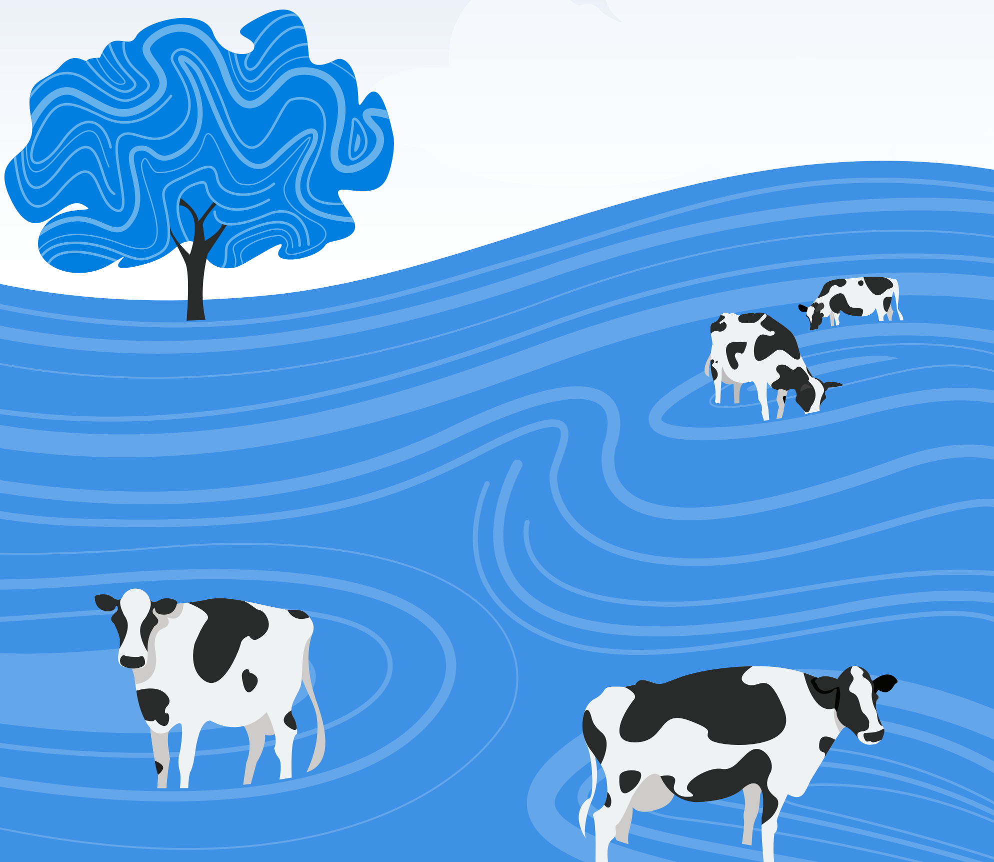
NEBRASKA

DEFERRED COMPENSATION PLAN

EMPLOYEES RETIREMENT SYSTEM HANDBOOK



NPERS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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STATE OF NEBRASKA EMPLOYEES DEFERRED COMPENSATION PLAN

Nebraska Revised Statutes §§ 84-1504 through 84-1513

A Deferred Compensation Plan is a **voluntary investment plan**, authorized by IRS Code **§ 457(b)** whereby participants authorize their employer to defer part of the participants' current compensation and receive the amount, plus earnings, at a later date, such as at retirement. The State of Nebraska Deferred Compensation Plan (DCP) is designed to provide employees a supplementary retirement income.

As with other retirement plans, there are restrictions on withdrawals from a DCP. Therefore, participation should be considered a **long-term investment program** and not a short-term savings program.

This handbook provides an overview of the benefits available to participants as of the revision date. The provisions of Neb. Rev. Stat. § 84-1504, et. seq., and the current revision of the DCP Plan Document shall supersede the information in this handbook.

This guidance document is advisory in nature but is binding on the Nebraska Public Employees Retirement Systems (NPERS) until amended by NPERS. A guidance document does not include internal procedural documents that only affect the internal operations of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

The provisions of the Plan as provided in the Plan Document, statutes, and administrative rules adopted by the Public Employees Retirement Board (PERB) and Internal Revenue Code §457 legally govern the operation of the Plan. The Plan Document is available on the Nebraska Public Employees Retirement Systems' (NPERS) website at **npers.ne.gov**, or by contacting NPERS for a copy.

