The Deferred Word

Spring Edition 2010 — Nevada Public Employees Deferred Compensation Program (NDC)

Choosing Investment Options

How NDC chooses the funds offered

With more than 15,000 mutual funds available in the market, you may wonder how your NDC Program narrows those offerings to a handful or two.

The process of selecting NDC investments is not haphazard. The Committee, Staff and investment consultant, as fiduciaries, are required to use reasonable methods to cull this wide field in order to present your choices.

This decision is made in the best interest of plan participants. Part of that responsibility is using defined policies and methods for choosing funds, through an investment policy statement (to view NDC's statement, please visit our website at: http://defcomp.state.nv.us/Docs/Investment_Policy.pdf). The result is that in many cases the funds offered by NDC have gone through several levels of screening. Consequently, the funds offered are high quality and consistently in the top quartile of funds within the appropriate asset class.

Fund Replacement

When NDC has made the decision to replace a fund, due to changes in performance (poor historical performance, excessive fees or risk, etc.); process (changes in style, fund management, etc.) or people (manager changes, firm acquisitions, etc.), the first step is to find a suitable list of replacements for consideration.

The investment consultant conducts a search of nearly all funds available in the desired asset class (often several thousand funds) and narrows the field to the top funds. The consultant reduces the list to 10 – 15 funds and conducts more thorough research, such as contacting the fund manager to discuss current issues, reviewing the portfolio characteristics, and firm's organization. In addition, the performance, including historical and risk adjusted is reviewed. Based on the results of this research, the funds are then reduced to around three to six. The consultant then continues to gather research on the 'finalists' and prepares a report for NDC. This report is then presented to the Committee for a final decision.

When selecting funds, NDC typically looks at some of the same factors participants consider when constructing their personal portfolio. NDC may look at Morningstar (4 to 5 star funds) or Lipper rankings, expense ratios, risk statistics, fund size and inception date (funds with less than a five-year track record are generally not considered) and past performance. Other factors might include whether a specific fund stays with its stated objective, management tenure, and the fund's investment objective. Additionally, NDC checks to ensure the investments held by the funds don't overlap, because that would reduce diversification for participants.

While this process can help narrow the field, it cannot guarantee the perfect fund every time. The important point is that the plan consistently uses the same procedures to find and maintain or replace the funds. NDC also keeps in mind that this is a long-term supplemental retirement plan and chooses funds appropriate for long-term savings.

We need your help!

During these challenging economic times, we are requesting your assistance in helping us reduce our printing and postage costs. Although the newsletter is available on the Plan's website, we would like to begin distribution via e-mail to our participants.

If you are willing to stop receiving your newsletter via U.S. Mail, send your e-mail address to:

deferredcomp@defcomp.nv.gov

Thank you for your cooperation.

New ING Stable Value Option

NDC has been reviewing its stable value/guaranteed investment options for the past 18 months. The turbulent 2008-2009 credit markets caused the Program to review these options to ensure continued safety and viability to Participants. As a part of this process, the Program has decided to remove the ING Stabilizer Fund and replace it with a new option. See below for details regarding the change. Please note the Program has not made any changes to the Hartford General Account.

Why is a change in the ING stable value option being made?

The Committee, Staff and the investment consultant evaluated the different types of stable value options available, and determined that a change was appropriate to provide greater diversification and liquidity. The new option also reduces credit/default risk and fund fees, while continuing to maintain a competitive interest rate.

When will this change take place?

The change is dependent on market conditions (book to market value reaches 100%) and may take place on or around May 2010. Please contact Staff or visit the website for the most up-to-date information.

What is the new ING Stable Value Option?

The ING Stable Value Option is a group collective trust that contains actively managed portfolios of high-quality fixed-income securities. Assets are held in trust for the sole benefit of plan participants and their beneficiaries.

What is the Investment Objective of the new ING Stable Value Fund?

The objective of the ING Stable Value Fund is to provide safety of principal, adequate liquidity and competitive yield with low return volatility. The Fund intends to achieve this objective by investing in a variety of investment contracts issued by high quality financial institutions (AA rated or higher) as well as stable value collective funds.

What is the Current Credited Rate or Yield? (Previously 3.00%)

As of 1/31/2010 the net fund yield (after expenses) was 3.18%. Unlike other principal protection options utilized in the past, the ING Stable Value fund is dependent on market conditions, does not have a guaranteed credit rate/yield, and will be valued daily. However, the Fund does provide a guarantee of a participant's principal investment through the use of multiple contracts with financial institutions.

What are some of the benefits to this type of option?

- Full disclosure on fees and credited rate
- The credited rate is net of all fees and expenses and applies to all assets invested in this option. The stable value option net crediting rate is dependent on market conditions and is determined daily.
- Employs a multi-manager investment strategy for style diversification
- Utilizes insurance contracts issued by multiple financial institutions to provide a stable return and principal guarantees

What is a Stable Value Fund?

