm MST will be processed at that business day's closing net value.

You may initiate a transfer online 24 hours a day, 7 days a week by logging on to [www.persi.idaho.gov](http://www.persi.idaho.gov). You may also initiate a transfer by calling 1-866-437-3774 and speaking with a customer service representative from 7 a.m. to 6 p.m. MST, Monday through Friday.

### 24-Hour Account Information

You can access your account 24 hours a day, seven days a week by visiting the PERSI Choice 401(k) Plan Website. Through the Website you can easily...

- Change your investment elections
- Transfer balances
- Request a loan or withdrawal
- Change your Personal Identification Number (PIN)
- Link to other investment sites
- Use modeling tools and retirement calculators

See "Get Started... There's Help Along the Way" on page 25 for more information.

## DISTRIBUTION OPTIONS

The full value of your account is available to you if you retire, end your employment with a PERSI-participating employer or become disabled. Depending on your circumstances, you may choose from a number of payment options...

- A lump sum
- Monthly installment payments<sup>7</sup>
- Rollover to an eligible retirement plan (401(a), 401(k), 403(b), 457, Roth IRA, or pre-tax IRA)
- Purchase of Base Plan service
- Leave your assets in the Plan<sup>8</sup>
- A combination of options

These options are described below.

### Lump Sum Payment

Any amounts payable that are eligible for rollover distributions will be subject to federal income tax withholding of up to 20 percent and applicable state income tax withholding. You may also incur a federal 10 percent early distribution penalty if you are under age 59½. Distributions that are not eligible for rollover generally will be subject to a 10 percent federal withholding, unless you elect a different rate, such as the required minimum distribution.

<sup>6</sup> The number of trades (transfers) into and out of the two international funds, Mellon International and Brandes International, is limited to two trades per fund in a 90-day period. In addition, if you move any portion of your holdings out of the Vanguard Growth & Income Fund via a fund transfer or fund reallocation, you will be prohibited from reinvesting in this same fund for a 60-day period. These restriction periods will be based on calendar days and will be calculated on a rolling period from the current date back 90 or 60 days, respectively. If you initiate subsequent transfers out of the Vanguard Fund, during the 60 calendar day block, the subsequent money transfer out of the fund will extend the purchase block restriction. Systematic purchases and redemptions, such as payroll deferrals, rollovers, and scheduled periodic distributions, are exempt from these limitations.

<sup>7</sup> Your account balance must be \$5,000 or more, and you must have reached the Choice 401(k) Plan's Normal Retirement Age (50), to choose installment payments.

<sup>8</sup> You must have at least \$200 in your account to elect this option. Your account will be paid out and closed if you have less than \$200 in your account.

## Monthly Installment Payments

You may receive monthly installment payments of your Choice 401(k) Plan account. Monthly installments can be paid in...

- A fixed monthly amount (not to exceed 120 months); or
- Substantially equal payments over a fixed period of time not to exceed the joint life expectancy of you and your beneficiary.

Installment payments are available only upon retirement, attainment of age 50, disability, or your death if your beneficiary is your surviving spouse.

This option also requires the balance in your account be more than \$5,000. You will be responsible for the record keeping fees to maintain the balance of your account during the time installment payments are being made. When you reach age 70½, your installment payments may need to be adjusted to comply with minimum distribution requirements.

## Rollover to an IRA or Eligible Retirement Plan

You may transfer your Choice Plan account balance via direct rollover into an eligible retirement plan (401(a), another 401(k), 403(a), 403(b) or 457), Roth IRA, or pre-tax Individual Retirement Account (IRA). If you transfer money via direct rollover, you defer paying taxes (except with a Roth IRA).

## Purchase Base Plan Service

If you are a vested PERSI member, you may use Choice 401(k) Plan funds to purchase additional Base Plan service to increase your Base Plan retirement benefit.

Because the purchase cost for Base Plan Service is based on many factors – your salary, age, years of service and more – an exact cost cannot be determined until you are actually ready to retire. In addition, to purchase Base Plan service using funds from your Choice 401(k) Plan, you must wait until you have a “distributable event,” such as retirement, that allows you to gain access to your Choice 401(k) Plan funds. You must make an election within 90 days before you retire to use your Choice 401(k) Plan funds to purchase Base Plan service.

