

# Retiring Minds Want to Know Your Plan, Your Future



## Objectives

- How much income replacement do you need when you retire???
  - What should your NDC contribution amount be ???
    - Given your age and number of service years
  - What do you need to be thinking about when you are:
    - 10 years out; 5 years out; 3 years out; 1 year out; 6 months out and 1 month out from your estimated retirement
- To roll over or not to roll over? That is the question.
- Discuss current NDC Investment platform



# How Much Will I Need to Retire?

Experts agree  
you should  
prepare to have  
70% to 90% of  
your current  
income.

70%

to

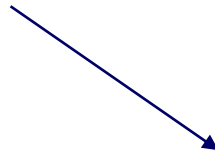
90%



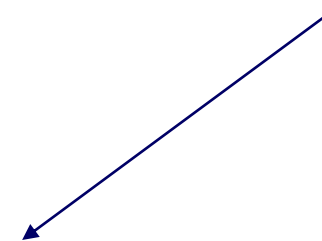
# Why Save???

## Where does **Retirement Income** Come From???

**Social Security**



**Self-Directed  
Retirement Accounts**  
457(b)/NDC, 403(b),  
401k, IRAs, CDs,  
Mutual Funds, etc.



**Pension- Defined Benefit Plan**

*(Nevada PERS, Reserve Pay Account, Other State PERS Plan, etc.)*

# Average PERS Monthly Benefit\*



Average PERS Benefit	
Age:	65
Service:	19.05 years
Salary:	\$5,024 monthly
Benefit:	\$2,654 monthly

**\$2,370  
Difference**

*\*Source: NV PERS Annual Financial Report for period ending June 30, 2013.*

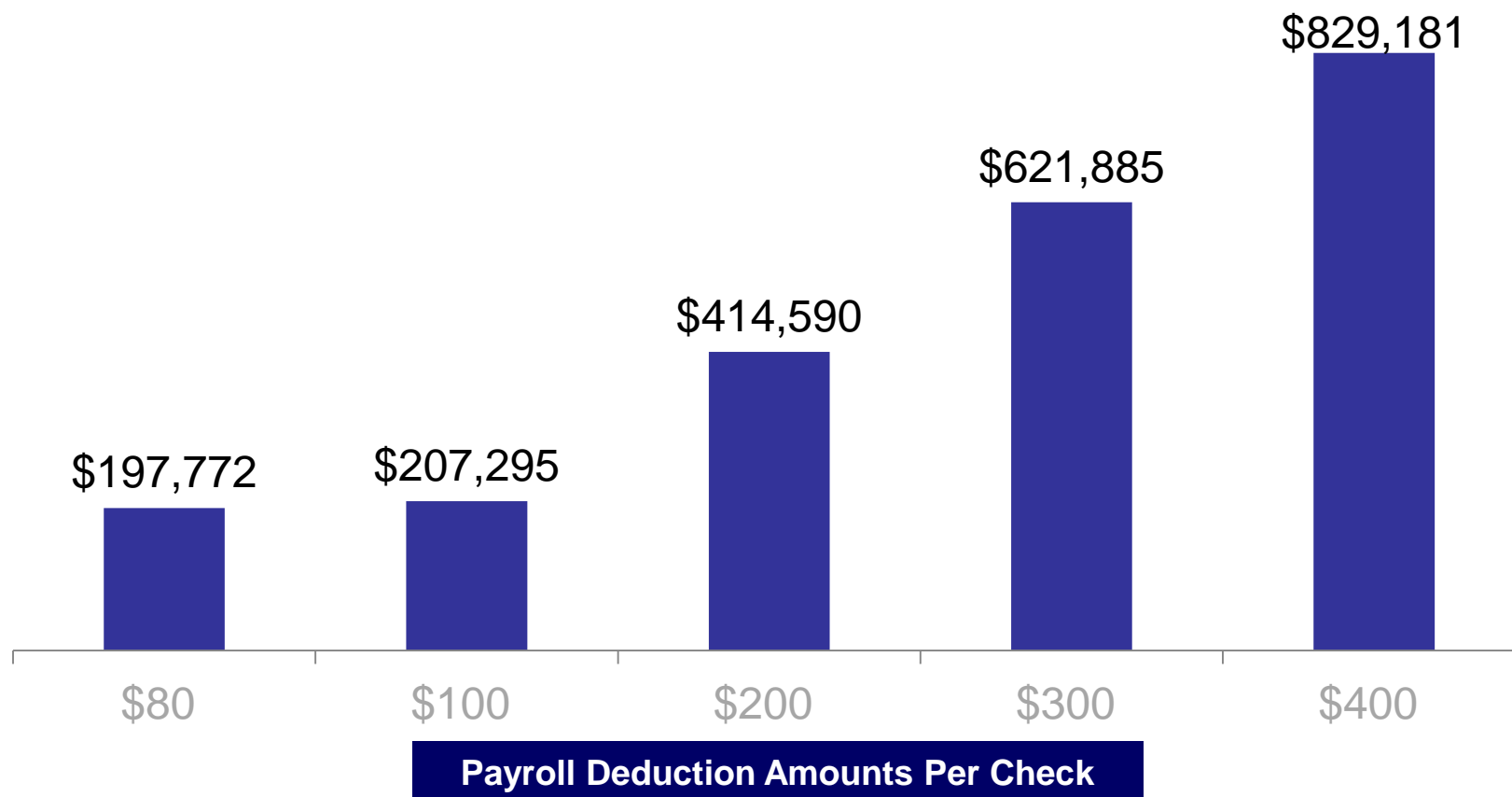
# How Do You Compare?



