



The Deferred Word Newsletter Winter Edition 2011

Nevada Public Employees Deferred Compensation Program (NDC)

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RETIRED

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NTA

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Executive Officer

Jenny Potts
Administrative Asst.

Cameron Vandenberg
Deputy Attorney General

Plan Website

<http://defcomp.state.nv.us>

Roth 457(b)

On September 27, 2010, President Obama signed the Small Business Jobs Act of 2010 into law. This piece of legislation contains the provisions below:

- **Roth 457 Contributions.** This provision levels the playing field for state and local government workers by permitting 457 plans to allow for designated Roth contributions already permitted in 401(k) and 403(b) plans. Roth contributions are taxed as income in the year the contribution is made, but qualified distributions of Roth contributions and associated earnings are completely tax free. *(Please note distributions of earnings in a Roth 457 are eligible for tax-free treatment only if made after the beginning of the fifth tax year of the contribution, and due to the death or disability of a participant.)*

- **In-Plan Roth Conversions/ Rollovers (457, 401(k) and 403(b) plans).** This provision allows 457, 401(k) and 403(b) plans that permit designated Roth contributions to also allow eligible participants to convert pre-tax assets to Roth assets through an in-plan rollover instead of rolling those assets to a Roth IRA. Participants wishing to convert must have a qualified triggering event, such as a retirement or termination, in order to convert pre-tax assets to Roth assets within the plan.

Currently, participants seeking to perform this type of Roth conversion must roll their retirement plan assets to a Roth IRA, so the provision will allow employers to retain plan assets while providing participants with a benefit they desire.

Please note Roth 457 distributions are still subject to Internal Revenue Code (IRC) 457 (b) rules and regulations, such as required minimum distributions (RMDs.)

During the November Deferred Compensation Committee meeting, Staff and the providers presented information regarding the Roth 457 provisions, including issues surrounding in-plan conversions that currently remain unresolved. The Department of Labor (DOL) will be issuing guidance regarding in-plan conversations over the next few months. Staff is also working with the various payroll centers to determine a governmental entities ability to process both post and pre-tax contributions, in addition to calculating the necessary maximum annual contribution amounts.

The Committee passed a motion in November which directed Staff to continue to work with the necessary entities to more fully understand the requirements of the Roth 457 provision and provide a report, including action steps and an implementation timeline to the Committee at the February meeting.

NDC is Moving!

The Nevada Deferred Compensation (NDC) office will be moving to **Nevada Library and Archives** beginning in March 2011. Effective April 1st we will no longer be at our current location.

Our new address will be: **100 N. Stewart Street, Carson City, NV 89701**

Please note our phone numbers will also change, visit our website at: <http://defcomp.state.nv.us/> or contact via e-mail at deferredcomp@defcomp.nv.gov to stay informed.



How Much Does NDC Cost?

Participants are responsible for utilizing their NDC accounts appropriately, however NDC is responsible for designing and managing the plan in a way that helps maximize savings. Of all the factors the NDC Committee controls, managing fees, particularly fund expenses— is one of the most critical. Small changes in NDC fees can have a large impact on your nest egg over time. For example, saving just 0.50% or 50 basis points, on a balance of \$75,000 over 30 years would increase a participant's wealth at retirement by 15% or \$93,000.

The Committee understands the importance of fees and has worked to reduce the average annual costs to participants throughout the years. Since 2003 the average annual expenses have decreased 32%. The current average annual weighted cost to participants is 0.66% (66 basis points) or \$165 on a \$25,000 balance. This is compared to an average annual weighted cost of 0.98% (98 basis points) or \$245 on a \$25,000 balance in 2003.

NDC Staff has created an information fee sheet to help you understand your plan investment options and the fees associated with each option. This information is available on the NDC website, look for the *New Investment Information* on the main page. See below for a sample of the information you will find on the website.




