FINANCIAL Footnotes

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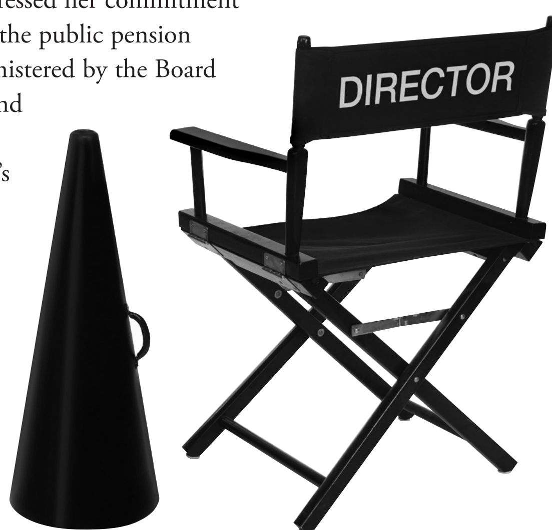
West Virginia Consolidated Public Retirement Board Welcomes New Executive Director

Erica M. Mani was named Executive Director of the West Virginia Consolidated Public Retirement Board (CPRB) on May 1, 2010, by Governor Joe Manchin. Director Mani replaces Anne Werum Lambright who recently stepped down due to health-related issues.

Director Mani brings a wealth of government experience and knowledge to the position of Executive Director. She most recently served the Manchin Administration as General Counsel and Deputy Cabinet Secretary of the West Virginia Department of Revenue and previously served as General Counsel to the Governor during the Wise Administration. Director Mani is a native West Virginian and attended West Virginia University, where she earned a Bachelor of Science in Journalism and a Doctor of Jurisprudence.

Additionally, Director Mani was formerly an associate attorney specializing in labor and employment law at Bowles Rice McDavid Graff and Love LLP in Charleston, where she was assigned as Outside Legal Counsel to the CPRB. Through her experience as Legal Counsel to the Board, Director Mani gained a broad understanding of the fundamental principles relating to public compensation benefits and the central issues affecting the nine pension systems administered by the CPRB.

A major focus of Director Mani's agenda for the staff and administration of the CPRB moving forward is to encourage open communication across government sectors with regard to state retirement plans and the challenges that lie ahead. Moreover, Director Mani plans to concentrate her efforts on improving information access and customer service for participating government employers and their employees through a comprehensive, team-oriented approach. Director Mani has expressed her commitment to protecting the public pension systems administered by the Board and its staff and to fulfilling West Virginia's retirement promises to the many dedicated public employees throughout the state.



Three Mistakes You Can Avoid

It's easy to go on autopilot once you've set up a workplace retirement savings account. Below are three common oversights that can limit your potential to save more, followed by ways you can be proactive:

Contributing too little. The WV TDC Plan is a 401(a), so your contributions are set by statute (WV Code §18-7B-9). Based upon your gross compensation, you contribute 4.5% into the Plan through payroll deduction on a tax-deferred basis and your employer contributes an additional 7.5% to the Plan on your behalf for a total of 12% annually. However, you might have access to other employer-sponsored retirement plans, such as a 403(b) (check with your payroll officer if you aren't sure). In those plans, if possible, contribute as close to the maximum allowed, especially if you're among the millions of Americans whose savings declined during the recession. In 2010, you may contribute as much as $16,500 to a workplace retirement savings account, such as a 403(b). If you're age 50 or older, you can also make "catch-up" contributions of as much as $5,500 if your plan allows.[1]

Investing too heavily in one asset class. Recent history has shown that the stock market can rise and fall significantly over a short period of time.

That reality—as well as the ups and downs it can create in your retirement savings—may tempt you to minimize the portion of your portfolio you invest in stock funds and load up on bonds and cash investments such as money market funds.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

However, stocks could provide the strongest potential for the long-term growth you'll likely need to fund your retirement. You can capture some of that growth potential without exposing all your savings to the declines stocks occasionally experience. The key is to determine the appropriate asset allocation—the mix of stock, bond and cash investments—that is right for you and to stick to it.

How much you should devote to each asset class depends mainly on the amount of time before you plan to retire, but also on the amount of risk you're comfortable with and your overall investment objectives. In general, the longer your time horizon to retirement, the greater the percentage of stocks you may want to hold.