You can estimate how much a purchase of service may cost by using the Purchase of Service calculator at [www.persi.idaho.gov](http://www.persi.idaho.gov) or by calling PERSI at 1-800-451-8228, 7:30 a.m. to 5:30 p.m. MST, Monday through Friday.

## Leave Your Funds in the Choice Plan

You may leave your funds in the Choice Plan until a later date or until retirement if your account balance is \$200 or greater. Your account will be paid out to you and closed if you have less than \$200 in your account. By leaving money in the Plan, you defer paying taxes. However, once you reach age 70½, your account will be subject to minimum distribution requirements. You will be responsible for the annual record keeping fees (\$2.40 per month) to maintain this account. The fees will be assessed against the account monthly, beginning the calendar month starting 90 days after you end your employment with a PERSI-participating employer or retire.

## You Have Other Saving Choices...

IN THIS SECTION

We'll take a look at...

- Some other saving options for which you may be eligible.
- The important topic of investment management fees and expenses when selecting a saving plan option.

### TAKE SOME TIME TO COMPARE

Unlike many employees, you have a choice when deciding how to save for retirement. Having choices may be better, but it doesn't always make it easier. In addition to the Choice 401(k) Plan, you may also be eligible to participate in a...

- **457 Plan** – Generally available to employees of certain state and local governments and non-governmental entities that are tax exempt under Internal Revenue Code 501. Members generally will be eligible to participate in the Choice 401(k) Plan and may also enroll in other plans such as 457 plans.
- **403(b) Plan** – A 403(b) retirement plan is generally available to employees of public and private schools, colleges, universities, churches, public hospitals, and certain charitable entities. Members generally will be eligible to participate in the Choice 401(k) Plan and may also enroll in other plans such as 403(b) plans.

Each of the various savings plans available to you have some features in common. All of these plans allow you to...

- Direct a portion of your pay to a personalized account on a pre-tax basis
- Save for retirement while deferring income taxes today
- Diversify your portfolio among several investment options

You may enroll in any of your available options at the same time. Check with your Human Resources representatives to determine which plan options are available to you.

### MULTIPLE PLAN MAXIMUMS

Members eligible to participate in multiple types of plan options must comply with the following contribution maximums, in accordance with IRS regulations...

#### Choice 401(k) Plan and 457 Plan Maximums

An employee eligible to contribute to both the Choice 401(k) Plan and a 457 plan may contribute the maximum contribution amount (\$17,000) to each plan type for a total contribution of \$34,000 in 2012. If you will be age 50 or older in 2012, you may also make additional catch-up contributions. You can make an additional catch-up contribution of up to \$5,500 to each plan for a total catch-up contribution of \$11,000 and an overall contribution maximum of \$45,000.<sup>9</sup>

#### Choice 401(k) Plan and 403(b) Plan Maximums

The Choice 401(k) Plan and 403(b) plan share a single contribution limit of \$17,000 (or \$22,500 including catch up contributions if you are age 50 or older) in 2012. This means that if you participate in both of these plans, your combined contribution cannot exceed this limit.<sup>9</sup>

Take some time to review the PERSI Choice 401(k) Plan Comparison Chart (mailed to your home) – this helpful chart summarizes the key features of each plan option that may be available to you.

<sup>9</sup>These maximums are subject to change by the IRS.

## ASK ABOUT INVESTMENT FEES AND CHARGES

When selecting a retirement saving plan option, remember to ask about what fees may be associated with the investment funds in each of those options (401(k), 457 or 403(b) plans) including...

### RECORD KEEPING FEES

✓ These fees pay for the day-to-day operation of a plan and covers expenses for basic administrative services, such as plan record keeping, accounting, legal and trustee services. PERSI pays the Choice 401(k) Plan record keeping fees for you as long as you are an active PERSI member.

### INVESTMENT FUND FEES

✓ By far the largest component of plan fees is associated with managing plan investments. Fees for investment management and other investment-related services generally are assessed as a percentage of assets invested. You should pay attention to these fees, which are charged to you in the form of an indirect charge against your account and are deducted directly from your investment returns. Your net total return is your return after these fees have been deducted. For this reason, these fees, which are not specifically identified on statements of investments, may not be immediately apparent.

Choice 401(k) Plan participants who invest in the PERSI Total Return Fund are not charged any direct investment fees. The other Choice 401(k) Plan options have investment fund fees ranging from 0.08% to 0.96% of the value of the funds; likewise, the investment funds offered through other plan types likely have investment fees.