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NPERS is located at **1526 K Street, Suite 400** in downtown Lincoln.

Revised 12/2022

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ELIGIBILITY

Any **State of Nebraska employee, including State Patrol and Judge's plan participants,** employed on a permanent or temporary basis, full-time or part-time, may participate in the Deferred Compensation Plan (DCP).

Any Nebraska county employee employed on a permanent full-time or part-time basis, or elected official, may participate in the DCP, *provided their county does not offer its own deferred compensation plan and has elected to participate in the State DCP.*

Employees of the University of Nebraska, any of the State Colleges or Technical Community Colleges, independent contractors, and employees of the coordinating commission of postsecondary education are not eligible to participate in the DCP.

IMPORTANT

Individuals who are not United States citizens or qualified aliens lawfully present in the United States are not eligible to participate in the DCP.

ENROLLMENT/CONTRIBUTION CHANGES

IMPORTANT

There are restrictions on withdrawals from DCP! Participation should be considered a *long-term investment program* and ***not*** a short-term savings program. (See "Distribution of Account.")

State Employees & Judges

State employees and Nebraska Judges should use the Employee Work Center (Workday) to enroll in DCP and adjust contribution amounts. The election to participate is included as an option during State Open Enrollment, but State employees and Judges may enroll or change contribution amounts *year-round* via their Workday access.

Enrollments and contribution changes made in Workday will begin as soon as administratively possible, but no earlier than the first of the following month. Elections made during Open Enrollment will be reflected on the first paycheck in July.

The Workday online access should NOT be used:

- If an individual contributed to another 457 plan this year. Please contact NPERS.
- If an individual is deferring unused leave to DCP. (See “Deferring Unused Leave.”)
- If an individual is not a United States citizen. Please contact NPERS to determine eligibility.

County & State Patrol

State Patrol members covered under the SLEBC bargaining unit, and County employees who work at a county participating in DCP, do not have Workday access. These individuals should enroll and make contribution changes using the DCP forms available from their employer or the NPERS website.

County and Patrol members may enroll by completing the *DCP Enrollment Form* **and submitting it to their Payroll/HR department**. Payroll/HR staff will verify and sign the form, and then forward it to NPERS for processing. Once an individual’s eligibility has been established, NPERS will notify the individual’s employer to begin payroll deductions. The calendar month **after** NPERS receives the completed form is when participation and contributions to DCP will begin.

EXAMPLE

An individual completes a DCP Enrollment Form on January 5 and the employer signs the form on January 8 and forwards it to NPERS who receives it January 10. The individual’s first contribution to DCP will begin with the first pay period in February.

County and Patrol members may change, stop, or re-start contributions by completing a *DCP Plan Change Form*. Submit this form to the Payroll/HR department if making changes to contribution amounts or deferring unused leave. The Payroll/HR department will sign the form and forward it to NPERS for processing. Participants may submit the form directly to NPERS if they are ***only*** making changes to investment elections or transfers.

Unless the DCP Plan Change Form specifies a later effective date, all changes to DCP, including updating or ceasing contributions, will be effective the calendar month following NPERS’ receipt of the form. Changes made to investment elections and transfers will be processed as soon as administratively possible.

IMPORTANT

NPERS must receive the DCP Enrollment or Plan Change Form **the calendar month prior to your date of termination** if you are deferring unused leave. (See "Deferring Unused Leave.")

After Enrollment Steps- All Participants!

Please take the following steps after initial enrollment participants should:

- Designate beneficiaries using the NPERS Beneficiary Designation form.
- Choose their investments.

Beneficiaries designated for the mandatory retirement plan and beneficiaries named during open enrollment do NOT apply to DCP. (See "Beneficiary Designation.")

NPERS recommends using the Ameritas Online Access to make investment elections. The DCP account will be added to a participant's existing login credentials once Ameritas receives your first contribution. If a participant has not created an Ameritas online account, Ameritas will mail the participant correspondence containing the information needed to create online access. If a participant does not make an investment election, the contributions will be placed in the default investment option. (See "Investment Options.")

CONTRIBUTIONS

MINIMUM AND MAXIMUM CONTRIBUTIONS

DCP participants may defer an elected amount from their compensation, the *minimum* being $25 per month. The *maximum* a participant can defer and contribute to DCP is the lessor of:

■ 100% of the participant's annual compensation less mandatory retirement contributions	**OR**	■ An annual dollar limit established under the Internal Revenue Code (IRC).

