



Retiree News

Winter 2011

Retirement Board

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Defined Contribution Plan Study

The Retirement Board recently studied defined contribution plans as compared to the current defined benefit structure to ensure that all interested parties are aware of the costs and regulatory impacts of a transition to a defined contribution plan and to qualify the efficiency of the current benefit structure in meeting the mission of the System.

The study showed that the current method of delivering retirement benefits is an efficient way to fulfill PERS' mission and a conversion to a defined contribution plan would carry a significant cost in the next biennium.

A copy of the study is available on our website at www.nvpers.org

PERS Retiree Ambassador Program

This is an 1 1/2 hour session designed for retirees of PERS who want to show their support of the system and learn more about :

Effectiveness of PERS

PERS Investment Strategies

Retirement Security

Impact on the Nevada Economy

Retiree Ambassadors are an informed group of retirees who can address potential misunderstandings or incorrect information in the community where discussions of PERS arise.

Call the PERS office to register for an up coming session in either the PERS Las Vegas or Carson City office.

Retiree Earnings Limitation

A retired employee, reemployed by a Nevada public employer in a non-PERS eligible position, may earn up to 50% of the average salary for regular members, as determined by the latest Actuarial Valuation, in any fiscal year without forfeiting the retirement benefit. The earnings limitation in effect for fiscal year 2010-2011 is \$24,704.00.

Explanation of your 1099-R Tax Statement

In January 2011, PERS will be preparing and sending out the year-end pension information on the 1099-R tax forms. The 1099-R form is a federal income tax form used to provide year-end income and tax information. The 1099-R is similar to the W-2 you received while working, and must be filed with your income tax return each year. In accordance with IRS rules, PERS must mail these forms on or before January 31, 2011, for the 2010 tax year information. Please report any change of mailing address to PERS promptly to ensure you will receive your 1099-R in a timely manner. Below is a blank 1099-R form with an explanation of how the form is used to report income and tax information.

| Form 1099-R | | OMB No. 1545-0119 | 2010 | |
|---|--|-----------------------------------|--|---|
| | | CORRECTED (if checked) | | |
| 1 Gross distribution | | 2a Taxable amount | | Distributions From Pensions, Annuities Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. |
| \$ | | \$ | | |
| 2b Taxable amount not determined | | Total distribution | | |
| | | | | |
| PAYER'S name, street address, city, state, and ZIP code | | | | |
| PAYER'S Federal identification number | | RECIPIENT'S identification number | | |
| 3 Capital gain (included in box 2a) | | 4 Federal income tax withheld | | 5 Employee contributions/Designated Roth contributions or insurance premiums |
| \$ | | \$ | | \$ |
| 6 Net unrealized appreciation in employer's securities | | 7 Distribution code(s) | | 8 Other |
| \$ | | IRA/SEP/SIMPLE | | % |
| 9a Your percentage of total distribution | | 9b Total employee contributions | | |
| % | | \$ | | |
| RECIPIENT'S name and street address (incl. apt. no.), city, state, and ZIP code | | | | |
| Account number (see instructions) | | 1st year of desig. Roth contrib. | 10 State tax withheld | |
| | | | \$ | |
| 11 State/Payer's state no. | | 12 State distribution | | |
| | | \$ | | |
| 13 Local tax withheld | | 14 Name of locality | | 15 Local distribution |
| \$ | | | | \$ |
| Copy 2 File this copy with your state, city, or local income tax return, when required. | | | Department of the Treasury Internal Revenue Service | |

- **Box 1 - Gross Distribution**—The total amount PERS paid you in 2010 before income tax or other deductions.
- **Box 2a - Taxable Amount** - If you paid contributions to PERS while you were working, a portion of your benefit may be non-taxable. Box 2a shows the amount of your gross distribution that is taxable.
- **PAYER'S name, address** - The Payer is PERS, LRS, or JRS.
- **Federal identification number** - PERS, LRS, or JRS Federal Tax ID number.
- **Recipient's identification number** - Your Social Security number or other taxpayer identification number.
- **Box 4** - The amount of federal income tax withheld from your PERS benefit in 2010.
- **Box 5** - PERS receives many questions about this box. PERS uses Box 5 to report employee contributions paid to you in 2010 that are non-taxable. Employee contributions are taxed before they are paid to PERS. When you retire, a percentage of these contributions are provided as a yearly tax credit based on your anticipated lifetime benefit. The amount in Box 5 is the difference between your Gross Distribution (Box 1) and the Taxable Amount (box 2a). **PERS does not use Box 5 to report insurance premiums; that information is not included on the 1099-R form.**
- **Box 7 - Distribution Code** - The IRS code used to determine what type of benefit you received.

- **Box 9b - Total Employee Contributions** - If this is your first year of retirement, Box 9b will show the total employee contributions paid to the system prior to your retirement. If you have been retired for more than one year, this box will be blank.
- **Account Number (optional)** - Identifies which PERS account the benefit was paid from.
- **Boxes 2b, 3, 6, 8, 9a, 10, 11, 12, 13, 14 and 15** - These boxes are blank.