Fees are merely one factor of many that you need to consider when making plan decisions. Although fees are important and should be understood, you should also consider your retirement goals, time horizon and other retirement assets when investing in NDC. For additional assistance, please contact the NDC office or your NDC provider.

The sample chart below is an illustration of the annual costs for the investment options in NDC as of September 30, 2010. The costs cover all aspects of the plan administration, in addition to investment management and provider fees for each option. For the entire document, please refer to the main page of our website.

Investment Option	Total Fund Expenses	Annual Total Charges per Option When Account Balance is:			Provider
		\$10,000	\$25,000	\$100,000	
Fixed Income (Passively Managed)					
SSgA Bond Market Index	0.15%	\$15.00	\$37.50	\$150.00	Hartford
Vanguard Total Bond Index	0.13%	\$13.00	\$32.50	\$130.00	ING
Large Cap Core (Actively Managed)					
Victory Diversified	0.79%	\$79.00	\$197.50	\$790.00	Hartford
Fidelity Contrafund	1.02%	\$102.00	\$255.00	\$1,020.00	ING

Investment Option Updates/Changes

NDC will be removing the **Nevada Lifecycle Portfolios** from the ING options effective February 18, 2011. The **Vanguard Target Date Funds** will be added as the replacement options. The Vanguard Target Date options will include the Income fund, 2015 fund, 2025 fund, 2035 fund and the 2045 fund. The decision to replace the Nevada Lifecycle Portfolio with the Vanguard funds was due to the following: lower fees and consistent performance. Participant monies will be mapped to the new investment offerings as follows:

- **Nevada Aggressive Lifestyle Portfolio**  **Vanguard Target Retirement 2035**
- **Nevada Moderate Lifestyle Portfolio**  **Vanguard Target Retirement 2015**
- **Nevada Conservative Lifestyle Portfolio**  **Vanguard Target Retirement Income**

NDC will be removing the **AllianceBernstein International Value fund** from the Hartford options. The Fund was originally placed on the NDC Committee Watch List in the 1Q 2009 due to poor performance. The Fund had underperformed its index and placed at the bottom quartile of its universe for all periods evaluated (3, 5 and 7 years) and the company reduced staff and implemented cost cutting as a result of the significant client and asset losses in 2008. Furthermore in July 2010, AllianceBernstein announced that Sharon Fay, Head of Value Equities, was named Chief Investment Officer (CIO). This change will lessen Fay's focus on the day to day management of the Fund. The Committee will decide the replacement fund at the February 18, 2011 Committee meeting. We anticipate the change to the new fund to occur by early May 2011.

2011 Nevada Deferred Compensation Committee Meeting Dates

Date	Location	Time
Feb. 18	Legislative Bldg., 401 S. Carson Street, Carson City, Rm. 3136	1:00PM
June 9	Legislative Bldg., 401 S. Carson Street, Carson City, Rm. TBA	9:00AM
August 18	Legislative Bldg., 401 S. Carson Street, Carson City, Rm. TBA	9:00AM
November 17	Legislative Bldg., 401 S. Carson Street, Carson City, Rm. TBA	9:00AM
December 18*	State Library and Archives, 100 N. Stewart Street, Carson City, Rm. TBA	9:00AM

*Annual Planning Meeting

Please note all meeting dates and times are subject to change. For the most accurate information please visit our website or contact the NDC office for details.

2010 Reimbursements to Participants

The NDC Committee is pleased to announce that it will be returning monies again this year to Participants from unused Plan expenses. We anticipate the amounts to be credited to participant accounts during February 2011. Please note that Participants with a credit of less than \$10 did not receive monies.

NDC will return \$118,740 to Participants for 2010 which brings the three year (2008—2010) participant reimbursement total to \$577,408. The amounts varied from \$900 to \$10 per Participant and were based proportionately on balances as of 12/31/10.

What is a Required Minimum Distribution (RMD)?