Annual limits are adjusted each year for inflation and reported on the IRS website. Limits are also published in the January NPERS newsletters and can be found on the DCP Enrollment and DCP Change forms. Please be aware contributions made to another IRC § 457 tax deferred plan may count toward these limits. DCP participants must notify NPERS if they are (or begin) contributing to another § 457 plan.

Age 50 Provision

During the year a participant attains age 50 and any year thereafter, the participant may contribute an *additional* amount above the annual limit. This amount is periodically adjusted for inflation.

Deferring Unused Leave

At termination of employment, a participant may defer eligible sick and vacation leave payouts, or back pay, to their DCP account.

IMPORTANT

All leave deferrals MUST be submitted using a DCP Plan Change Form or DCP Plan Enrollment Form and MUST be received by NPERS the calendar month prior to the participant's date of termination. Do not submit these requests using the Workday access.

PROCESS FOR DEFERRING SICK/VACATION LEAVE

If a participant has previously established a DCP account:	Complete, sign, and submit a *DCP Plan Change Form* to the Payroll/HR department for your employer. The Payroll/HR department is responsible for forwarding the form to NPERS.
If a participant has not previously established a DCP account:	Complete, sign, and submit a *DCP Plan Enrollment Form* to the Payroll/HR department for your employer. The Payroll/HR department is responsible for forwarding the form to NPERS.

Unused leave payment amounts are determined by the Payroll/HR department for your employer per statute and/or contract language. These deferrals are subject to annual contribution limits. If the exact dollar amount of leave payout is not known at the time a participant completes the form, the participant may estimate the amount.

Value of Pre-Tax Savings

Contributions to DCP are made on a pre-tax basis. These contributions will not be reported as income and are not subject to state or federal income tax until distributed. Social Security and Medicare taxes (FICA) are deducted from contributions to DCP, so participating in DCP will not reduce future Social Security benefits.

IT ONLY COSTS $80 TO SAVE $100 IN DCP!		
	PAY WITHOUT DCP CONTRIBUTIONS	PAY WITH DCP CONTRIBUTIONS
Gross Monthly Pay	$2,000	$2,000
Less 5% DCP Contribution	– 0	– 100
Taxable Pay	**$2,000**	**$1,900**
Less Federal & State Tax **(Assume 15% federal & 5% state)**	– 400	– 380
Take-Home Pay	**$1,600**	**$1,520**
Difference in Take-Home Pay		**$80**

INCOMING ROLLOVERS/ TRANSFERS

Participants may rollover or transfer funds into their DCP account from the following tax-qualified plans:

TAX-QUALIFIED PLANS THAT MAY TRANSFER TO DCP	
401(a)	Qualified Retirement Plan [includes a 401(k) plan]
403(a) or (b)	Tax Sheltered Annuity Account
457(b)	Eligible Deferred Compensation Plan (Nebraska only)
408(a)	Individual Retirement Account containing only rollover monies from a qualified plan (“Conduit” IRA)
408(b)	Individual Retirement Annuity other than an endowment contract

The following conditions must be met when transferring to your State of Nebraska DCP account from another Nebraska § 457 plan:

CONDITIONS FOR TRANSFERRING FUNDS FROM A §457 PLAN

- The participant is actively employed by the State of Nebraska.
- The participant has enrolled and made at least one contribution to their Nebraska DCP account.
- After the transfer has occurred, the participant must make at least one additional monthly contribution to their Nebraska DCP account equal to or greater than the monthly amount the participant was contributing to the transferring plan.
- The participant's annual contribution limit is reduced by any contributions the participant previously made to the other § 457 account. The participant may not contribute more than the annual dollar limit for all § 457 plans in which they participate during any one calendar year.
- The participant must have ceased employment with the entity that maintains the transferring plan unless the participant is transferring all of the assets from the other § 457 plan.

The following conditions apply when rolling funds *from* a § 401, 403, or 408 account into the State of Nebraska DCP account:

CONDITIONS FOR TRANSFERRING FUNDS FROM A §401, §403, OR §408 PLAN

- The participant must be an active employee participating in the State of Nebraska DCP. Exception: State and County Employees may rollover funds from Cash Balance after termination provided, they established a DCP account prior to ceasing employment with the State or County. (See "Enrollment.")
- Since the rollover is from a non-457 plan, amounts rolled into the DCP account will be accounted for separately from any current and future DCP contributions.
- Amounts rolled into the DCP account will not count toward the annual limit on deferrals. (See "Contribution Limits.")
- Participants cannot roll funds from a Roth account into DCP.
- Amounts rolled from other retirement accounts may be subject to early withdrawal penalties if distribution is made prior to retirement age.