Continued on page 3

Explanation of your 1099-R Tax Statement (continued)

Your 1099-R form will be mailed between January 1, 2011 through January 31, 2011. If you do not receive your 1099-R form by February 17, 2011, you may contact PERS at 1-866-473-7768 to request a duplicate. The duplicate will be sent within 7 business days. Also, after the 1099-R's are mailed, they will be available for you to view through the PERS website (www.nvpers.org) by logging into the secure site with your user name and password.

PERS' Investment Program One of the Lowest Cost in the Country

Maintaining a low cost investment program is critical to an investor's long term success because every dollar paid out in fees is no longer available to generate compound interest. For this reason, a key component of PERS' investment philosophy is to maintain a low cost program.

Nevada's all inclusive investment costs are 0.13% of total assets, which is 65% below the industry average for large public pension plans. In contrast to PERS' fees, the average large public pension plan pays 0.39% of assets, the average public plan (including smaller funds) pays 0.52% of assets, and the typical 401(k) plan pays between 0.75% and 1.50% of assets for investment expenses.

To put the savings in dollar terms, PERS' fees are over \$54 million per year below the average large public pension plan. Over the course of a 10 year period, compounded at an 8% annual investment rate of return, this savings equates to over \$750 million.

The very low cost structure of the program is due to a number of factors. One is PERS' investment strategy is primarily focused on gaining pure capital market exposure through ownership of global stocks and bonds, typically through index funds. The

majority of the value added in the program is generated from the Board's asset rebalancing program, which is managed by PERS' staff. This approach is much less expensive than a strategy that makes heavy use of actively managed portfolios and alternative investments such as hedge funds.

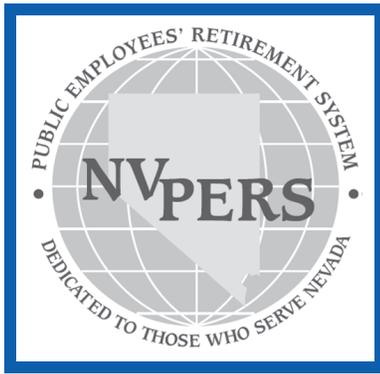
The Board also re-evaluates the fees it pays to all providers on an annual basis. At every opportunity the System takes advantage of its position as one of the larger asset pools in the country to pursue fee concessions. This effort ensures costs for all components of the portfolio stay well below industry average.

However, always paying the lowest cost is only one piece of the puzzle. We never want to sacrifice service or performance for low fees. In order to ensure PERS receives top tier results from its providers the Board conducts comprehensive performance and service reviews at least quarterly.

Overall, the Board strikes a balance between receiving superior service and keeping costs low. This is an important component of our efforts to protect the hard earned retirement savings of PERS' members.

PERS Benefits and Divorce

If you are going through a divorce, PERS can provide you with information regarding your retirement account. You may then take this information to your legal counsel for negotiations and the division of community property, which may include your PERS benefit. A Qualified Domestic Relations Order (QDRO) is a supplement to a divorce decree and goes into further detail as to how your PERS benefit will be split. PERS will require this document if we are to make a direct payment to your ex-spouse from your retirement account. PERS recommends that you read our publication "PERS Benefits and Qualified Domestic Relations Orders" located on our website, if you are going through the divorce process. This handy guide contains valuable information that both you and your legal counsel should review.



693 W. Nye Lane
Carson City, NV 89703

693 W. Nye Lane
Carson City, NV 89703
(775) 687-4200
Fax (775) 687-5131

5820 S. Eastern Avenue, Suite 220
Las Vegas, NV 89119
(702) 486-3900
Fax (702) 678-6934

7455 W. Washington Avenue
Suite 150
Las Vegas, NV 89128
(702) 486-3900
Fax (702) 304-0697

Toll Free 1-866-473-7768
Website: nvpers.org

2011 Federal Income Tax Withholding

2011 Check Mail Dates

January 26, 2011
February 23, 2011
March 28, 2011
April 26, 2011
May 25, 2011
June 27, 2011
July 26, 2011
August 26, 2011
September 27, 2011
October 25, 2011
November 23, 2011
December 27, 2011

Beginning after the first of the year, PERS will receive the 2011 tax withholding tables from the Internal Revenue Service. Your tax withholding will be automatically updated based on these new tables using the withholding instructions you have provided.

You may change your tax withholding instructions at any time during the year by completing and submitting a Federal Income Tax Withholding Certificate to our office. This form is available on our website or a copy can be mailed to you upon request.

Questions?

Call us toll free 1-866-473-7768

This publication is intended to provide general information. If there is any conflict between this information and Nevada laws or PERS policies, the laws and policies will supersede this information. *Retiree News* is a quarterly newsletter for retired members and benefit recipients of the Public Employees' Retirement System of Nevada. Comments or suggestions may be directed to: PERS, Newsletter, 693 W. Nye Lane, Carson City, Nevada 89703