



# State 457 Deferred Compensation Plan (457 Plan) Participants

Montana Public Employee Retirement Administration (MPERA)

August 2009

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*Should any information in  
this newsletter conflict with  
statute or rule, the statute or  
rule will apply.*

## Important Changes to Your 457 Plan

The Public Employees' Retirement Board (PERB) and its Employee Investment Advisory Council (EIAC) completed their review of the investment options offered within the State 457 deferred compensation plan for the quarters ending December 31, 2008 and March 31, 2009. As expected, given economic conditions during those periods, the review was not positive. The best news is that the 1<sup>st</sup> quarter of 2009 had some positive returns.

Due to market turbulence, EIAC's primary recommendation to the PERB was to not make changes, but instead 'wait for the dust to settle' and for more market stability.

The two minor exceptions to the 'no change' recommendation were:

1. Discontinue the **Munder Small Cap Value Fund** (MCVYX) and replace it with the **Neuberger Berman Genesis Fund** (NB-GEN).

The Munder Small Cap Value Fund has been on probation since January 2008. The fund's performance continued to decline through the 1<sup>st</sup> quarter of 2009, possibly due to significant weighting in the financials sector. The Neuberger Berman Genesis Fund is currently available in the Plan – within the same asset class and category. The Neuberger Berman Genesis Fund's long and short-term performance is better than the Munder Small Cap Fund and its holdings are more diversified.

2. Place the **Dodge and Cox Balanced Fund** (DC-BAL) on probation.

The Dodge and Cox Balanced Fund has underperformed both the index and the asset class and category for an extended period of time. Because the economic conditions may be part of the fund's underperformance, placing the fund on probation for closer watch and assessment is prudent.

The PERB approved these recommendations and changes will occur as follows:

1. Participants who have assets in the **Munder Small Cap Value Fund** will have until 2:00 p.m. MST on Monday, November 9, 2009 to transfer their assets to another available investment option. Assets remaining in the Munder Small Cap Value Fund after 2:00 p.m. on November 9, 2009 will be automatically transferred to the **Neuberger Berman Genesis Fund**.

To transfer assets, participants may contact Great West Retirement Services by calling KeyTalk<sup>sm</sup> toll free at (877) 699-4015 and either use the voice response system or talk to a customer service representative during normal business hours (8 a.m. to 5 p.m. MST). Participants may also use the Plan's website: [mperadcplans.com](http://mperadcplans.com).

Participants using the website will need their username and password. Participants who have forgotten or misplaced their username or password should contact the customer service representatives at the above toll-free number. ♦

A transaction freeze period occurs whenever an investment option is discontinued. The freeze period allows for the asset transfer and reconciliation. A brief freeze period will begin on Monday, November 9, 2009 and will end on Tuesday, November 10, 2009. During this brief period, no transactions will be permitted to either the Munder Small Cap Value Fund or the Neuberger Berman Genesis Fund. All other investment options will remain open, to all permitted transactions.

## Stable Value Investment Option Update

The Plan's "Stable Value" or "Fixed Fund" investment option requires the services of three distinct and separate providers:

1. An investment manager – currently PIMCO;
2. An insurance provider/company – currently Aegon; and
3. A custodial bank – currently State Street Bank.

The Stable Value Fund was and is not immune from economic conditions. Recent economic conditions resulted in many stable value providers either discontinuing or restricting their stable value business. All of the Plan's current providers, have remained strong, secure and committed to providing stable value services. Consequently, EIAC recommended, and the PERB approved, renegotiating their contracts. It is anticipated that successful contract negotiations with the current providers will be completed by January 1, 2010.

Participants should see no change, other than expected quarterly rate changes, in the stable value investment option. Further updates will be provided. ♦

## Avoiding Scams and Bad Decisions

The oldest baby boomers turned 62 this year and more than 70 million will likely enter retirement over the next twenty years. Retiring baby boomers are faced with a misfortune of ending their income accumulation years during a bear market. After a period where the S&P 500 Index barely advanced, many feel they need to make up for lost capital fast. This fear makes them easy targets for hustlers looking to make money.

According to regulators, there are a number of ways to protect yourself (or loved one) against money scams. Basically, there are four simple red flags, if approached with 'great money' deals, to watch for:

1. If it sounds too good to be true, it probably is;
2. Guaranteed returns aren't;
3. Beauty isn't everything (a fancy-looking website doesn't mean the party behind the site is credible); and
4. Pressure to send money or sign up right away, or give personal account information.

If you spot any one of these themes in a sales pitch, the SEC says, be skeptical about the legitimacy of the offer or deal. Check all offers out carefully. The most reliable sources to use are:

- a. the Financial Industry Regulatory Authority (FINRA); the largest non-governmental regulator for all securities firms doing business in the United States at <http://www.finra.org/Investors> or toll-free at (800) 289-9999; or
- b. your state securities (insurance commissioner) regulator. ♦

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