INVESTMENT OF CONTRIBUTIONS

Participants in DCP must make their own investment decisions. If a participant does not make an investment election, their contributions will be invested in a LifePath fund. The LifePath fund into which participants are defaulted will be determined by the participant's date of birth, for the intended retirement at age 65.

EXAMPLE

Date of birth 01/01/1978 would default to LifePath 2045.

IMPORTANT

There is no guaranteed rate of return. Rates of return vary based on investment choices and market performance.

The Nebraska Investment Council periodically reviews the DCP investment options and may recommend changes to the options and fund managers. These recommendations must be approved by the Public Employees Retirement Board. Each year NPERS will publish an Annual Investment Report outlining the current investment options. This report is available on the NPERS website. For additional investment assistance, NPERS also offers an Investment Education video on the NPERS website.

INVESTMENT OPTIONS

- Investor Select
- U.S. Bond Index
- Stable Value
- International Stock Index
- U.S. Total Stock Market Index
- Global Equity
- U.S. Core Plus Bond
- Life Path Index 2065
- Life Path Index 2060
- Life Path Index 2055
- Life Path Index 2050
- Life Path Index 2045
- Life Path Index 2040
- Life Path Index 2035
- Life Path Index 2030
- Life Path Index 2025
- Life Path Index Retirement

Investment Election Changes

(FUTURE CONTRIBUTIONS)

Participants may *change* the percent of **future** contributions they have allocated to each fund at any time. This change will not affect the existing contributions (current balance) already invested in the various funds.

Investment Transfers

(EXISTING CONTRIBUTIONS)

Participants may *transfer* (move) a dollar amount or percentage of their **existing** balances between any of the various funds.

Trading Restrictions/Excessive Trading Policy

To protect plan sponsors and participants, and meet regulatory guidelines, the PERB implemented an excessive trading policy effective on May 1, 2011. This policy monitors and limits the number of *transfers* permitted within a set time period. Changes to *investment elections* (future payroll contributions) are not affected.

A "monitoring period" will begin whenever a participant makes a "Round Trip." A round trip is defined as a *transfer* ***into*** *followed by a transfer* ***out of*** *the same fund* within 60 days. When a participant executes a round trip, this initiates a 60-day monitoring period. If the participant makes *another transfer* ***into*** *the same fund* during the monitoring period, a written notice will be mailed to the participant's home address. This notice will inform the participant if they perform *a transfer* ***out of*** *this fund during the next 60 days*, they will be subject to trading restrictions.

Participants subject to trading restrictions will be prevented from making any transfers **into** the applicable fund for 60 days. Investment elections or transfers for all funds during this time period must be done via the U.S. Mail. This would exclude the use of phone, voice response, fax, web/internet, and hand-delivered means of executing trades. The participant will be notified in writing upon the imposition of these trading restrictions. Trading privileges will be restored automatically at the end of the trading restriction time period.

There are additional trading restrictions on the Stable Value Fund. A direct transfer between the Stable Value Fund and a "competing fund." Transfers between such "competing funds" via another fund are restricted for three months.

Participants cannot transfer out of and back into a fund on the same day.

Methods for Investment Elections or Transfers

There are the two ways participants may make investment elections or transfers.

METHODS FOR MAKING INVESTMENT CHANGES	
Online	NPERS recommends participants use the online access to make investment elections. Instructions on creating an online account are available on the NPERS website.
Mail or Fax	Complete a DCP Change Form and submit to NPERS by mail or fax.

Changes made online are processed daily after the close of the market. Changes received by mail or fax will be processed as soon as administratively possible. There is no fee assessed for changes or transfers and participants will receive confirmation of the changes from the plan record keeper. It is the participant's responsibility to review all confirmations and quarterly statements, and immediately report any discrepancies to NPERS.

ACCOUNT STATEMENTS

Account statements are mailed each calendar quarter. These statements give a detailed summary of contributions, investment earnings or losses, record keeper fees, and the account balance accumulated to date. Participants who prefer an electronic statement may select this option via the Ameritas online account access.