<b>Age Range</b>	<b># of Peers Participating in NDC</b>	<b>NDC Average Account Value</b>	<b>Avg. Paycheck Contribution Bi-Weekly</b>
Age 30 and Under	1,592**	\$4,270**	\$71**
Ages 31 – 40	2,110**	\$12,633**	\$125**
Ages 41 – 50	3,999**	\$30,606**	\$160**
Ages 51 – 60	4,501**	\$51,568**	\$250**
Over age 60	3,286**	\$95,729**	\$312**

\*\* Eligible Employees as of 9/30/2014

# What Does NDC Contributions Look Like Over 25 Years???



*Chart assumes a hypothetical 8% return on your account*

# What is your NDC Account designed to do???



- The Nevada Deferred Compensation Program (NDC) is a **voluntary retirement savings** program designed to:
  - Supplement your pension (PERS)
  - Can reduce current income taxes you pay now while you are typically in the highest tax bracket you will most likely ever be in, and making the most money you will typically make in your life.
  - Allows you to potentially lower your overall tax liability for the year, allowing for the potential of an increased tax return as well.





# 2016 Regular Contribution Limits

## IRS Contribution Limits

Regular 100% of compensation up to:	<b>\$ 18,000</b>
Age 50+ Special Catch-Up* the regular limit + \$6,000:	<b>\$ 24,000</b>
3-year Pre-Retirement Catch-Up* (up to two-times the regular contribution limit or the participants underutilized deferral amount in past years of service)	<b>\$ 36,000</b>




**457**

**Pretax deductions**  
are taken from your  
paycheck & deposited  
into your 457 account  
(minimum of \$25/month)

*\*50+ Catch-Up cannot be used at the same time as the 3-Year Pre-Retirement Catch-Up*

# How do I Manage my Account?

Participants should actively manage and monitor their NDC Account. Here are some tools that NDC and our contracted Recordkeeper have at your disposal:



**Recordkeeper:** Our Recordkeeper can assist in educating by helping you understand each investment option in the NDC Core line-up and the risk associated.

**Use our Target Date Retirement Funds:** these funds are designed and managed to re-balance as you get older; provides a do it for me approach.

**Self-Directed Brokerage Account :** NDC does have a self directed brokerage option for those that may want to invest in securities outside our investment line-up.

**Review Quarterly Performance Reports:** quarterly reports can be found on the NDC website



# 10 Years Out From Retirement???



## **When Participants are about 10 years out from their estimated retirement age, participants should consider the following**

- Set-up a Pension Review with PERS and determine what your estimated benefit would be.
- Set-up an online Social Security Account and determine what your estimated benefit may be (if applicable).
- Determine what your estimated percentage of income replacement would be from PERS and Social Security(if applicable).
- If you haven't already, determine what percentage of income replacement you need to retire.
  - What would you like to have???
- Review your current NDC Deferred Compensation Plan and evaluate what you need to do to meet your Income Replacement Goals.
- If you haven't already, consider developing, executing, and properly funding an Estate Preservation Plan and Long Term Health Care Plan.