Timing the market. A single headline can drive a person to shift money from one asset class to another. In 2008 and early 2009, many investors, afraid of their continuing losses, sold their stock funds and put their money in bond and money market funds. But unless they moved back into stocks, they missed the rally that ensued; between Dec. 31, 2008, and Dec. 31, 2009, stocks gained 26.5%.[2] Bond returns fell 2.4% and cash investments were up just 0.1%.[2,3]

1 www.irs.gov
2 Stocks measured by the S&P 500®, bonds by the Ibbotson Intermediate-Term Government Bond Index, cash investments by 30-day Treasury bills. Source: Ibbotson Associates SBBI 2010 Classic Yearbook.
3 Past performance is not a guarantee of future results.

Let Go of Your Emotions

Emotion motivates many investors. Understanding this human tendency may help you avoid common investment mistakes.

An individual who held funds that matched the S&P 500's return from 1990 to 2009 would have earned an annualized gain of 8.20%. But the typical equity fund investor earned an average annualized return of just 3.17%, according to research firm DALBAR, Inc.[3,4] DALBAR attributes this shortfall to investors' tendency to invest in stock funds after the market rises and sell after the market declines—that is, to buy high and sell low.

When emotions rule

Behavioral economists have documented and categorized a number of common emotion-driven investment errors:

- **Loss aversion:**
  People tend to fear losses more than they enjoy gains.[5] As a result, you may be tempted to hold much of your retirement savings in cash investments, which tend to be stable but don't offer the long-term growth you may need to reach your goals.
- **Herding:**
  Individuals often make the same choices they see other people making. "Following the herd" may blind them from making decisions based on their own financial goals.

It may be impossible to remove emotion entirely from your investing decisions. However, you can help manage your reaction to the market's ups and downs by reviewing your investments on a regular schedule—say every three months. This way, you'll have time to think through your decisions, rather than react emotionally to headlines.

Clean Up Your Credit

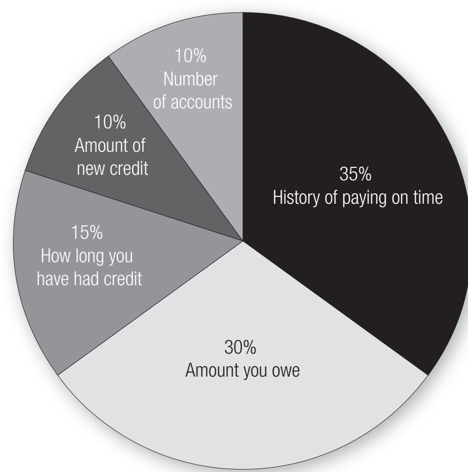
Are your debts in good standing?

Your credit history affects a number of aspects of your life, from getting a mortgage to the rate you pay on a new car loan—possibly even a prospective employer's opinion of you. Each year, you're entitled to a free credit report from each of the three major credit bureaus: Equifax, Experian and TransUnion. For a small fee, you can request your credit score, a three-digit number that reflects how responsible you are as a borrower.

Credit scores range from 300 to 850. Your score could mean the difference between a larger and a smaller monthly payment on a new loan, so pay attention to it. Paying all your bills on time and keeping your credit card balances low are steps you can take to improve your score. If you're having trouble paying bills, ask your creditor if you can work out a payment plan.

How Your Score Is Calculated

This pie chart[6] shows the components of a credit score. You'll notice that timely payments and the size of your balances count the most.



Paper Work

Thanks to online banking, there are fewer financial documents to file. Here are the ones you should keep and for how long.

- **Tax returns**
  The IRS has up to six years to challenge a return, so keep tax records and related receipts for seven years.
- **Retirement account statements**
  Hold on to annual statements until you retire or close the account.
- **Bills and receipts**
  Keep records of major purchases indefinitely to support insurance claims or if items are lost or stolen.
- **House records**
  If you sell, you'll need papers documenting the purchase price and improvements to establish the cost of the house for tax purposes.[1]

4 "Quantitative Analysis of Investor Behavior," DALBAR, Inc. 2010. GWFS Equities, Inc. is not affiliated with DALBAR, Inc.
5 Nudge: Improving Decisions About Health, Wealth and Happiness, Richard H. Thaler and Cass R. Sunstein, 2008
6 Source: www.myfico.com, February 2010. Great-West Retirement Services® is not responsible for, nor does it endorse the content contained in the additional website provided. This website is for general education and information only and is provided as a benefit to the users of the site.

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