A stable value fund is a conservative investment option with the objective of maintaining principal stability while generating a positive and reasonably stable rate of return. In addition, these funds allow participants the ability to withdraw or transfer their funds subject to plan rules without market value risk (risk of principal loss).

These funds can generally be expected to deliver a higher rate of return than a money market fund, and over time are expected to deliver returns that are comparable to short to intermediate-term, investment-grade bond funds. These funds pay higher rates than money-market funds, in part because their credit quality is marginally lower.

Stable value assets get invested in contracts issued primarily by financial institutions. The contracts are valued according to the credit ratings of the companies that issues them, which for stable value purposes is generally double-A ratings or higher.

The financial institutions write what's called a "benefit-responsive wrap" for the assets, which are usually managed by independent asset managers. In plain language, the financial institutions provide a guarantee to make up any difference that may exist between book value (principal plus accrued interest) and market value of the assets when participants withdraw funds.

Don’t Leave Money on the Table

As an NDC active Plan participant, you may be eligible for a credit on your income taxes. Federal tax law offers some people who contribute to a retirement plan a tax credit. The credit reduces the amount of federal income tax you may have to pay when you file your taxes. Please note: this tax credit is in addition to the tax deferred savings enjoyed by everyone who contributes to NDC.

You are eligible if you are a:

- Married participant filing jointly with your spouse and have a combined annual income up to $55,500.
- Head of household with an annual income up to $41,625.
- Married individual filing separately and as a single with an annual income up to $27,750.

Depending on your income and filing status, your tax credit rate could be 10% to 50%. The maximum credit is $1,000. That means that you could receive between 10% and 50% of your NDC contributions returned to you on your taxes.

Here’s an example. Ted is married and filing jointly. He has income of $55,500. Ted is eligible to get a 10% tax credit, which is $550.

If you qualify for the tax credit, you will need to fill out Form 8880. You can find this form at the following link: **www.irs.gov/pub/irs-pdf/f8880.pdf**.

2009 Reimbursements to Participants

During calendar year 2009, the Plan used $373,216 for Plan expenses and was able to return $128,784 to Participants from unused provider contractual credit allowances. The monies were returned to Participants as a credit to their accounts. The amounts varied from $500 to $10 per Participant and were based proportionately on balances as of 12/31/09.

You should have seen this credit to your account in early April 2010. Please note that Participants with a credit of less than $10 did not receive a credit.

Come Join Us for Retirement Education Day!

Retiree Corner

We want to invite all retirees and employees within five years of retirement to the **first annual Retirement Education Day**. NDC will be holding the event on **Wednesday, May 26th in Carson City** at the **Legislative Counsel Building in Room 1214**. The purpose of the event is to provide educational seminars to both retirees and pre-retirees (one to five years from retirement) and answer your questions regarding Deferred Compensation.

The event will last for two hours with plenty of time devoted to answering your questions. **The first session starts at 10AM with a second session available at 1PM.** We will discuss the following topics:

- Considering your distribution options, including withdrawal regulations and provisions
- Discussing your investment strategy in retirement
- Maximizing your contributions, including the two “catch-up’” provisions
- Consolidating your other retirement plans and IRAs into your NDC account

Please note this is a pilot project and if we have success with this event we will expand our locations to include Reno, Las Vegas, Elko and other rural Nevada areas.

Hartford

UNDERSTANDING YOUR PAYCHECK AND TAXES

In a nutshell, you decide how much money to contribute and how to invest it among the available investment options. As you invest steadily over time, your money has the potential to grow through compounding: that is, the money earned by your investment is reinvested, and then generates its own earnings.

Here are two ways a tax-deferred savings account helps you build savings:

Your contribution cuts your tax bill.

Let's say you earn $40,000 a year and pay 25% in federal income taxes. You aren't taxed on contributions to your retirement plan when you make them, so if you contribute $2,400 annually, you reduce your annual taxable salary to $37,600. Your take-home pay after taxes and retirement contribution would be about $30,706*. If you save on an after-tax basis, your take-home pay would be about $32,760, before making a contribution of $2,400. That would leave you with $30,360, or $346 less in savings.

Your money grows untaxed until you withdraw it.

The earnings from your pre-tax contributions aren't taxed until you withdraw them. This boosts the effects of compounding, as shown in the chart below.

A taxing situation

Consider Emily and Zach, two hypothetical savers. Each invests $2,400 annually toward retirement and each account earns 8% a year. Emily invests through her 457(b) plan; Zach chooses a taxable investment account. Compare the difference compounding makes when contributions and earnings are tax-deferred and when they're taxed.