## **When Participants are about 5 years out from their estimated retirement age, participants should consider the following:**

- Re-evaluate your current contribution amount
- Review and verify current Beneficiary declaration; Is it in line with your current Estate Preservation Plan.
- Take advantage of the 50+ Special Catch-up Provision if you qualify
- Meet with a representative from your current NDC Record-keeper to determine if your current assets are in-line with your current risk tolerance.
  - Re-balance asset allocation if necessary.
- Review your current Debt/Income ratio.
  - Determine if your estimated income replacement will be able to cover your debt obligations
  - Develop a 5 year Debt Reduction Plan

# 3 Years Out From Retirement???



## **When Participants are about 3 years out from their estimated retirement age, participants should consider the following:**

- Re-evaluate your current NDC contribution amount to meet your income replacement goals.
- Take advantage of the 50+ Special Catch-up Provision and/or initiate the Pre-Retirement Catch-Up Provision
  - Complete the Pre-Retirement Catch-up worksheet with your NDC Record-keeper
- Meet with a representative from your current NDC Record-keeper annually until you retire to determine if your current assets are in-line with your current risk tolerance.
  - Re-balance your asset allocations as necessary.
- Review your Debt Reduction Plan

# Catch-Up Options

**50+ Catch-Up**  
allows participants age 50 or older to contribute an additional \$6,000 to the annual deferral limit- in 2016 the amount is \$24,000

Keep in mind,  
participants may  
defer vacation and  
unused sick pay  
from their final  
paycheck, up to the  
annual limit.

**Pre-Retirement Catch-Up**  
allows a participant to contribute the underutilized amount up to double the current annual deferral limit- In 2016 it is \$36,000. This provision can only be initiated the three years prior to the participant's established normal retirement age.

# 1 Year Out From Retirement???



## **When Participants are about 1 year out from their estimated retirement age, participants should consider the following:**

- Re-evaluate your current NDC contribution amount to meet your income replacement goals.
- Take advantage of the 50+ Special Catch-up Provision and/or initiate the Pre-Retirement Catch-Up Provision
  - Complete the Pre-Retirement Catch-up worksheet with your NDC Recordkeeper
- Meet with a representative from your current NDC Recordkeeper to determine if your current assets are in-line with your current risk tolerance.
  - Re-balance if necessary.
- Review your Debt Reduction Plan
- Review your Estate Preservation Plan to make sure everything still meets you and/or your spouse's desires

# 6 Months Out From Retirement???



- **When Participants are about 6 months out from their estimated retirement age, participants should consider the following:**
- Notify NV PERS of your intended Retirement date
  - Request a retirement estimate and PERS Application packet
- Re-evaluate your current NDC contribution amount to meet your income replacement goals.
- Take advantage of the 50+ Special Catch-up Provision and/or the Pre-Retirement Catch-Up Provision
  - Make sure that the Pre-Retirement Catch-up worksheet is on file with your NDC Recordkeeper and payroll center and prepare for your final pay
- Review your Debt Reduction Plan Progress



# 1 Months Out From Retirement???



- **When Participants are about 1 month out from their estimated retirement age, participants should consider the following:**
- Complete and submit a NDC Payroll Contribution Change form to reflect the Deferral of your final payout of your accrued sick time, annual, time, comp. time etc. to your designated payroll center.
- Make sure that you notify your NDC Record-keeper of your established State of Nevada Termination date
- Work with your record-keeper to develop a distribution plan of your NDC assets.
- Discuss distribution options with your NDC record-keeper
- **BE PREPARED TO DEAL WITH OUTSIDE REPRESENTATIVES WANTING YOU TO TRANSFER YOUR ASSETS TO PRODUCTS OR STRATAGIES THAT THEY OFFER OUTSIDE THE PROGRAM**
  - Utilize the NDC “To Roll or Not to Roll; That is the Question” worksheet

# To roll or not to roll; That is the question.



Questions to Ask Broker/Insurance Agent	NDC Answer	Broker/Insurance Agent Answer
What is the recordkeeping/annual administrative fee?	.15 bps	
What are the fund management/operating expenses?	Vary depending on investment option – 0.00 to 1.32	
Is there a contract maintenance fee?	NO	
Is there a withdrawal/surrender fee?	NO	
Do the available investments represent a broad array of asset allocation categories?	YES	
Does your proposed rollover account include the services of a licensed financial guidance professional without additional cost?	YES	
Would the proposed rollover account be at risk if your company went bankrupt or became insolvent?	NO	
Can my money be accessed at any age without penalty, fee or cost after retirement or termination from the State?	YES	
Are there commissions to be paid on the new investments? If so, what are they?	NO	
Are there commissions I do not see, such as on investment products like annuities and back-end loaded funds?	NO	

## What advantages are there to Rolling Over Other Tax-Deferred Accounts into NDC???

What other qualified plans can you rollover into NDC???

