

# RETIREMENT NEWS

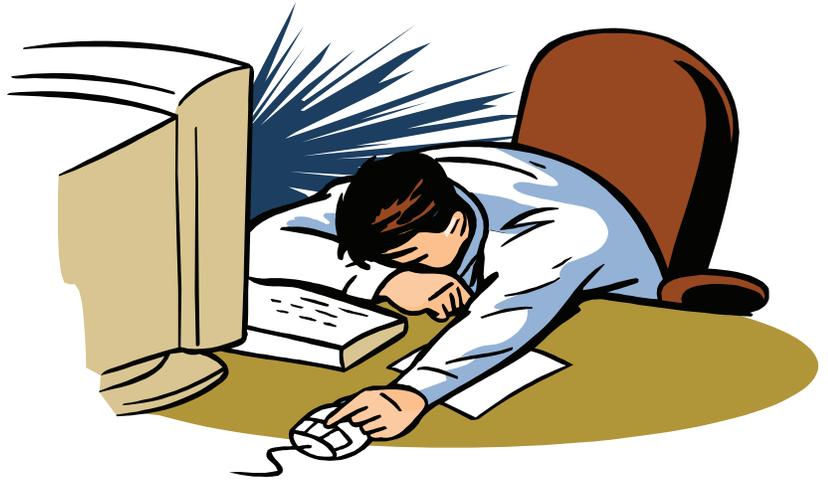
NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS STCO • OCTOBER 2011

## ONE WILD WEEK!

### THE PERILS OF MARKET TIMING

The week of August 8-12, 2011, was another volatile week on Wall Street. A perfect storm of political wrangling over the debt, the Standard and Poor's downgrade, concerns over the European banking industry, and fears of a new recession resulted in four consecutive days of market fluctuations all in excess of 400 points.

A market this turbulent can unnerve even a seasoned investor but can also provide a real world example of the dangers of market timing. Using actual data from this week, let's examine how two different investors might have reacted to the market and the resulting impact to their retirement accounts.



Let's call them **Investor "A"** and **Investor "B."** To keep the math simple, let's assume both had \$100,000 invested in the S&P 500 fund at the start of the week. This fund consists of stock of the 500 largest American companies traded on the NY Stock Exchange and is considered a good indicator of overall market performance. This fund is available

in the Defined Contribution and Deferred Compensation plans. We can track the beginning and ending share prices for each day using the online account access. At the start of the week the price per share for this fund was \$1.632271, which translates into approximately 61,264 shares for a \$100,000 investment.

*Continued on page 2*



## RECORD-KEEPER CONTRACT RENEWED

### New Fees Approved

The Public Employees Retirement Board (PERB) has voted to renew the Ameritas record-keeping contract. Effective October 1, 2011, the monthly record-keeping fees will increase \$0.12 for each plan affected. At that time, the monthly fee for Defined Contribution participants will be \$1.77, for Cash Balance members the fee will be \$1.52, and the voluntary Deferred Compensation plan fee will be \$1.42. The new record-keeping contract will be effective for a five year period

from October 1, 2011, through September 30, 2016.

In addition to the monthly fees, when a member takes the last withdrawal from their account (reduces the account to \$0.00), a *final distribution* fee is assessed. If the distribution is under \$100, no fee will be charged. Under the new contract, a \$35 fee will be assessed when the amount of the final distribution is between \$100 and \$200, and a \$50 fee for final distributions over \$200.

Both the record-keeping and the separate administrative fee are reported in the "adjustment" section on member quarterly statements. *Currently* there are no administrative fees assessed for the Defined Contribution or Cash Balance plans. The PERB makes every effort to keep fees low and reasonable for plan members. Fees are subject to adjustment and any changes are reported in the NPERS newsletters and on the NPERS website.

