Maryland Teachers & State Employees Supplemental Retirement Plans

MSRP E-NEWSLETTER

September 2009

Back to School....Back to Saving!

ABC's: Back To Saving

✔ Allocation

Are you diversified? Now is a good time to review your current allocation and make changes if needed.

✔ Beneficiaries

Are your beneficiaries up to date? Regardless of what your will states, beneficiaries listed will receive funds in your MSRP plans.

✔ Contributions

Have you increased your contributions?

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ABC's of Saving

Jeannie Henry CRC® ChFC

Allocation

Asset allocation is the process of investing your account among cash, stocks and bonds. The objective is to establish a long-term investment strategy that seeks an appropriate level of risk and then to maximize returns at your risk level. The Ibbotson Allocation Guide can help you decide which allocation strategy to use. Check out the www.MarylandDC.com web site for the allocation questionnaire under the investment tab or calculators.

Click on asset class for more information

	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
International	5%	10%	15%	25%	30%
Small-Cap Stocks	0%	0%	5%	5%	10%
Mid-Cap Stocks	5%	10%	10%	15%	15%
Large-Cap Stocks	10%	20%	30%	35%	40%
Bonds	35%	35%	25%	15%	5%
Cash	45%	25%	15%	5%	0%
Column Totals	100%	100%	100%	100%	100%

Click on pie-charts for more information

Beneficiaries

It's important to make sure that your beneficiaries are up to date as the money in your accounts pass outside of your will. The beneficiary designation determines who will receive the account or be given the opportunity to disclaim the account in favor of a contingent beneficiary, and beneficiaries can take distributions over their life expectancy (see IRS Publication590). You can update your beneficiaries via the participation agreement or the beneficiary change form, by downloading either one from www.MarylandDC.com, under the forms tab (look for "Beneficiary Change" or "Enroll on Paper", or simply click on this link https://www.nrservicecenter.com/content/media/retail/pdfs/MarylandDC/MarylandDCPA.pdf Just print it out and mail it in today!

Contributions

Are you saving enough each paycheck? The Ballpark E$timate is an easy-to-use, two-page worksheet that helps you quickly identify approximately how much you need to save to fund a comfortable retirement. Even a small increase in your contribution amount can make a big difference at retirement. The worksheet can be found on www.choosetosave.org. To increase your contributions you can use the same form as above (download the Deferral Change form from www.MarylandDC.com), call Customer Service at 800-545-4730, or increase it online.

Meet The New Teachers— New MSRP Field Staff to Serve YOU

MSRP welcomes Angela Anderson and Anne O'Neill to the Field Staff. They join Julia Graham CRC® and Jeannie Henry CRC® ChFC providing State employees with education and counseling on the MSRP plans and personal finance. Louis Holcomb CRC® is the Director of Field Services.

Angela "Angie" Anderson has over 20 years of Banking and Financial Planning experience providing new accounts and services to meet clients' financial objectives. She started her financial career in banking and continued to advance her career as a Branch Manager and a Licensed Investment Representative.

She previously held NASD designations, and has taken additional courses in Economics, Business Law, Accounting and Management. Angie achieved her Certified Retirement Counselor® designation from InFRE in May.

Anne O'Neill has over 25 years experience in the investment arena, with an emphasis on retirement and benefit plans. A graduate of Loyola College in Maryland, Anne joined T. Rowe Price Associates in 1981 as a Shareholder Service Representative assisting clients with choosing appropriate Funds for their investment accounts and overseeing day-to-day servicing needs. The growth of retirement plans in the 1980's allowed her to focus on this more specialized field. She has extensive experience educating shareholders about the benefits of investing for the future, in both one-on-one and group seminar settings. In addition to T.Rowe Price, Anne has worked with leading firms such as Legg Mason and Morgan Stanley during the past ten years.

She previously held NASD designations, and has taken additional courses within the CEBS (Certified Employee Benefits Specialist) program. Anne received her Certified Retirement Counselor® designation from InFRE in May.

MSRP Celebrates National Save for Retirement Week with Retirement Review Days

Anne O'Neill CRC®

National Save for Retirement Week, now in its fourth year, will take place October 19-23. This annual event is an effort established by Congress to raise public awareness about the importance of saving for retirement. In the public sector, most employees have an excellent foundation for retirement income with a defined benefit plan (pension). However, these plans alone will not provide an adequate standard of living for most people in retirement. This is especially true as health care costs continue to rise and the length of time the average individual spends in retirement increases. It is critical that Americans understand the importance of saving - **now**.

