Quarterly Investments Increases Last Quarter of the Fiscal Year

Mr. Wilkinson, Senior Portfolio Strategist, Columbia Management, began his quarterly report at the beginning of the November 14, 2007, NCERP quarterly committee meeting by stating the stock market, bond market, money markets and foreign markets have all been impacted by the sub-prime mortgage situation. The Federal Reserve has lowered rates twice and cut the discount rate by 50 percent. Due to current conditions of the stock market, special attention has been paid to value stocks in terms of performance in contrast with the performance of growth stocks. The conclusion is that growth stocks have outperformed value stocks by 4.5 percent. The NCERP Committee has determined that replacing value stocks with growth stocks would be an excellent opportunity to increase the Plans overall growth, with minor risks. The NCERP committee unanimously agreed to implement this change in the Plan’s portfolio.

Beginning market value of the portfolio as of July 1, 2007, was $63,351,171. Net contributions and withdrawals were $222,522; income earned was $446,956, and the change in market value is $1,317,187, resulting in an ending market value as of September 30, 2007, of $64,892,393.


Mr. Schisler began his report by summarizing the results of the 7/1/07 NCERP valuation. During the period July 1, 2006 – June 30, 2007, the Plan’s demographic experience was favorable. The valuation data showed actual salary/compensation increases lower than expected, with an average of 4.10% versus the assumed 4.75%. Also, the asset returned to the Plan was much better than anticipated with an actual 16.70% increase from investment gains versus the assumed 7.75%. This is the best rate of investment return on Plan assets since approximately 1999.

Continued favorable experience keeps the Plan in a positive position for the future. The Plan remains in a surplus position in 2007, and there are no contribution shortfalls. Assets cover 92% of benefits, and the Plan is in a strongly funded position. Mr. Schisler suggests that this may be an opportunity to consider implementing small to moderate Plan enhancements, but that the committee first consider updating the mortality table used in the actual valuation. The Plan’s annual actuarial valuation was provided at the November 14, NCERP quarterly committee meeting.

Latest News on the Voluntary Separation Program (VSP)

Nineteen Plan participants are leaving the College under the provisions of the Voluntary Separation Program. Mr. Hayden has contacted each participant. One participant intends to take the 50/50 retirement benefit assessment.

Special Note: Those retirees who will be retiring January 1, 2008 under VSP will incur an unavoidable delay in benefit payment due largely to a minor delay in determining their salary for 2007. This important element is required in order to determine the amount of benefit payment and will not be determined until after January 18, 2008 according to the College’s payroll department. As soon as this information is available, the Retirement Committee will ensure payouts; both lump sums, as well as annuity payments, will be processed as quickly thereafter as possible. No payments are expected to be delayed beyond January 31, 2008. Thanks to all those affected NCERP participants for their patience and please plan financial obligations accordingly.

The Quarterly Updates

Mr. Hayden reported that during the period of July 1, 2007 through September 30, 2007, 14 new participants were added to the Plan. During that same period, three Plan participants chose to retire effective August 1, 2007. One individual chose to receive monthly benefits whereas the other two selected the lump sum payment option. The payout for the individuals requesting a cash settlement is $166,601.17. No deaths were reported during the reporting period.

Also during this period, 12 employees separated from the College. The contributions and credited interest of those individuals totaled $119,937.49 and has been successfully paid to each of the terminated employees.

NCERP’s Accounting System

Fiscal year budget report as of September 30, 2007, includes the following:
- The total budget for 2006-2007 fiscal year: $371,531.00
- Total charges that have been paid: $65,895.15
- Encumbered charges: $17,598.550
- Balance as of September 30, 2007: $288,037.35

Administrative expenses for the retirement plan are currently budgeted at $371,531.00. Less than the industry standard of 1% of the total value of assets managed.

Retirement Interview Schedule

If employees would like an estimate of their retirement benefits, please attend any of the campus visits made by James Hayden, plan coordinator. Please call at least a week before the scheduled visit to ensure the retirement assessment is complete. Every participant is encouraged to contact the Plan Coordinator at any time to obtain a retirement benefit assessment.
Dollars on the money before you die. Savings or other money from any traditional IRA accounts you own. You can take the full contribution is perhaps the single biggest mistake for IRA owners. If you withdraw the required amount each year, the IRS will assess you with a 50% tax-deferred plan. If you roll your existing 401(k) into an IRA, however, you can avoid taking two distributions; taking one from the IRA will suffice.

Tax deferred accounts. Ideally, you want to benefit from tax deferral for as long as possible. Once you reach age 70½, however, there is a minimum withdrawal schedule, based on your life expectancy, from traditional IRAs and 401(k)s, or other qualified plans. This schedule is designed to ensure that you make a concerted effort to drain the account so the government can collect taxes on the money before you die.

To figure how much you need to take out, check the tables on the IRS Web site www.irs.gov/pub/irs-pdf/p690.pdf or consult a tax advisor. You’re taxed at ordinary income tax rates on the amount you withdraw. If you don’t withdraw the required amount each year, the IRS will assess you with a 50% penalty of the minimum withdrawal due. Missing required minimum distribution is perhaps the single biggest mistake for IRA owners.

Once you determine your required minimum distribution, you can take the money from any traditional IRA accounts you own. You can take the full required amount from one IRA to satisfy the calculated requirement for each of your IRAs. But you still have to take additional required minimum distributions from qualified plans such as a 401(k). In other words, an IRA distribution can’t be increased to satisfy the required distribution of a 401(k) or other tax-deferred plan.

When you request your required minimum distribution, you might want to consider having it automatically invested in shares of stock or mutual funds, instead of cash. Although you will still pay taxes, you can keep it invested and, hopefully, it will appreciate over time, explains financial planner Mary Malgoire.

Bottom line: The rollover helps you keep more of your money. However, you will be subject to taxes on the amount you withdraw. You must pay ordinary income tax at 15% or 5% for those in the lowest two tax brackets. Most stock dividends also are taxed at 15%. Keep in mind that for any dividends, interest, or capital-gains payouts, taxes are due on the tax returns prepared for the year you receive them.

• U.S. Government bonds are free from state taxes. Municipal bonds are free from federal tax and state taxes too, if you live in a state that issued them.

• Pension and annuity payment from qualified retirement accounts are fully taxable. Some states exempt certain types of pensions from state income taxes such as military or government pensions. Others allow a portion of any type of pension income to escape state income taxes. Check with your tax advisor.

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