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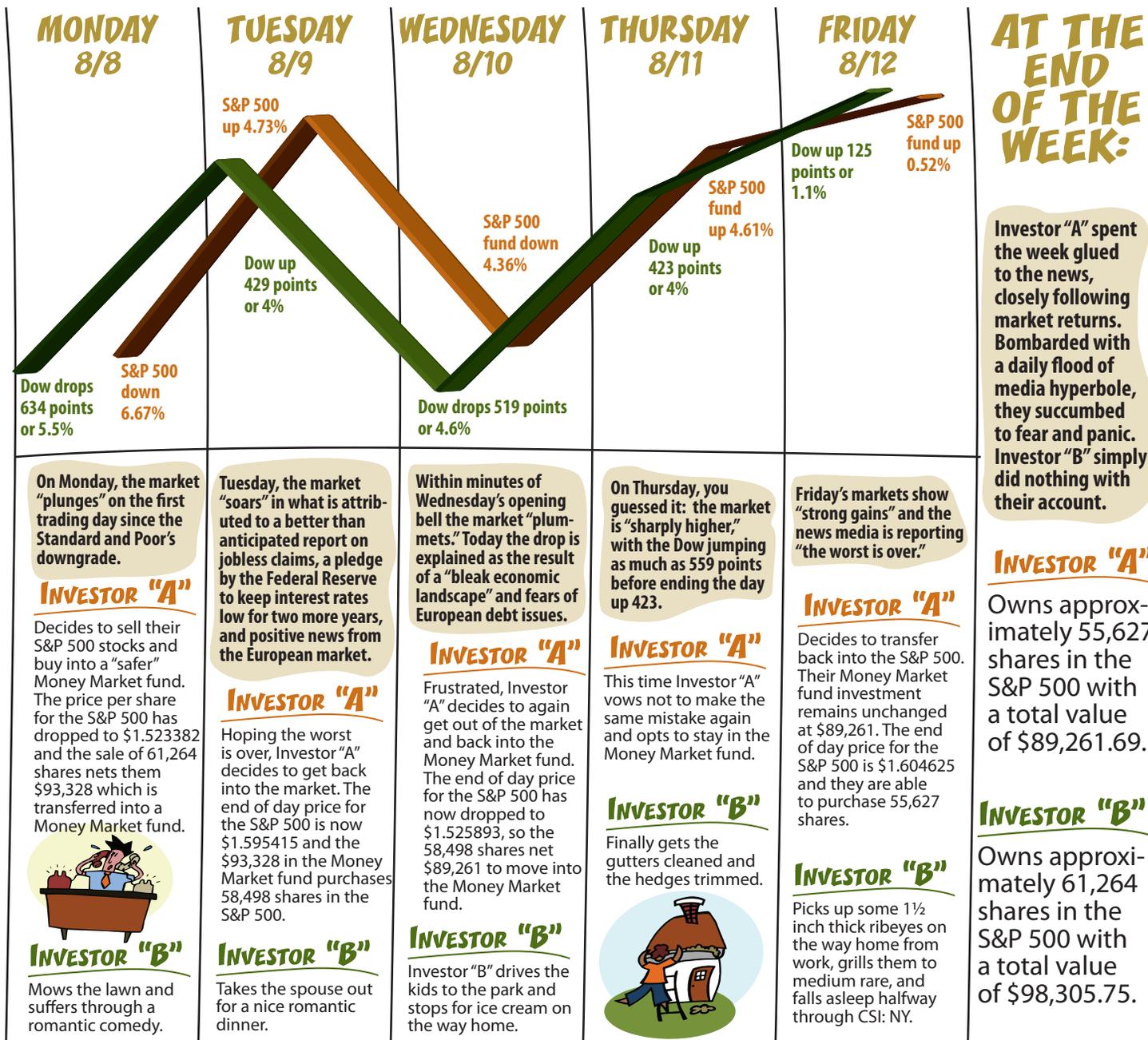
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State Investment Officer



While our two investors are hypothetical, the market data and S&P 500 share prices for this week are real. *Individuals who react to market fluctuations and try to time the market can drastically damage their retirement accounts.* Both of our investors saw a reduction in the value of their accounts at week's end, but Investor B still owned the same number of shares. When shares of the S&P 500 stock return to the start of the week price, Investor B's account value will return to \$100,000. In contrast, Investor A's account will be valued at \$90,798.

Historically there have always been fluctuations in the stock market and it's a fairly safe assumption there always will be. How this volatility impacts your bottom line depends on how you react to these up and down swings. Investing seems easy when the market is "soaring" but a falling market is where many amateur investors lose their way.

An *educated investor* will minimize risk from these fluctuations by gradually reducing the percentage of stock in their portfolio as they approach retirement. Those with many years to go before retiring will avoid selling and instead may purchase more stock when the price is low—when stock is "on sale."

Emotionally based investment decisions are part of the reason why the Public Employees Retirement Board recently implemented an excessive trading policy (see the April 2011 newsletter). NPERS encourages participants in the Defined Contribution and Deferred Compensation plans to create a personal *long-term* investment strategy and refrain from reacting to market fluctuations. For more investment assistance, please refer to our Annual Investment Report or the Investment Education video available on the NPERS website.