### INDIVIDUAL SERVICE FEES

✓ In addition to overall administrative expenses, individual service fees may be associated with optional features offered under a plan. Individual service fees are charged separately to the accounts of individuals who choose to take advantage of a particular plan feature. For example, individual service fees may be charged to a participant for taking a loan from the plan or for executing participant investment directions. The PERSI Choice 401(k) Plan does not charge any individual service fees; other plan types may.

### SALES CHARGES

✓ These are basically transaction costs for the buying and selling of shares. They may be computed in different ways, depending upon the particular investment product. The PERSI Choice 401(k) Plan does not assess any sales charges; other plan types may.

### FRONT-END LOADS

✓ Some investments assess sales charges. These charges may be paid when you invest in a fund (known as a front-end load). A front-end load is deducted up front and, therefore, reduces the amount of your initial investment. The PERSI Choice 401(k) Plan does not assess any front-end loads; other plan types may.

### BACK-END LOADS

✓ Sales charges in the form of back-end loads are paid when you sell shares. A back-end load is determined by how long you keep your investment. There are various types of back-end loads, including some which decrease and eventually disappear over time. If you decide to sell a fund share when a back-end load is in effect, you will be charged the load. Back-end loads can also be referred to as deferred sales charges or redemption fees. The PERSI Choice 401(k) Plan does not charge or assess any back-end loads, deferred sales charges or redemption fees; other plan types may.

### RULE 12B-1 FEES

✓ Rule 12b-1 fees are ongoing fees paid out of fund assets. Rule 12b-1 fees may be used to pay commissions to brokers and other salespersons, to pay for advertising and other costs of promoting the fund to investors and to pay various service providers to a plan pursuant to a bundled services arrangement. They are usually between 0.25 percent and 1.00 percent of assets annually. The PERSI Choice 401(k) Plan does not charge any Rule 12b-1 Fees; other plan types may.

### INSURANCE-RELATED CHARGES

✓ Insurance-related charges are associated with investment alternatives that include an insurance component. They include items such as sales expenses, mortality risk charges and the cost of issuing and administering contracts. The PERSI Choice 401(k) Plan does not charge any insurance-related charges; other plan types may.

### SURRENDER CHARGES

✓ Surrender and transfer charges are fees a financial company may charge if you withdraw an amount from the fund. This fee may be imposed if these events occur before the expiration of a stated period and commonly decrease and disappear over time. It is similar to an early withdrawal penalty on a bank certificate of deposit or to a back-end load or redemption fee charged by some funds. The PERSI Choice 401(k) Plan does not charge any surrender charges; other plan types may.

## Important Saving Reminders

Remember these important points when creating and managing your own personal investment portfolio.

### Invest with a long-term perspective...

and keep your long-term investment goals in mind. Stock and bond funds frequently rise and fall in value. You may be tempted to move your money out of such funds if the value of your portfolio declines, but keep your investment horizon in mind. If you are in your 20s, 30s, or 40s, you have many years of investing ahead of you, and you can afford to take some risk in exchange for the possibility of higher long-term returns. Even if you are in your late 50s or early 60s, some of your Choice 401(k) Plan account will probably be invested for another 10 or even 20 years. That may be enough time to ride out market declines. Keep your long-term goals in mind when the stock and bond markets experience volatility.

### Be wary of being too cautious...

and while it may make sense to invest a portion of your money in cash equivalents, having all of your money there simply because you perceive those investments as “safe” may shortchange you in the long run. Consider this: If you invest everything in an account that returns 3% and inflation is 4%, your money will actually lose 1% of its spending power over that period.

### Review your asset allocation regularly...

as you might need to change your asset allocation when your long-term goals change. Your life and thus your financial situation changes as time passes, so be sure to review your investment mix and your long-term goals on a regular basis. You may want to consult a financial adviser before you make changes to your allocation.

### Take advantage of dollar-cost averaging...

and remember, when you choose an investment fund through the Choice 401(k) Plan, your money purchases “shares” of that fund. Because your Choice 401(k) Plan contributions are automatically deducted from your paycheck, you automatically take advantage of an investing philosophy called “dollar-cost averaging.” You’ve probably heard the old adage “buy low, sell high.” With dollar-cost averaging, you don’t have to worry about timing the market – that is, trying to buy when share prices are low or “on sale.”

