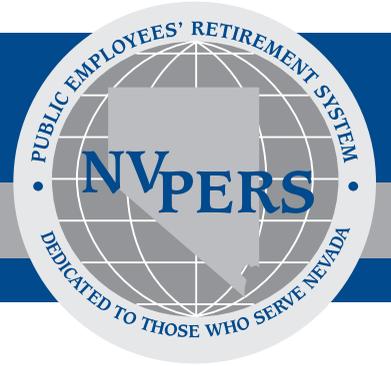


RETIREE NEWS

Fall 2013



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U.S. Stock Rally Continues

U.S. stock prices have continued their strong rally in 2013. To give some context to the strength of this bull market run, in the last 4 months the PERS fund has gained \$2.2 billion and generated a return of 8.1%. This follows a year where PERS generated a return of 12.4%. Clearly, we don't expect total fund returns over 20% in 16 months very often.

The recent run in U.S. stocks has been unique. So far this year the S&P 500 U.S. stock index has generated the best risk adjusted performance since 1962. In addition, 2013 looks like it will be a year where the S&P 500 U.S. stock index does not post a negative calendar year to date return at any point during the year. This also happened in 2012. This phenomenon has only happened 3 times in the last 50 years, and it has never happened two years in a row.

One reason for the gains in stocks has been increased retail investor demand. Fund flows into stocks have broken records for the highest monthly and weekly inflows, and total net stock

purchases in 2013 are the highest in over 13 years. As a result, while corporate earnings of U.S. companies have only grown by 4.9% so far in 2013, the S&P 500 U.S. stock index is up over 25%.

While stock prices can extend much farther in relation to fundamentals (as they did in the late 1990's), this demand trend has at times been associated with the later stages of a bull market. Add to that the fact that the S&P 500 U.S. stock index is currently in the third longest bull market in history, and we begin to get a bit cautious.

If stock prices do begin to fall, historically a good "safety net" for portfolios has been high quality U.S. bonds, including U.S. treasury bonds. We estimate that PERS currently has twice the exposure to these securities as the median public pension plan. In addition, we expect to reduce our risk exposure and increase our allocation to high quality bonds in the coming weeks to protect more of the gains that we have earned in this historic rally.

Explanation of your 1099-R Tax Statement

In accordance with IRS rules, PERS must mail your 2013 1099-R form on or before January 31, 2014. The 1099-R form is a federal income tax form used to provide year-end income and tax information. The 1099-R must be filed with your income tax return each year. Please promptly

report any change of mailing address to PERS in writing so that you will receive your 1099-R in a timely manner. After January 15th, you may also view your 1099-R form through the PERS website (www.nvpers.org) by logging into the secure site with your user name and password.

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Below is a blank 1099-R form with an explanation of how the form is used to report income and tax information.

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0119		2013 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code		1 Gross distribution \$	Total distribution <input type="checkbox"/>		
PAYER'S federal identification number		2a Taxable amount \$			
RECIPIENT'S identification number		2b Taxable amount not determined <input type="checkbox"/>	3 Capital gain (included in box 2a) \$		4 Federal income tax withheld \$
RECIPIENT'S name Street address (including apt. no.) City or town, province or state, country, and ZIP or foreign postal code		5 Employee contributions / Designated Roth contributions or insurance premiums \$	6 Net unrealized appreciation in employer's securities \$		This information is being furnished to the Internal Revenue Service.
RECIPIENT'S name Street address (including apt. no.) City or town, province or state, country, and ZIP or foreign postal code		7 Distribution code(s)	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other \$ %	
RECIPIENT'S name Street address (including apt. no.) City or town, province or state, country, and ZIP or foreign postal code		9a Your percentage of total distribution %	9b Total employee contributions \$		
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib. \$	12 State tax withheld \$	13 State/Payer's state no.	14 State distribution \$	
Account number (see instructions)		15 Local tax withheld \$	16 Name of locality		17 Local distribution \$

Form **1099-R** (keep for your records) www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service

- **Box 1** – Gross Distribution – The total amount PERS paid you in 2013 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 2013.
- **Box 5** – PERS uses this box to report employee contributions paid to you in 2013 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 our 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 indicate insurance premiums paid in 2013; 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.
- **Boxes 8 and 9a** – These boxes are blank.
- **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 10-15** – These boxes are blank.