WARNING

It is the participant's responsibility to review all statements and immediately report any discrepancies to NPERS.

IMPORTANT

Participants should always inform their employer of any address changes. This helps ensure the participant's receipt of the account statements and other mailings.

Participants may request an account statement at any time by writing NPERS or utilizing the online account access.

EXEMPTION FROM LEGAL PROCESS

All DCP assets are held by NPERS *in trust*. A participant's accumulated account is immune from execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law. The assets cannot be paid out because of any legal actions. In addition, *participants cannot borrow from their DCP account* or use the assets as loan collateral since they are not assignable. The DCP account is not subject to the Spousal Pension Rights Act and so Qualified Domestic Relations Orders are not allowed in the DCP. DCP assets cannot be paid to anyone other than the participant or the participant's beneficiaries except through an Internal Revenue Service tax lien.

ADDRESS CHANGES

A participant's address is reported to NPERS by their employer as long as they are an active employee. Therefore, it is important participants keep their address current *with their employer*.

Terminated participants should report address changes in writing directly to NPERS to ensure receipt of their Account Statement and other items. An address change form is available on the "Forms" page of the NPERS website. All address change forms must be signed by the participant. In addition, a terminated participant *who has deferred taking benefits* (a.k.a. an inactive participant) may change their address online if they have created an NPERS online account.

WARNING

Terminated participants who fail to maintain an updated address may have their account balances transferred to Unclaimed Property. This may result in potential tax implications.

FEES

ACCOUNT FEES

There are three separate fees assessed to member accounts.

- Record keeping fee
- NPERS' administrative fee
- Investment management fee

IMPORTANT

The amount of these fees are subject to change. Changes to fees are reported in NPERS' newsletters and on the NPERS website.

Record Keeper Fee

The fee for record keeping services is subtracted directly from a participant's account. This fee is assessed monthly and is reflected on the quarterly account statement.

In addition to the monthly record keeping fees, charges are assessed when a participant takes a distribution from their account. Full (final) distributions of account balances greater than $500 will be charged $75, distributions of $150 up to $500 will be charged $35, and distributions less than $150 will not be assessed a final distribution fee. All partial distributions or systematic withdrawals will be charged $5 per distribution.

The record keeper will also charge a quarterly fee of $0.50 for delivery of statements or documents mailed to plan participants. Participants can avoid this mailing fee by signing up for electronic distribution of correspondence.

Administrative Fee

A portion of NPERS' operational costs are reimbursed from administrative fees. NPERS will assess this fee in the form of basis points against plan assets. A basis point is one one-hundredth of a percent. These fees are reflected in the adjustment column of the quarterly statement.

Investment Management Fee

The investment management expenses include the operational costs of the Nebraska Investment Council, the custodial bank fee to handle the plan accounting, and the fee charged by each fund manager. These fees are not subtracted on the quarterly statement but reduce the earnings of each investment fund.

Because of economies of scale and the State's negotiating power, the investment fees on the funds are very low. In comparable mutual funds outside of the DCP, fees are generally higher and sales charges may also apply. Investment fees for each fund are listed in NPERS' Annual Investment Report.

BENEFICIARY DESIGNATION

Beneficiaries are the person or persons a participant designates to receive their account balance upon their death. If the participant elects to enroll in DCP, the participant needs to complete and submit a Beneficiary Designation Form. The beneficiaries designated for the mandatory retirement plan will not automatically transfer to the voluntary DCP account.

Keeping beneficiary designations up-to-date will ensure benefits are paid promptly and properly upon the participant's death.

CIRCUMSTANCES FOR BENEFICIARY REVIEW

We recommend reviewing beneficiary designations when:

- The participant or a beneficiary marries or becomes divorced
- A beneficiary dies
- A participant returns to employment after receiving a distribution of their account
- The participant has a child

Participants may request a Beneficiary Designation Form from their employer or NPERS or access the form on the NPERS website. Updates go into effect only upon receipt of the original, properly completed, signed, and notarized form in the NPERS' office. All previous beneficiary designations will be cancelled.

Beneficiary information is considered confidential and will not be provided over the phone. Participants who created an NPERS online account may be able to view their beneficiary(ies) online. Participants may request beneficiary information in writing or may submit a new form to establish new beneficiaries.

