

RETIREMENT NEWS

Nebraska Public Employees Retirement Systems

STCO • April 2011

PROVIDING
INFORMATION TO
STATE AND COUNTY
EMPLOYEES

RETIREMENT BOARD

Denis Blank
Chairperson
State Member

Glenn Elwell
Vice Chairperson
Patrol Member

Richard Wassinger
County Member

Randall Rehmeier
Judge Member

Mark Shepard
School Member

Janis Elliott
School Member

Donald Pederson
Member-at-large

Elaine Stuhr
Member-at-large

Jeffrey States
State Investment Officer

NPERS Excessive Trading Policy

The investment options offered to Defined Contribution and Deferred Compensation Plan members are intended for *long-term* investment purposes. Participants are encouraged to develop an investment strategy appropriate for their situation and rebalance as needed. A small number of State and County members have engaged in frequent or excessive trading—repeatedly buying in and out of the same funds in an attempt to “time the market.” Not only is this a risky investment strategy, it can also hamper a fund’s performance by reducing returns and increasing fund costs.

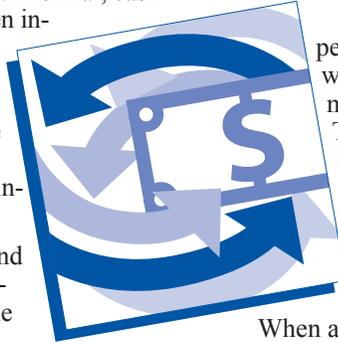
When shareholders transfer money into (*buy*) or out (*sell*) of a mutual fund, the fund manager will sell or purchase shares of stocks, or bonds to maintain the fund portfolio. Fees and commissions are assessed internally each time a fund manager must make a purchase or sale. When investors repeatedly trade in and out of the same fund, managers must perform *additional* purchases and sales, thereby increasing the

internal costs.

Excessive trading can force fund managers to hold larger amounts of cash than normal, cash that could have been invested. Managers may also be forced to sell investments that would be more advantageous to hold, simply to maintain liquidity.

Our mutual fund partners, in compliance with SEC Rule 22c-2, require us to monitor investment trading activity. In order to protect plan sponsors and participants, as well as meet regulatory guidelines, the Nebraska Public Employees Retirement Board voted to adopt an excessive trading policy at the January 24th meeting. This policy will apply to the State and County Defined Contribution (DC) plans and the voluntary State Deferred Compensation plan (DCP). The policy will monitor and limit the number of *transfers* permitted

within a set period of time. Changes to *investment elections* (future payroll contributions) are not affected.



A “monitoring period” will begin whenever a member makes a “Round Trip.” Per our policy, a round trip is defined as a *transfer into* followed by a *transfer out* of the same fund within 60 days.

When a member executes a round trip, this initiates a 60-day monitoring period. If the member makes *another transfer into the same fund* during the monitoring period, a written notice will be mailed to their home address. This notice will inform the member if they perform a *transfer out of this fund during the next 60 days*, they will be subject to trading restrictions.

Members subject to trading restrictions will be prevented

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NPERS

Nebraska Public Employees Retirement Systems

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RETIREMENT NEWS

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2011 Retirement Board



Front (L-R): Randall L. Rehmeier, Phyllis G. Chambers, Don Pederson, Elaine Stuhr, Janis Elliott, Jeffrey States. **Back (L-R):** Mark Shepard, Denis Blank, Richard Wassinger. **Not Pictured:** Glenn Elwell

At the January 24th meeting, the Public Employees Retirement Board (PERB) elected Denis Blank as Chair and Glenn Elwell as Vice-Chair for the 2011 calendar year. Denis Blank is the Chief Administrator at the Nebraska Department of Agriculture and represents State members on the PERB. Sgt. Glenn Elwell serves in the State Patrol Investigative Services division and represents Patrol members.

Governor Heineman has reappointed, and the Unicameral has approved, another term on the PERB for Richard Wassinger and Judge Randall Rehmeier. These five year terms expire in 2016.

Richard Wassinger is currently the Cass County Treasurer and will represent County members on the PERB. Richard has served as the Cass County Treasurer since August 1, 1983. This will be his 2nd full term on the board.