Many experts agree that workers need to save between 65 and 85 percent of their current income to maintain their accustomed standard of living after retirement. Unfortunately, Americans may not be saving enough. A recent survey by the Employee Benefits Research Institute shows nearly half of all workers have less than $25,000 saved. It also shows that almost one in five workers have no savings at all.

The message is clear: each of us needs to save more. The following should be considered when saving for retirement:

- It's never too early or too late to begin saving for retirement.
- Make enrolling in your employer-sponsored retirement savings plan a top priority! Pay yourself first via payroll deduction.
- Boost your retirement savings! By regularly increasing the percentage you set aside each year, you can supercharge your retirement savings!
- No matter when you begin investing – at age 20 or 40 or 50 – be sure to keep a long-term investment strategy in mind. That's because the magic of compounding works best when you save consistently!

You can never receive too much knowledge when it comes to your financial future!

TEAM MSRP will be offering "**Retirement Review Days**" to educate and assist employees during this troubled economy and market swings . During these events, you can make appointments for one-on-one counseling to review accounts. Also, the following seminars will be offered (each presented once in the morning and once in the afternoon) :

Retirement Review Days (continued)

Retirement Review Day Seminars:

State of the Market

A speaker from one of our mutual fund providers, PIMCO, will give a State of the Market presentation. They will discuss where the market has been, and both their short– and long-term economic outlook. They will also discuss what this all means for your retirement saving plan.

MSRP Plan Overview

This seminar explores the 457 Deferred Compensation Plan, the 403(b) Tax Deferred Annuity Plan, and the 401(k) Savings & Investment Plan. You'll learn about the benefits of the plans and how much you should be saving for retirement, tax benefits of contributing, along with the rules for the plans including withdrawal requirements. We'll also briefly cover investment approaches and asset allocation models, with an emphasis on the importance of diversification.

Stretching Your Dollars

This presentation will suggest several steps that can be taken to help you to have a realistic understanding of your current financial standing in these tough financial times. Ideas will be presented to help make ends meet, to make SMART goals for your money, to control debt, to improve your credit and to be a smart shopper! You can get some tips on how to find money to save for retirement and other important goals. You'll also learn more about what resources might be available to you and where you can turn for help if you need it.

Below are the locations for the upcoming Retirement Review Days. If you are interested, mark your calendar now. Check with your supervisor and watch for a flier with details on enrolling for the seminars or scheduling a one-on-one account review. You will able to get more details from the MSRP website **www.MSRP.state.md.us** by clicking on **Seminars**.

Lowe House Office Building, Annapolis	October 21
State Center – 201 Preston Street, Baltimore	October 23

Refreshments will be served.

Back to "School" for You Too! Financial Education to Help You Weather the Economic Storm

Julia Graham, CRC®

There is no time like the present to learn more about personal finance so that you can better plan for your retirement! MSRP offers two full-day educational workshops for State employees to equip you with the information you need to manage your finances now and plan for your future. The sessions are considered State sponsored employee training activities and may be recognized in your personnel file as part of your Individual Career Development Plan.

The **Personal Finance Seminar** will cover important topics to help State Employees make sound financial decisions and save for their retirement (Employees within 7 years of retirement should instead consider attending a Pre-Retirement Seminar offered by the State Retirement Agency to address their specific needs.)

The topics will include:

- Budgeting, Debt Management, Identity Theft, Insurance Needs – presented by University of Maryland Extension
- Your Pension – presented by the Maryland State Retirement Agency
- Supplemental Retirement Plans Overview/Understanding Your Statement – presented by MSRP
- Investing Basics/ Selecting Your Investments – presented by Nationwide Retirement Solutions
- One-on-One Meetings/Plan Enrollment – Nationwide Retirement Solutions

Financial planning is the process of assessing your financial goals, taking an inventory of the money and other assets you already have to help you reach those goals, and estimating what you will need in the future. The **Financial Planning 101 Seminar** consists of seven modules:

- Module 1 – Introduction – Describes the need for Financial Planning and the roadblocks that may prevent people from achieving their financial goals.
- Module 2 – Insurance: Risk Management – Identifies the types of insurance needed to protect the individuals' financial investments.
- Module 3 – Investment Basics – Defines various terms of investing and aids the individual in choosing investments according to their financial goals.
- Module 4 – Understanding Taxes – Describes the various methods of taxation and how chosen financial investments are affected by taxes.
- Module 5 – Retirement Planning – Describes the MSRP Retirement Plans and all other retirement options available when planning for retirement.
- Module 6 – College Planning – Describes the various financial options available for deciding how to save for college.
- Module 7 – Estate Planning – Describes the various choices available to protect your dependents and your assets during incapacitation and death.