If there is no designated beneficiary on file, death benefits will be paid to the spouse married to the participant on the participant's date of death. If there is no eligible designated beneficiary or spouse, death benefits will be issued to the participant's estate. (See "Death Benefits.")

COMPLETING THE BENEFICIARY DESIGNATION FORM

- Participants may name primary and contingent beneficiary(ies).
- Participants may name a person or a trust. When naming a trust, include the full name and date of the trust along with the name of the trustee and their contact information. When designating a living trust, NPERS will need a point of contact who in theory will survive the participant.
- If a participant has more than one retirement account at NPERS, the participant may mark their Beneficiary Designation Form ("Plan Type" – upper right corner) for all accounts, or file separate Beneficiary Designation Forms if they want to name different beneficiaries for each account.

DISTRIBUTION OF BENEFITS

- Benefits will go to a participant's named, primary beneficiary(ies) in equal amounts *unless* the participant assigns specific percentages.
- If a participant designates multiple primary beneficiaries and one or more of them predecease the participant, the participant's benefits will be divided among the remaining primary beneficiaries.
- NPERS **does not** observe the passing of benefits to the heir(s) of deceased beneficiary(ies) *per stirpes*.
- Only when all the participant's named, primary beneficiary(ies) *have predeceased the participant*, will benefits go to the participant's contingent beneficiaries.

IMPORTANT

Beneficiary(ies) designated on a beneficiary form generally take priority over beneficiary(ies) named in a will or trust.

Death Payouts Foreign Beneficiary -Taxation

There are unique provisions of the Internal Revenue Code (IRC) that apply to pension distributions to presumed foreign persons, including presumed foreign persons named as beneficiaries. When naming beneficiaries, please note that any presumed foreign persons named as beneficiaries will need to comply with those unique provisions of the IRC. Complying with these requirements may cause the presumed foreign person, named as a beneficiary, to have to complete additional paperwork and provide additional information that would not be required of a U.S. citizen, permanent resident alien, etc. Complying with such requirements may generate processing delays.

DISTRIBUTION OF ACCOUNT

DISTRIBUTIONS MAY BE TAKEN FROM THE ACCOUNT UPON:

- Termination of employment or retirement
- Occurrence of a severe and unforeseeable emergency
- Death of the participant
- Attaining the Required Minimum Distribution (RMD) age, whether employed or not employed.
- "De minimus" withdrawals per IRS § 457 regulations (see "De Minimum Withdrawals")

IMPORTANT

If a participant has terminated employment with their DCP covered employer (i.e., State, County, Judges, or Patrol), the participant MUST begin distributions when they reach RMD age. (See "Taxation")

TRANSFERRING FUNDS

Participants may transfer funds to another qualified plan prior to retirement or termination if the transfer is made for:

- Purchase of service credit in a governmental defined benefit plan (i.e., Nebraska School Employees Retirement Plan, etc.), or
- Repayment of a refund in a governmental defined benefit plan

PAYMENT OPTIONS AT TERMINATION/RETIREMENT

Regardless of a participants age at termination or retirement, the participant may:

- **Defer** payment of their account up to Required Minimum Distribution (RMD) age, or
- Request **distribution** of their account

THE FOLLOWING PAYMENT OPTIONS ARE AVAILABLE

- **Lump sum distribution** paid directly to the participant (included in your taxable income)
- **Rollover or Conversion** to another tax deferred qualified plan or IRA (Traditional or Roth)
- **Systematic withdrawals** which provide a series of payments to the participant at the frequency and dollar amount the participant elects
- **Deferral** of payments until a later date (no later than RMD age)
- **Combination** of the above

Participants should contact NPERS to request a distribution form. Please review the form instructions for important information on how to complete the form and the order of distributions. After NPERS receives the properly completed and valid distribution form, the payment will be processed as soon as administratively possible, but **no sooner than 60 days** after the participant's termination to allow time for processing all contributions from final pay.

Funds distributed from DCP are taxed as ordinary income in the year in which a participant receives them. (See "Taxation.")

The record keeper charges a final distribution fee when participants take a total distribution of their account through a lump sum or rollover distribution. (See "Fees.")

Lump Sum Distribution Option

NPERS distributes all or part of the DCP account directly to the participant in a lump sum distribution. This distribution is reported as taxable income. A partial distribution will be allocated pro rata among the participant's investment funds. The distribution will be subject to a record keeper distribution fee plus a **20%** federal tax withholding and, for Nebraska residents, **5%** Nebraska state withholding. (See "Fees" and "Taxation.")