# Quarterly Cash Balance Rate



The interest credit rate (rate of return) for participants in the Cash Balance plan is defined in statute as the greater of 5%, or the applicable federal mid-term rate plus 1.5%. When the federal mid-term rate falls below 3.5%, participants in Cash Balance are guaranteed to receive a 5% return on their accounts. The interest credit rate is determined each calendar quarter (January, April, July and October) based on the federal mid-term rate published by the Internal Revenue Service as of the first day of that quarter.

For the month of October 2011, the published federal mid-term rate is 1.19%; therefore the rate of return for Cash Balance participants will remain at the guaranteed rate of 5%.

Each quarter NPERS publishes the Cash Balance rates of return on our website. Go to our home page at [npers.ne.gov](http://npers.ne.gov) and look for the “NPERS News” section. Click on the link titled “Cash Balance Rates of Return & Dividends.” This page will display the historical returns for Cash Balance since the plan’s inception in 2003, and list any dividends issued in prior years.

## CORRECTION: ELECTRONIC DISBURSEMENT

In the April State and County newsletter the article entitled “Electronic Disbursement Policy” contained an error. In this article it was stated:

“Any changes to the direct deposit or prepaid card MUST be received by NPERS two weeks prior to the date scheduled for the annuity benefit payment for which the change is to occur.”

The actual time frame for changes is 30 days prior to the annuity payment.

# NEW! AUTOMATIC REBALANCING

State and County members participating in the mandatory Defined Contribution plans and State employees participating in the voluntary Deferred Compensation plan now have a new feature to assist them with managing their investments. Effective immediately, the online account access now offers an automatic rebalancing tool.

Successful investors create an investment profile based on their own personal situation and goals. This profile is used to determine the percentages of stocks, bonds, or cash (asset allocation) the investor will use in their portfolio. An investor whose profile calls for an aggressive investment strategy may have a larger percentage of stocks, whereas a conservative profile may allocate more money to bonds or cash.

An important part of asset allocation is maintaining the desired mix of investments. If one of the assets has performed better than the others it will assume a larger percentage

of the portfolio. In order to maintain the desired balance, some of the higher performing assets should be sold and those dollars invested in the lower performing assets. This activity, known as rebalancing, maintains the desired asset allocation and also implements the “buy low and sell high” strategy.

Transactions	Reference
Allocation Change	
Transfer	
Rebalance	
Automatic Rebalance	
Statement Request	
Pending Transactions	

The online automatic rebalancing feature can be found by placing your mouse cursor over the “Transactions” option on the online toolbar.

### Automatic Rebalance Request

Automatic Rebalance systematically transfers your account balances to re-establish your desired allocation percentages and help you maintain your original asset allocation mix. Once you enroll in the Automatic Rebalance feature, Access 24 will automatically rebalance your account based on the frequency you designate. Automatic Rebalance transfers are processed across All Money Sources. Allocation percentages of your future contributions will be changed to reflect the same percentages you allocated to automatic rebalance.

An Automatic Rebalance will rebalance your account now. Future rebalances will be scheduled based on the frequency you select below.

Quarterly  Semi-Annual  Annual

Your rebalance frequency will be based on:

Initiation Anniversary Date  Calendar End Date

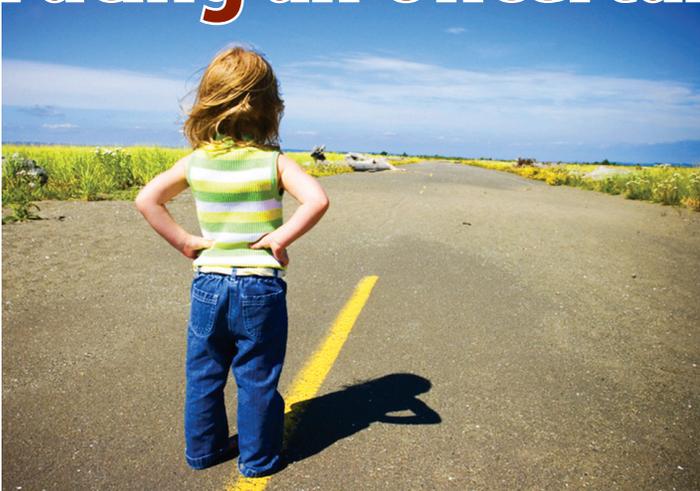
Asset Class/Investment	Investment Balance	Investment Percent	Rebalance Percentage
Stable Value Fund	\$35,000.00	35.00 %	25 %
Money Market Fund			%
S & P Stock Index Fund			%
Small Company Stock Fund	\$25,000.00	25.00 %	25 %
International Stock Index Fund	\$20,000.00	20.00 %	25 %
Bond Market Index Fund			%
Large Company Growth Stock Index Fund	\$20,000.00	20.00 %	25 %
Large Company Value Stock Index Fund			%
Conservative Premixed Fund			%
Aggressive Premixed Fund			%
Moderate Premixed Fund			%
Investor Select Fund			%
Age-Based Conservative Fund (Age 60 Up)			%
Age-Based Aggressive Fund (Age 0-39)			%
Age-Based Moderate Fund (Age 40-59)			%
Total			