Check the MSRP website www.MSRP.state.md.us for dates,
locations and registration information. Spouses are welcome to attend.

New Addition to the MSRP Course Catalog

Jeannie Henry CRC® ChFC

A dollar doesn't buy what it used to! An increase in the cost of goods and services are taking an increasingly bigger chunk out of consumers' paychecks, while incomes are eroding. Families need to make the most of their money. MSRP is here to help with a new Lunch and Learn seminar called "Stretching Your Dollars". This seminar is designed to provide state employees with information to develop the money habits that are needed to manage expenses and debt, maintain spending plans as well as is a list of resources for money saving and thrifty living websites. Resources are provided for those who need assistance.

Here's a sample of one of the money saving tips you will get at this seminar!

Ask yourself these questions before you buy:

- "Do I need it or just want it?"
- "Would I buy it if I had to pay cash?"
- "Am I buying on impulse?"
- "Is this the best price?"
- "Can I *really* afford it?"

Financial management is a learned skill. MSRP would like to help you achieve your retirement goals, and spend money wisely through a series of educational seminars. Your best protection for financial security - in good times and in bad - is to practice good money habits!

Please contact your Benefit Coordinator to request this seminar or any of the other MSRP Lunch and Learns at your work location.

NOTE: a written version of the information provided in this seminar is available under the Employee Publications section of the www.MSRP.state.md.us website or by clicking on the link Stretching Your Dollars

"Guidance Counselors" for those Planning Retirement in the Next 5 Years

Julia Graham, CRC®

Retirement is a big decision and not something you should just jump into, especially in today's economy. Meeting with a Personal Retirement Counselor (PRC) for planning assistance will help ensure you are prepared. Nationwide Retirement Solutions has three Personal Retirement Counselors located at their Hunt Valley office whose job it is to help State employees who are approaching retirement or in retirement, manage their accounts. The counselors have specialized training in helping employees design a payout plan that will make their money last throughout retirement. As you will see from each of their quotes, they are excited about their role helping employees and retirees enjoy their retirement years.

In addition to being available in the Hunt Valley Office, the counselors travel around the state to meet with employees or retirees who would like a consultation.

We hope you will take advantage of this wonderful free service.

Meet the Personal Retirement Counselors

Arvella Collins

Arvella Collins is a Personal Retirement Counselor with over 13 years of industry experience, having worked for AIG Valic, T. Rowe Price, and the Maryland Supplemental Retirement Plans. She holds a Bachelor of Arts degree in Finance from the College of Notre Dame of Maryland in Baltimore. Arvella holds her FINRA Series 6, 63, and the Life/Health/Variable licenses in the State of Maryland. Arvella recently received the Certified Retirement Counselor® designation from InFRE. "*In this role, I am afforded the greatest opportunity to help the employees of the State of Maryland transition from full-time employment to full-time retirement. In today's society, with the various issues that arise daily with the economy, it is even more imperative that we provide guidance to the pre-retirees to help them realize the retirement they've worked hard to achieve".*

Bob Hergenroeder

Bob Hergenroeder comes to Nationwide as a Personal Retirement Counselor with over 38 years of banking, finance and legislative experience. He is a graduate of University of Baltimore; Aspen Institute, Government Executive Program; and University of Virginia, diploma in Bank Management. He served as Maryland's Commissioner of Financial Regulation, was elected 7 times to Maryland General Assembly and worked 21 years as a Vice President for a major regional bank. Mr. Hergenroeder holds his FINRA Series 6 as well as the Maryland Life/Variable licenses. He recently received the Certified Retirement Counselor® designation from InFRE *"I enjoy helping retirees develop a plan to spend down their many years of hard earned savings in a way that will help achieve their goals."*

Planning Retirement in the Next 5 Years? (continued)

Dan Wrzesien is a Personal Retirement Counselor with over 8 years industry experience, having worked with T. Rowe Price, 1st Mariner Bank and Nationwide. He joined the Nationwide family in 2005 working for Nationwide Financial Network. Mr. Wrzesien is a native of Baltimore and graduated from Towson University with a B.S. in Finance and Marketing. Dan holds his FINRA Series 6, 63, 26, as well as Life, Health, and Accident licenses. *"As a Personal Retirement Counselor I have the ability to help State of Maryland employees have the best possible retirement years. Just as you see your Doctor at least once a year for a checkup for a clean bill of health, retirees should sit down with me once a year for a financial check up."*

To schedule your free appointment with a Personal Retirement Counselor, please call the Hunt Valley Office of Nationwide at 800-966-6355 or 443-886-9402.