Important Information and New Year Changes

PERS will be sending out the 1099-R tax forms by January 31, 2014. Please be sure to update your mailing address prior to January 1, 2014 so that during the time of printing the 1099-R forms, we will have your current address on file and there will be no delay in receiving this important information.

Shortly after the first of the year, PERS will receive the 2014 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.

Please keep in mind, that 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.

To find the Tax Withholding Certificate on the PERS website, go to www.nvpers.org, click on the Benefit Recipient tab and then Recipient Forms. The Tax Withholding Certificate will be at the bottom of the forms listed. You may also log into your secure account and calculate and/or change your tax withholding instructions on your account.

When completing the form, you may choose one of three options:

- **Option 1:** No tax withholding

deduction will be taken from your monthly benefit.

- **Option 2:** Using the IRS tax withholding tables, a monthly income tax deduction will be calculated based on the marital status and total number of exemptions you indicate.
- **Option 3:** A flat rate monthly income tax deduction will be withheld based on the dollar amount you indicate.

Please contact a tax professional for assistance if you are unsure of the amount of tax withholding needed. The IRS website has information and resources as well. The IRS website is www.irs.gov.

PERS' Investment Philosophy

Over 80% of benefits paid out of the retirement system over time are funded from investment earnings. As a result, it is critical to build an investment program that can meet the System's long term return and risk objectives.

PERS' investment philosophy centers on maintaining diversified exposure to the global capital markets and systematically buying assets low and selling them high. To implement this strategy, we emphasize a simple, low cost structure that relies primarily on asset allocation, rebalancing and index management. There are a number of advantages to this approach, including:

- A common sense investment approach grounded in high quality assets is transparent and easily understood by our members and beneficiaries.
- PERS' philosophy focuses decisions

on asset allocation and rebalancing, the areas where we are most skilled and PERS has a demonstrated competitive advantage.

- In negative capital market environments, there is political and credibility risk in losing money in untested or esoteric strategies. Our members understand if large capitalization U.S. stocks drop in value. They have a much harder time getting comfortable with losses from portable alpha, hedge funds or other high cost alternative strategies.
- A simple, transparent approach enhances our ability to monitor portfolio risk.
- All of PERS' stock and bond assets are held by the fund's custodian. Real estate assets are owned 100% by PERS. Directly holding assets (as opposed to

using commingled funds) enhances asset security, liquidity, and monitoring.

- A simple program is lower cost, providing a quantifiable competitive advantage.

The goal of the investment program is to meet the 8% long-term return objective while exposing the fund to the least possible risk. Successful investing involves developing a thoughtful, focused long-term strategy and consistently implementing that plan over time. Frequent changes can increase costs and reduce efficiency. As a result, while the Retirement Board makes changes to management or strategy as warranted by economic and market circumstances, we focus on making more meaningful, less frequent enhancements to the program.

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2014 Check Mail Dates

January 28, 2014	July 28, 2014
February 25, 2014	August 26, 2014
March 26, 2014	September 25, 2014
April 25, 2014	October 27, 2014
May 27, 2014	November 21, 2014
June 25, 2014	December 26, 2014

Holidays and Office Closures 2014

January 1 New Year's Day
January 20 Martin Luther King Day
February 17 Presidents' Day
May 26 Memorial Day
July 4 Independence Day
September 1 Labor Day
October 24 Nevada Day
November 11 Veterans' Day
November 27-28 .. Thanksgiving/Family Day
December 25 Christmas

This publication is intended to provide general information. If there is any conflict between this information and Nevada law or PERS' policies, the laws and policies will supersede this information. *Retiree News* is a quarterly newsletter for retirees 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.