Even the most experienced investors don’t always know the “best” time to buy. That’s where dollar-cost averaging comes in. When you invest on a dollar-cost-average basis, you buy more fund shares when prices are low and fewer shares when prices are high. In a generally rising market, this means the average price you pay for your shares can be less than the average share price. In other words, you take advantage of all the sales that come along because you’re continually investing.

## Get Started Today... There's Help Along the Way

### CONTRIBUTING TO THE PERSI CHOICE 401(K) PLAN

By contributing to the Choice 401(k) Plan, you avoid the biggest financial mistake that many people make when it comes to preparing for retirement — doing nothing! Follow the steps below to get started...

- |                |  |
|----------------|--|
| <b>Step 1:</b> | Review your Choice 401(k) Plan materials you received in the mail, if you've not done so already                         |
| <b>Step 2:</b> | Complete the Choice 401(k) Plan Deferral Election Form included in your enrollment materials                             |
| <b>Step 3:</b> | Give the completed form to your employer's Human Resources or Payroll Department (do not send this form to PERSI or ACS) |

#### Your PIN...

Your PIN information was mailed by the PERSI Choice 401(k) Plan record keeper, ACS HR Solutions, to the home address PERSI has on file.

#### Your PIN...

After you became a member of the PERSI Base Plan, a Personal Identification Number (PIN) was mailed to your home address from ACS HR Solutions. Your PIN is important as you must use this to access your account information. In addition, you'll receive...

- Instructions for using the toll-free voice response system or the Choice 401(k) Website to access your Choice 401(k) Plan account information.
- A reminder to select your investment allocation if you want your contributions invested in something other than the default PERSI Total Return Fund.

If you lose or misplace your PIN, you may request a reminder PIN using the Website at [www.persi.idaho.gov](http://www.persi.idaho.gov) or the toll-free number (1-866-437-3774).

## YOUR BASE AND CHOICE 401(K) PLANS ARE JUST A CLICK AWAY

You can access both your Base and Choice 401(k) Plan accounts by using myPERSI. To access myPERSI, follow these simple steps:

- Go to [www.persi.idaho.gov](http://www.persi.idaho.gov).
- Click on the **myPERSI Login** link in the top right hand corner of the page.
- Log on to myPERSI using your email address and password you created when you registered. If you are new to myPERSI, click on the “[Register Now](#)” link to go through the registration process. You will be sent an email with your new password within approximately 30 minutes.

Once you log on, you can access your Base and Choice 401(k) account information, including balances and investment choices, as well as other resources and tools.

## ACCOUNT STATEMENTS

You can access a statement of your Choice 401(k) Plan account activity online at [www.persi.idaho.gov](http://www.persi.idaho.gov). The Choice 401(k) Plan provides you with three types of account statements:

**Online Statement** – This statement is prepared quarterly and includes any activity on your account within the quarter. These are available online approximately 15 business days after the end of each quarter.

**Dynamic Online Statement** – This online statement allows you to specify a certain time period to summarize the activity in your plan account and your personal rate of return during that time period.

**Annual Print Statement** – This statement is prepared annually summarizing any activity with your account during the calendar year, and is mailed to your home address during the first few months each year.

## QUESTIONS?

If you have questions about your Choice 401(k) Plan benefits,  
help is just a click or call away  
24 hours a day, 7 days a week...

[www.persi.idaho.gov](http://www.persi.idaho.gov)

1-866-437-3774

The automated toll-free system is always available.  
Choice 401(k) Plan customer service representatives are available from  
7 a.m. to 6 p.m. MST, Monday through Friday

Representatives from ACS HR Solutions, the Choice 401(k) Plan administrator, are available to answer your questions about the Choice 401(k) Plan. However, if you want to speak to a PERSI representative (or if you have questions about your PERSI Base Plan service), please call PERSI at 1-800-451-8228, 7:30 a.m. to 5:30 p.m. MST, Monday through Friday.

The PERSI Choice 401(k) Plan Guide is a general summary of the benefits provided by the Public Employee Retirement System of Idaho (PERSI). It is intended to give you a general idea of your Choice 401(k) Plan benefits.

In the event of any discrepancy between this document and the Plan documents and IRS code, the Plan documents and IRS code will govern. Specific limitations and requirements are stated in detail within the legal plan document available at [www.persi.idaho.gov/documents/Choice\\_Plan\\_Legal\\_Document.pdf](http://www.persi.idaho.gov/documents/Choice_Plan_Legal_Document.pdf)

## NOTES