New Math: Required Minimum Distribution Suspended for 2009

Julia Graham, CRC®

On December 23, 2008, President Bush signed The Worker, Retiree, and Employer Recovery Act (H.R. 7327), legislation unanimously passed in both chambers of Congress on December 11, 2008. One of the provisions of this bill suspends required minimum distributions for the year 2009 from IRAs and defined contribution retirement plans, including 401(a), 401(k), 403(b) and governmental 457(b) plans. The suspension does not apply to required minimum distributions for the year 2008 (even those postponed until 2009).

The Required Minimum Distribution (RMD) is a feature of the supplemental retirement plans (and Traditional IRAs) which takes effect when a retiree turns 70 ½ which requires them to withdraw a specific amount from their plans each year based on life expectancy. Also included are beneficiaries who are required to take withdrawals from an inherited account. This law allows for suspension of withdrawals for 2009.

The RMD affects a very small number of active employees:

- Those who are over 70 ½, have previously retired, and are now employed by the State. (Those who are over 70 ½ and have never retired are exempt until they actually retire).
- Those of any age who have inherited accounts.
- The law allows suspension of withdrawals for 2009.

Please pass this important information on to older retirees you know who may be taking RMDs, especially your parents!

If you have questions about the RMD provisions, please call one of the Personal Retirement Counselors at 443-886-9402.

"A Strong Dose of Reality": Vanguard's Bill McNabb Looks Back on the Past Year

William McNabb

August 18, 2009

Bill McNabb stepped into the role of Vanguard CEO on August 31, 2008, only weeks before the collapse of Lehman Brothers and the peak of the financial crisis. In an interview with Vanguard.com, Mr. McNabb looks back at the tumultuous year, and looks ahead to how investing may change as a result.

What is the overarching lesson you think investors should take from the past year's turmoil?

It's that there are certain timeless principles. For one, diversification does work. Diversification didn't immunize investors from the market declines, but it certainly insulated them from the worst of it. Second, it's important to live, or invest, within your means. Many people have different opinions on the root cause of the crisis, but leverage—overindebtedness—certainly played a huge role. My hope is that investors take to heart that too much leverage, whether in investing or personal debt, is not a good thing. Third, saving money is critical. We're seeing this manifest as investors pay off debt, which is a form of saving, and at the same time increase their personal savings.

How have you reassured investors during this period?

The toughest discussions I've had are with those investors near retirement. They may have done all the right things—saved for 25 years, held a balanced, diversified portfolio—but their portfolios still declined. There is no easy answer, no silver bullet. What we hope is that investors had saved at such a level that they had a sufficient cushion, but frankly, most Americans don't. Otherwise, it's not easy to hear that you may have to work longer, save more, or reduce spending, but it is the truth.

Do you think the crisis will have a lasting impact on individual investors?

I'm very optimistic that investors will learn from these events. I believe it has given everyone a strong dose of reality, and we will see more caution, higher savings rates, and an even longer-term perspective from investors. Think about the generation raised during the Great Depression, like my parents. Their whole attitude about money is so different from many of my contemporaries. When I talk to my children's generation, they remind me more of my parents than of my contemporaries, and I think that's a good thing. My 22-year-old son, who just graduated from college like millions of other 22-year-olds, is still looking for work. In the past, you would work hard in school, do reasonably well, graduate, get a job almost automatically, and begin the American dream. And for a whole bunch of kids, that has not happened yet, but people will learn from the struggle and those lessons will be lasting.

What should investors be doing right now to position themselves well for the future?

This is a good time for investors to ensure they understand their long-term objectives, reassess their time frame and risk tolerance, and make sure they have an appropriate investment plan. Most of all, investors need to save more. It's a real mantra for me. As investors, we relied too much on asset in-

"A Strong Dose of Reality": ...(continued)

flation, some of which proved to be a bubble, to bail us out for a low savings rate. I'm certain that the only way for most people to meet their needs and long-term goals is to increase savings.

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Investments: What Do You Want?

Is there an investment that you wished was available to you in your supplemental retirement plans? Would a Roth 401(k) be of interest to you?

This will be your chance to let the Board of Trustees know what you want to see available in your plans. Look for the link soon to take the Investment Option Survey. You will find it on our websites www.MarylandDC.com or www.MSRP.state.md.us.

You'll be asked about your interest in additional index funds, actively managed funds, socially responsible investments, a self-directed brokerage window and a Roth option. You can also add your own suggestions for additions to the plans anytime by email to info@msrp.state.md.us.

Let us know what you think! Take the survey today.

Martin O'Malley, Governor
Anthony G. Brown, Lieutenant Governor

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