When you reach the age of 70 ½ the Internal Revenue Service (IRS) requires that you start taking distributions from your qualified retirement accounts, such as your NDC account. Your first required minimum distribution must occur by April 1st of the year after you reach age 70 ½.

Example: Susan’s birthday is in February and she will turn 70 ½ in August of 2011. Her first distribution must occur by April 1st of the following year (2012); although, if she waits until 2012, she must take two distributions in 2012; one for 2011 and one for 2012. Susan could also take one distribution in 2011 and one in 2012. Her decision to wait and take two distributions in 2012, or take her first distribution in 2011 (year she turns 70 ½) would be made based primarily on her tax situation. The amount of your required distribution is based on two things: your prior year’s December 31st account balance, and an IRS table based on your age.

For your reference the first six years (covering distributions for ages 70-75) of the most commonly used table, the Uniform Life Expectancy table, is listed below. Please note if your spouse is ten years younger than you, your table may be different. Refer to the Internal Revenue Service website (www.irs.gov) for additional information.

How to Calculate your Required Minimum Distribution Take your prior year’s December 31st NDC account balance, look up your age on the appropriate table, and divide your account balance by the factor (remaining distribution period) based on your age.

Example: Bob had \$100,000 in NDC on December 31st of the prior year. Bob is 70 and decides to take his first distribution in the year in which he turns 70 ½. $\$100,000 / 27.4 = \$3,649.63$ This is the amount Bob must withdraw for the calendar year in which he turns 70 ½. The penalty for not taking a required minimum distribution is a tax of 50% on the amount that was not withdrawn in time. For additional information on required minimum distributions, please contact the NDC office or your NDC provider.

Age of NDC Plan Participant	Life Expectancy (in years)
70	27.4
71	26.6
72	25.6
73	24.7
74	23.8
75	22.9
76	22.0

Retirement

Hartford



Now's the Time to Increase or Re-Start Your Contribution

Now is the time to start planning and saving for retirement through your NDC plan. Here's why:

Planning and saving early may give you the flexibility to choose.

Where do you want to be when you retire? Traveling, spending time with family and friends, or maybe relaxing on a beach? For many people, retirement is all about having the flexibility to choose what they want, when they want. But you may not have that flexibility if you don't start saving now. In fact, more and more Americans are finding that they need to work at least part-time because they didn't save enough when they had the chance.

Small changes now may have a big impact later.

Making small changes in your everyday spending today can have a big impact by the time you retire. Let's say you spend \$10 on movies or entertainment every week. By investing that same \$10 in your retirement plan, you could have over \$43,000 more by the time you retire.¹

A small increase in your contribution can really add up over time.

By giving your retirement account a pay raise, even as little as a \$25 increase to your current contribution, you can dramatically boost your savings efforts.

We're here to help.

We can give you the extra help you'll need to determine the appropriate investment strategy that best suits your needs, now and in retirement. With our interactive website and ongoing education program, we'll help you save according to your age, your tolerance for risk, and how long you have until retirement. Remember, you can change contributions or investment selections any time. The important thing is to start now.

It doesn't matter how old you are. Retirement has nothing to do with age.

It's all about planning for your future. Here are some other great reasons to start planning now.

- It's simple and convenient: automatic payroll deductions means you never have to worry about making a deposit, writing a check or spending the money you intended to save.
- It's flexible: you decide how much to invest and how your contributions are invested.
- You may save on taxes: your contributions are made before-tax, lowering your taxable income. This means you'll save on taxes now, and depending on your tax bracket when you retire, you may save on taxes later.
- It goes where you go: your contributions are always yours, no matter where you go.

Remember, how you live in retirement depends on what you can afford when the time comes. Now is the time to start. If you have any questions simply contact your local Hartford office, listed below.

Before investing, you should carefully consider the investment objectives, risks, charges and expenses of the mutual funds or The Hartford's group variable annuity products and funding agreements, and their underlying funds. For fund and product prospectuses and/or a disclosure document containing this and other information, contact your financial professional or visit our website. Read them carefully.