Judge Rehmeier was initially appointed to the PERB to fill the vacancy created when Judge Glenn Camerer retired in 2010. Judge Rehmeier has served as the Judge of the District Court, 2nd Judicial District, since 1990 and will represent Judge members.

2011 RETIREMENT LEGISLATION

The 102nd Legislature convened on January 5, 2011 for a 90-day session. Facing a budget shortfall of \$986 million, senators will be challenged with finding additional cuts in a budget that has already seen several reductions.

On the first day of the session, senators elected members of the body to serve as committee chairs. Omaha Senator Jeremy Nordquist was elected chair of the Nebraska Retirement Systems Committee and Senator Leroy Loudon was elected vice chair. Other committee members include Lavon Heidemann, Russ Karpisek, Heath Mello, and Dave Pankonin.

One bill which would directly affect the State and County retirement plans is LB 509.

LB 509

State and county members may withdraw a maximum of up to \$25,000 from their employee (member) account pending the final outcome of a filed grievance. If reinstated, the member must repay the distribution.

Lowers the minimum age from 20 to 18 for permanent part-time state and county employees who choose to participate in the mandatory plans.

Provides for the potential transfer of certain Department of Labor employees to the state retirement plan.

Updates to pending legislation will be posted on the NPERS website as the session progresses.



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Electronic Disbursement Policy

NPERS is moving to electronic disbursement of all monthly annuity benefits. At the March 21st board meeting the Public Employees Retirement Board approved a new Electronic Disbursement policy, which will be effective on July 1st. At that time, NPERS will provide two options for electronic distribution of monthly annuity benefits, direct deposit or a deposit to a prepaid Visa debit card. All new retirees who choose an annuity on or after July 1st will be required to provide written authorization selecting one of these two options. The purpose of this policy is to promote safe, confidential, economical, convenient and fast annuity benefit payments to retired members. Members who are already receiving monthly annuity payments may voluntarily sign up for either option using NPERS' Electronic Disbursement Authorization Form.

NPERS has offered and encouraged members to take advantage of direct deposit for many years. Currently, 90% of our members use direct deposit. Direct deposit of funds can be made to any financial institution in the United States and ensures each monthly annuity payment is safely deposited on the day of payment.

As an alternative to direct deposit, on July 1st NPERS will offer a second choice for electronic distribution of monthly annuity payments, a prepaid Visa debit card. This debit card has the same functionality as a regular checking account, but members

can withdraw funds with the card rather than writing checks or using cash. The Nebraska State Treasurer has contracted with U.S. Bank to provide this service to NPERS plan members who do not have a bank account, or do not want their annuity benefit payments made by direct deposit.

When using the card, there are no fees for:

- Making a purchase at any retailer that accepts Visa debit cards.
- Withdrawing cash from a U.S. Bank ATM.
- Getting cash back with purchases.
- Utilizing standard Bill Pay features.

In addition, card holders will be able to go online to view account balances, account activity, or change their PIN.

The electronic disbursement will remain in effect until changed or canceled by the retired member in writing. The member may choose one disbursement method only. To change the method of deposit, a retired member must complete and sign a new prepaid debit card authorization or direct deposit form and submit to NPERS. 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. Both forms will be available on our website (npers.ne.gov) or members can request one by calling our office.

Additional information regarding specific features of the prepaid card will be added to the NPERS website in coming months.

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 April 2011, the published federal mid-term rate is 2.49%; 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 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.

Excessive Trading Policy (Continued from page 1)

from making any transfers into the applicable fund for 60 days. Investment elections or transfers for all funds during this time period must be done via the U.S. Mail. This would exclude the use of phone, voice response, fax, web/internet, and hand-delivered means of executing trades. The participant will be notified in writing upon the imposition of these trading restrictions. Trading privileges will be restored automatically at the end of the trading restriction time period.

This new policy will not modify the existing restriction on transfers from the Stable to Money Market fund. Some mutual funds may have excessive trading policies that conflict with, or are more restrictive than our policy. In the event there is a violation of other mutual fund policies, additional restrictions may apply.

Please call NPERS Member Services (select option 3) if you have any questions. This policy will go into effect May 1, 2011.