**IRA's, 403b, 401k, or other 457b accounts**

What are the advantages of rolling other qualified accounts in the NDC Program??

**You can take advantage of the pricing and guaranteed interest rates of being part of an over 700 million dollar program**



# IRS Required Distribution



- Let your money grow and take required payments at age 70 ½
- The IRS requires payments begin no later than April 1st following the year you turn age 70½\*
- 55% penalty if you fail to take distribution on time

*\*Age 70½ or retirement, whichever is latest*

# It pays to stay invested in NDC

- Contributions and earnings stay tax-deferred
- Changes may be made at any time
- Assets remain liquid with no restrictions or fees for distributions
- Although you are not able to make future contributions, rollovers into NDC are allowed at anytime



- The Plan offers a variety of carefully selected investment options from conservative; to moderate; to aggressive
  - NDC operates and selects all of its investment options in an “Open Architecture” Platform after careful evaluation and consistent review from our independent contracted Investment Consultant and the NDC Committee.

- Stable Value Fixed Account/General Account- Voya Fixed Account
- 17 Managed Funds
- Target Date Funds- Vanguard Target Retirement Series
- Self-Directed Brokerage Option\*
- Investment planning tools
- Local Representatives

This Recordkeeper meets competitive bid requirements and is subject to regular quarterly investment and contract reviews.



\* Transaction costs and loads. May buy and sell individual securities.

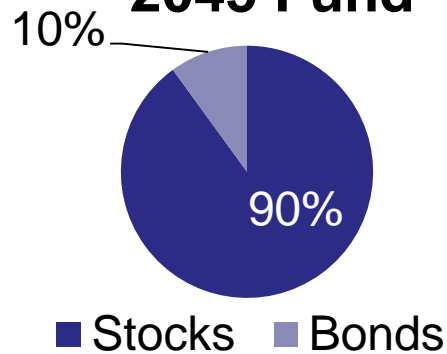
- Help you Avoid:
  - Having to choose the “right investment”
  - Settling for just any mix of investments
  - Attempting to get in and out of the market at the “right time”
- Assists you with:
  - Diversification
  - Asset Allocation
  - Rebalancing



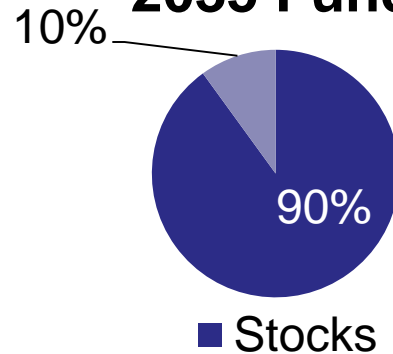
- Six Vanguard Target Retirement Funds
  - 2055, 2045, 2035, 2025, 2015 and Income
  - Choose based on date closest to your anticipated retirement date or by your birthdate
- Each Fund has a mix of passively managed stock, bonds and cash funds
- Fund allocation to stocks reduces as you near your retirement date, becoming less aggressive as you get older.