By clicking on the Automatic Rebalance option from the drop down list, you will open the Automatic Rebalance Request page.

Members may select a quarterly, semi-annual, or annual rebalance schedule starting from the current date or running on a calendar basis. The page will display the current funds and percentages invested in each. The column to the right allows the member to input the asset allocation they wish to maintain. The member may change the asset mix or discontinue the automatic rebalancing with a return visit to the Automatic Rebalance Request page.

This feature is only available using the online account access. Online accounts can be accessed by clicking the lower of the two blue buttons found on the upper right section of the NPERS homepage. Individuals who have not created an account will find step by step instructions by clicking on the “New users” link.

# Facing an Uncertain Financial Future?



## Get some direction at a Financial Management Seminar!

*“Great information—well worth the money and time!”*

*“Explanations were straight-forward in easy to understand language—thank you!”*

*“Very insightful.”*

*“Excellent workshop, great speakers, I will recommend it highly.”*

*“ALL employees should have to attend at least one of these seminars—especially young employees who need serious wake-up calls regarding saving.”*

All of the above comments were taken from evaluation forms for the September 8 Financial Management seminar held in Lincoln.

### THE COMPLETE FINANCIAL MANAGEMENT WORKSHOP INCLUDES:

- **Risk Management:** How to protect your assets.
- **Cash Management:** Managing your income, budgeting, avoiding debt, improving credit scores.
- **Investment Concepts:** Basic steps to smart investing.
- **Tax Management:** Are you paying too much?
- **Retirement Planning:** How much will you need and how to properly save for retirement.

Each fall, NPERS offers a comprehensive Financial Management seminar for **State** and **County** employees **under 50 years of age**. This full-day program includes a basic overview of both the mandatory and voluntary retirement plans offered to State and County members, and an hour-long presentation from an estate planning attorney. The bulk of the program is dedicated to “The Complete Financial Management Workshop,” which is presented by a licensed financial planner. This workshop is a detailed program that provides a wealth of information designed to assist individuals in assessing their personal financial situation, set goals, and map out the proper course of action to achieve financial security.

The cost to attend is \$20 per person for eligible plan members. Members may also bring a guest for an additional \$20. In addition, eligible members are entitled to receive paid leave time to attend up to two Financial Management seminars (see Neb. Rev. Stat. §84-1511). This means the State of Nebraska is paying you to attend a seminar. Members over age 50, or members under age 50 who wish to attend more than twice, may do so at the \$20 fee, but will not receive paid leave time to attend. Non-members may attend for \$30.

The fee includes a light breakfast and noon meal. Members also receive The Complete Financial Management Workshop workbook to take home (guests are not eligible for the workbook unless they attend as a non-member for \$30). Considering all you get, it's quite a bargain—especially when you are getting paid to attend! A similar course in the private sector would be considerably more expensive.

If you haven't been to a seminar yet, why not check one out this fall? The current seminar registration brochure was mailed to members in August, but if you have lost or misplaced it, you can still print one from the NPERS website at [npers.ne.gov](http://npers.ne.gov). If you do not have internet access, call NPERS at **(402) 471-2053** or **(800) 245-5712** for a replacement registration brochure.

### NPERS FINANCIAL MANAGEMENT SEMINAR FAST FACTS:

Age Requirements?	Paid Day of Leave to Attend?*	Registration Fee? **		
		MEMBER	1 GUEST	NON-MEMBER
Must be UNDER AGE 50.	Up to <b>TWO</b> . (But no more than ONE per plan year.)	\$20	\$20	\$30

\*Members receive paid leave for **up to two** Financial Management seminars. NPERS is not responsible for enforcing this policy. You must speak with your employer. \*\*NO REFUND IF YOU CANCEL **WITHIN 3 BUSINESS DAYS** of the seminar. **SEE SEMINAR REGISTRATION BROCHURES AND YOUR PLAN HANDBOOK FOR MORE DETAILS.**



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