¹Example is hypothetical and does not represent the performance of any investment choice available in your retirement plan. It assumes weekly before-tax contributions earning a hypothetical 6% annual return over 30 years.

Hartford General Account

The crediting rate for the Hartford General Account, starting January 1, 2011 will be 4.50%. This rate is guaranteed through the entire calendar year.



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Consider Staying with the Program!



You've worked hard for your money. When you retire, it's important to keep your money working hard for you. The Nevada Deferred Compensation Plan (NDC) offers benefits like lower fees, flexibility, and access to valuable services. These benefits are generally not available outside a retirement plan. The choice is yours!

NDC is designed to help you save for your future while you are working, and provide supplemental income when you retire or leave employment. As you prepare for retirement or a career change, you have several options to consider:

- Take an immediate payment from your NDC account
- Roll your money over into a traditional IRA or another eligible retirement plan
- Keep your money in the Plan

Review these five reasons when deciding whether staying in the Plan may provide you with better retirement opportunities.

1. Possible Lower Cost. You can take advantage of "strength in numbers" by being part of a large group plan, which means you may benefit from lower expenses. This may help make a positive difference in your account's growth over time.

2. Real People for Help. You can continue to benefit from face-to-face support from a local representative who you know and trust, even once you've left employment. Simply call 866-ING-NVDC or toll-free 866-464-6832.

3. Investment Flexibility. You can select from a variety of investment options to maintain an investment mix based on your personal situation, including a stable value fund providing a rate calculated on a daily basis. The investment choices will be monitored for quality by the NDC Committee on an ongoing basis.¹

¹The NDC Committee and ING are independent entities and not affiliated with each other.

4. Easy Account Management. You can access account information, Plan information, and investment education 24 hours a day, seven days a week—either online or by phone. The Plan's website at ingretirementplans.com/custom/nevada has a variety of educational resources and interactive tools at your fingertips.

5. Choice of Payout Options. When you're ready to receive a payout, the Plan provides a variety of distribution options to suit your financial needs, including periodic payments and partial withdrawals. You can change your distribution arrangement as often as you like.

And, unlike IRAs and other plans, assets in 457 plans like the Nevada Plan are not subject to the IRS 10% penalty tax if paid to you before age 59½. Payments are only subject to ordinary income tax when distributed. If you rollover these assets to another eligible retirement plan (like a 401(k) or 403(b) plan, or IRA), they will become subject to this early distribution tax if withdrawn before age 59½ unless an IRS exception applies.

You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Fund prospectuses and an information booklet containing this and other information can be obtained by contacting your local representative. Please read the information carefully before investing.

IMPORTANT INFORMATION

Variable investment options offered under a funding agreement are intended as long-term investments designed for retirement purposes. Money distributed will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than the original amount invested.

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NEVADA PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

2011 Contribution Limits

The Internal Revenue Service (IRS) announced that the 2011 deferral limit for 401(k), 403(b) or 457(b) plans and the federal government's Thrift Savings Plan is unchanged at \$16,500. The catch-up contribution limit for those aged 50 and over remains at \$5,500 for 2011 and the pre-retirement (three-year catch-up) will remain at double the regular deferral limit for a maximum of \$33,000 in 2011. Please see the chart below:

Year	Regular Contribution Limits	50+ Catch-Up* Contribution Limits	3-Year Catch-Up** Contribution Limits
2011	100% of compensation up to:	For participants age 50 or older, 100% of compensation up to:	The total of the regular limit + missed contributions up to:
	\$16,500	\$22,000	\$33,000

*Participants are not able to use the 50+ Catch Up limits and the 3-Year Catch-Up limits at the same time.
 **If you are within three years of your normal retirement age, you may qualify to contribute more than the regular maximum under the Program's 3-year Catch-Up Provision.

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