# Target Date Funds

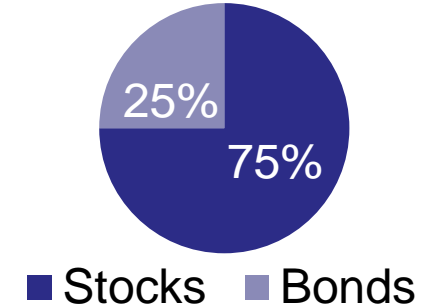
## 2045 Fund



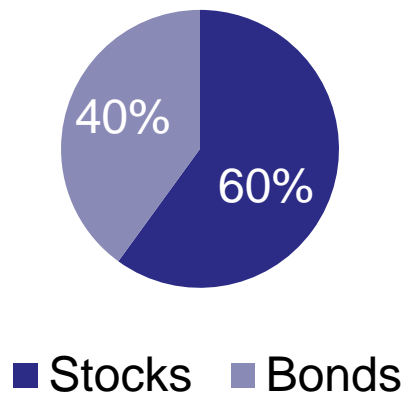
## 2035 Fund



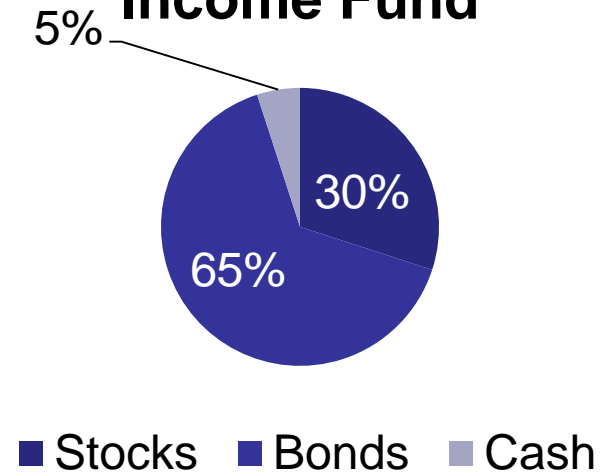
## 2025 Fund



## 2015 Fund

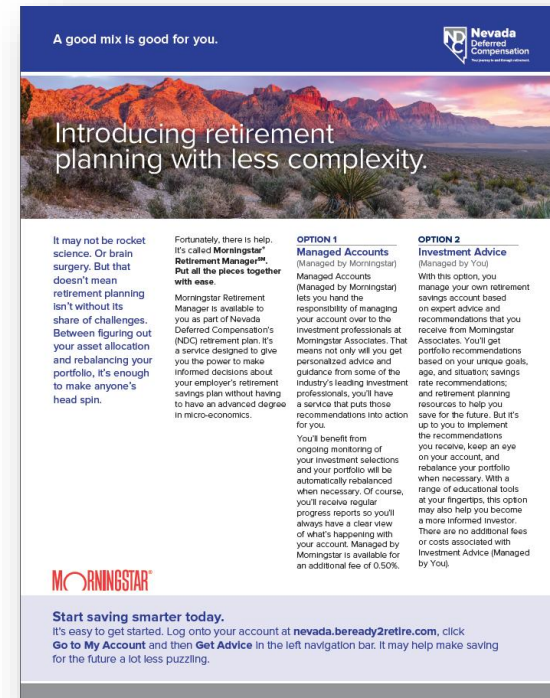


## Income Fund



# Professional Advisory Services

- Online investment advice from Morningstar<sup>®</sup> Retirement Manager<sup>SM</sup>
  - Option 1: Investment Advice (Managed By You)- FREE Service
  - Option 2: Managed Account (Managed By Morningstar)- available for additional Fee for Service of 0.50% annually.
- Recommendations are made based on the Plan's current investment platform



A good mix is good for you.



Introducing retirement planning with less complexity.

It may not be rocket science. Or brain surgery. But that doesn't mean retirement planning isn't without its share of challenges. Between figuring out your asset allocation and rebalancing your portfolio, it's enough to make anyone's head spin.

Fortunately, there is help. It's called Morningstar Retirement Manager<sup>SM</sup>. Put all the pieces together with ease.

Morningstar Retirement Manager is available to you as part of Nevada Deferred Compensation's (NDC) retirement plan. It's a service designed to give you the power to make informed decisions about your employer's retirement savings plan without having to have an advanced degree in micro-economics.

**OPTION 1**  
Managed Accounts (Managed by Morningstar)

Managed Accounts (Managed by Morningstar) lets you hand the responsibility of managing your account over to the investment professionals at Morningstar Associates. That means not only will you get personalized advice and guidance from some of the industry's leading investment professionals, you'll have a service that puts those recommendations into action for you.

You'll benefit from ongoing monitoring of your investment selections and your portfolio will be automatically rebalanced when necessary. Of course, you'll receive regular progress reports so you'll always have a clear view of what's happening with your account. Managed by Morningstar is available for an additional fee of 0.50%.

**OPTION 2**  
Investment Advice (Managed by You)

With this option, you manage your own retirement savings account based on expert advice and recommendations that you receive from Morningstar Associates. You'll get portfolio recommendations based on your unique goals, age, and situation; savings rate recommendations; and retirement planning resources to help you save for the future. But it's up to you to implement the recommendations you receive, keep an eye on your account, and rebalance your portfolio when necessary. With a range of educational tools at your fingertips, this option may also help you become a more informed investor. There are no additional fees or costs associated with Investment Advice (Managed by You).

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Start saving smarter today.  
It's easy to get started. Log onto your account at [nevada.beready2retire.com](http://nevada.beready2retire.com), click **Go to My Account** and then **Get Advice** in the left navigation bar. It may help make saving for the future a lot less puzzling.

**MORNINGSTAR**

# Questions?

- Review the NDC website <http://defcomp.nv.gov/>
- Contact the NDC Recordkeeper Representatives directly
- Contact NDC Administrative Staff directly

