

From its beginning in 1963 right up until now, Public Employees Retirement System of Idaho (PERSI) has been one of the top rated public employee pension plans in the country. And IPEA has been a supporter of PERSI even before it was written into law by the Idaho state legislature in 1963.

In fact, IPEA was formed in 1959 by state employees with the express purpose of lobbying the legislature to create a pension plan. A few professional state employees got together and formed a Board of Directors for IPEA and applied for IRS nonprofit status. As soon as that was done, they got right to work helping the legislators to draft the PERSI plan and then getting them to pass it into law. That happened in 1963, and PERSI was officially launched.

So IPEA's commitment to preserving the excellent PERSI plan goes back over half a century! And it's a good thing, because almost every year some newly elected and/or otherwise ill-informed legislator tries to launch an attack of some kind or another against PERSI.

Sometimes the attacks from the legislators come because they get scared when they hear about other public employee pension plans around the country that cause states, counties, and cities to go bankrupt. That can and does happen, but it is always a result of poor management of the pension plans themselves. But it won't happen with PERSI, and here are the two major reasons why:

1. PERSI has a very smart investment team. The PERSI investment manager and the PERSI Board are very careful in how they invest money in the PERSI fund. They are conservative investors and have a very good mix of different types of investments. That kept the fund strong even during the recent recession.
2. PERSI makes sure all the employees in the system have "skin in the game". If you work for the state or a county or a city in Idaho which is part of the PERSI plan, you know that you contribute out of your own earnings every single month. Your employer also contributes on your behalf. For most PERSI members, the total contribution equals 18.11% of your gross salary. 6.7% of your salary is deducted automatically from your paycheck and invested in the PERSI fund. Your employer contributes 11.32% of your gross salary into the fund on your behalf. Some pension plans require very small, or even no employee contributions. This employee contribution, plus the fact the payout to members when they retire is modest keep PERSI in good fiscal condition.

Another attack from the legislators comes in the form of wanting to change PERSI from a Defined Benefit plan to a Defined Contribution plan. They think, erroneously, that making a change like this will save money for the state. It is also important that you know the difference between a pension plan (Defined Benefit plan) and a 401K plan (Defined Contribution plan). Many large employers had pension plans at one time, but most have now switched to 401K plans. This is to the detriment of employees.

There are two kinds of retirement plans:

1. Defined benefit plans (PERSI and other pension plans). In a defined benefit plan, your benefit, when you retire, is constant (with occasional COLAs) and you will receive it until you die. Your contribution and that of your employer is pooled with the funds from all other members, and the fund is managed by professionals.
2. Defined contribution plans (401Ks, IRAs, etc). In a defined contribution plan, you, the employee, contribute whatever you choose on a monthly basis, and your contribution may or may not be matched by your employer. Your money is kept in an individual account, and you have the responsibility to invest your own money. You choose how to withdraw your money when you retire, and your benefit ends when you run out of money.

Every time one of these attacks surfaces, IPEA works with other organizations in a coalition called Public Employees Retirement Coalition (IPEA). We are often engaged in educational endeavors wherein we educate the legislators themselves in the truth about what would happen if they instigated these changes. For instance, when legislators bring up the idea of changing to a 401K type plan (which they do every few

years) we make an effort to educate legislators themselves about the differences between the two kinds of retirement plans. For instance, every PERSI member (and that means you) has a contract with the state concerning your retirement plan. That means they can't just take it away from you. They could ask you to voluntarily give it up, but you have to agree. In fact, in most of our colleges and universities, that has happened. In almost all cases, faculty members are not members of PERSI, but it was by their own choice that they left the system. Most of them have come to accept it was a mistake, but now the damage is done.

But let's say, for instance, that the state wanted to discontinue PERSI and, instead, start a 401K plan. Here's what would happen:

1. The state would be required to keep their contract with every vested member of PERSI. That means they would have to keep the plan going until everyone in the existing plan died.
2. The state could have new employees join a 401 K instead of PERSI, if they mandated it to all PERSI members. That means they'd have to establish a new contract and new administration for an entirely new plan, while AT THE SAME TIME maintaining the existing PERSI plan.
3. If the legislature took the second step, it would also mean that there would be NO NEW MONEY going into the original PERSI plan, and with only investment income, the benefit would very likely have to cut back dramatically for those retirees.

When legislators really understand how drastic that step would be, and how it wouldn't save money because now they are maintaining two plans at the same time, they typically back off of this idea pretty quickly.

But sometimes it's not enough to educate the legislators, and then we have to bring out the power of the people. A couple of years ago, IPEA, along with other members of the PERC coalition, traveled all over the state and did presentations to all PERSI members who attended on this major threat to PERSI. We were able to help generate thousands of emails and phone calls to the legislators demanding that this idea be dropped. We were successful in that effort, but it was a very difficult session for us.

Almost every year there is some kind of attack on our PERSI pension plan. Some of the proposed changes are small, and some are large. But IPEA has always been there to make sure our PERSI plan stays strong. We also know that there will always be attacks, and we must always remain vigilant. And we know that it is imperative we have a large membership we can call on when there is a threat and we need people to act.

Join IPEA NOW to make sure you stay in the loop when it comes to your PERSI benefit, and to be the first to know when a new attack surfaces.

Here's where to join: <http://www.ipeaonline.org/join-now/>