Account value after	**Emily's 457(b) tax-deferred account**	**Zach's taxable account‡**
5 years	$15,779	$14,892
10 years	$40,605	$36,370
25 years	$224,980	$168,620

*Excludes other payroll deductions

‡Assumes a 25% tax rate

Prepared by Custom Solutions From SmartMoney

Your Hartford Team

Northern Nevada	Southern Nevada
9850 Double R. Blvd., Suite 201 Reno, NV 89511 (775) 826-1227	4055 Spencer Street, Suite 210 Las Vegas, NV 89119 (702) 862-8296
Tom Verducci, Manager , ext. 3	Robert Trenerry, Regional Manager, ext. 60303
Sharon Brannon, Sr. Representative, ext. 4	Janet Corral, Sr. Representative, ext. 60304
Jake Honea, Representative, ext. 5	Anthony Cardone, Sr. Representative, ext. 60305
Anita Westfield, Administrative Support, ext. 2	Tracey Pulsipher, Administrative Support, ext. 60300
Steve Watson, Consultant	

The ABCs of Investing

Knowledge is a crucial ingredient in helping to make your retirement dreams a reality. When the subjects are investing and retirement, you are likely to read and hear certain financial terms. For a quick lesson on the most common definitions, here is a glossary of terms to know.

Asset Allocation

The practice of dividing your portfolio among major asset classes, such as stocks, bonds, cash or cash equivalents. The purpose of asset allocation is to help reduce risk by diversifying your portfolio. An asset allocation strategy does not assure or guarantee better performance and cannot protect against loss in declining markets.

Compounding

Calculating interest on both the original principal and accrued interest.

Defined Contribution Plan

A defined contribution plan allows you to make contributions into an account established by an employer on your behalf. Your contributions are generally made on a pre-tax basis, and all earnings are tax deferred. Taxes are due when amounts are withdrawn or distributed from the plan. Sometimes employer contributions are also made on your behalf. The amounts accumulated on your behalf can be distributed at retirement, or when another qualifying event occurs, such as separation from service or death. The amount of your benefit depends on the amount that's invested in your account, how it is invested, and the return on the investment. Your Nevada Public Employees' Deferred Compensation Plan is an example of a defined contribution plan.

Defined Benefit Plan

A defined benefit plan allows you to accrue a specified benefit upon retirement; such as a specific percentage of pay per year of service. Your Nevada PERS Plan is an example of a defined benefit plan.

Diversification

The practice of spreading your dollars among a variety of investments to better manage your investment risk. Diversification does not assure or guarantee better performance and cannot protect against loss in declining markets.

Dollar Cost Averaging

A system of buying mutual fund shares in fixed dollar amounts at regular intervals, regardless of the share price. You purchase more shares when prices are low and fewer shares when prices are high, thus lowering your average cost per share. Dollar cost averaging does not ensure a profit nor guarantee against loss. You should consider your financial ability to continue purchases through periods of low price levels. Contributing bi-weekly to deferred compensation investment options is an example of dollar cost averaging.

Liquidity

The ease with which an asset can be converted to cash or sold.

Market Risk

The chances that an investor will experience gains or losses from the day-to-day fluctuations in the price at which an investment can be bought or sold. Price fluctuations result from many factors, including political developments, investment trends, tax changes or investor reaction to economic news.

Portfolio

A collection of different investments or assets. Your account portfolio is made up of the investment options you have selected from those offered under your employer's retirement plan.

Risk Tolerance

The amount of risk investors are willing to undertake in obtaining the desired return on their portfolios. There are different types of risk which include investment risk, market risk, interest rate risk and inflation risk.

Neither ING or its affiliated companies or representatives offer legal or tax advice. Consult with your tax and legal advisors regarding your individual situation.

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options carefully, before investing. The fund prospectuses, information booklet and investment option fact sheets containing this and other information can be obtained by contacting your local representative. Please read the prospectuses carefully before investing.

Your ING Team

Carson City	Las Vegas
844 West Nye Lane Suite 101 Carson City, NV 89703 Phone: 775.886.2400 Fax: 775.882.9758 Toll Free: 866.464.6832	3960 Howard Hughes Parkway Suite 520 Las Vegas, NV 89169 Phone: 702.990.3720 Fax: 702.990.3721
Steve Platt, Nevada Manager, 775.886.2402	Eric Wyer, Representative, 702.990.3720
Jo Ann De Angelo Guerra, Representative, 775.886.2403	
Dianna Hennessey, Marketing Consultant, 775.886.2401	

NEVADA PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM

Review Your Account

It's important to review your NDC account regularly. The two service providers have a variety of different investment options to choose from, and these options can assist you in diversifying your portfolio.

One of the options available with both providers is a principal-protection/stable value fund. The crediting rates on these accounts can adjust annually or more often if necessary. These rates changed effective January 1, 2010 as follows: Hartford General Account rate will be 4.75% and the ING Stabilizer rate is currently 3.00%.

Please note, as indicated on page 2 of the newsletter, the ING option will be changing as soon as market conditions allow (earliest is May 2010) to a variable rate fund. The new ING option will NOT provide a guaranteed annual rate; rather, the rate is variable (changes daily), and participants' principal investment remains guaranteed through the use of contracts issued by multiple financial institutions.

1027 S. Carson Street, Suite E, Carson City, NV 89701
Telephone 775.882.0760 Fax 775.882.0621
E-mail: deferredcomp@defcomp.nv.gov

Nevada Deferred Compensation Program
1027 S. Carson Street, Suite E
Carson City, NV 89701