Rollover/Conversion Distribution Options

NPERS transfers (a.k.a. rolls over) all or part of the DCP account to another eligible § 457 government plan, eligible retirement plan, or Traditional IRA. Participants may elect to move their funds to a Roth IRA (a.k.a. a conversion). Except for conversions to a Roth IRA, rollover amounts are not taxable at the time of the rollover. Participants will be taxed when they withdraw the money from the other plan or Traditional IRA. Roth IRA conversions are subject to State and Federal income taxes *in the year of the conversion*. Participants are responsible for filing and paying taxes on Roth IRA conversions.

Systematic Withdrawal Option

The Systematic Withdrawal Option (SWO) is a series of withdrawals (distributions) paid to a participant at the frequency and dollar amount selected. The payment can be made on a monthly, quarterly, semiannually, or annually and must be a minimum withdrawal of at least $100. Withdrawals will be allocated pro rata among the participant's investment funds. Changes in the amount and frequency are *limited to two per year.*

While receiving SWO payments, the balance of a participant's account remains invested and is subject to market gains and losses. Participants may continue to make investment choices and may transfer their remaining account balance among the investment funds. Participants' accounts will continue to be assessed monthly fees and payments will cease if the account is fully depleted.

SWO distributions are subject to a record keeper distribution fee plus a **20%** federal tax withholding and, for Nebraska residents, **5%** Nebraska state withholding. (See “Fees” and “Taxation.”)

CHARACTERISTICS OF SWO

- Minimum withdrawal — $100
- Can be directly deposited into the participant’s bank account
- Federal taxes will be withheld at a 20% rate, and, for Nebraska residents, Nebraska state taxes will be withheld at 5%
- Amounts are subject to required minimum distribution rules
- Monthly, quarterly, semiannual, or annual distributions
- May make changes in amount and frequency of payments twice per year
- Account balance remains invested as directed. Investment selection and market performance determines gain or loss
- Payments cease if account is fully depleted

Deferral Option

Participants who do not wish to take payment of their account at the time you they terminate/retire may defer distribution of all or a part of their account. Payment of the account *may* begin at any time but *must* begin by April 1 following the year in which the participant reaches **Required Minimum Distribution (RMD)** age and has terminated employment. (See “Taxation.”)

While the account is deferred, it remains invested and is subject to market gains and losses. Participants may transfer their remaining account balance among the investment options. Deferred accounts continue to be assessed monthly fees.

IMPORTANT

To receive proper notification and payment of benefits when using the Deferral Option, participants must keep their address current with NPERS. Terminated participants who fail to maintain an updated address may have their accounts transferred to Unclaimed Property.

DEATH BENEFIT

A participant’s employer or beneficiaries should immediately notify NPERS of a participant’s death. Please instruct your beneficiaries to do so! Proof of death must be provided before any death benefits can be distributed.

DEATH BENEFITS

Eligible beneficiaries will be determined by:

- Beneficiaries designated on the most recently received NPERS beneficiary form
- If there is no surviving designated beneficiary and the participant was married at the time of death, death benefits will be paid to the participant's surviving spouse
- If there is no surviving designated beneficiary OR surviving spouse, benefits will be paid to the participant's estate

Surviving Spouse's Options

If a participant has designated their spouse as their sole primary beneficiary, the surviving spouse may elect distribution under any of the payment options. (See "Payment Options at Termination/Retirement.") **This election must be made *within 120 days* of the participant's date of death or the appointment of an executor, administrator, or personal representative.**

If a participant's surviving spouse elects to *defer* distribution within the 120-day time frame, the surviving spouse cannot defer longer than ten years after the participant's date of death. If a participant's surviving spouse elects a *systematic withdrawal*, the entire account must be distributed no later than ten years after the participant's date of death. If an election is not made within 120 days, death benefits will be paid as a 100% Lump Sum distribution. In all instances, the entire account must be distributed no later than ten years after the participant's date of death.

Non-Spousal Options

Non-spousal beneficiaries may elect either the Lump Sum Distribution Option, the Rollover Distribution Option, or the Systematic Withdrawal Option. **This election must be made *within 120 days* of the participant's date of death or the appointment of an executor, administrator, or personal representative.** If an election is not made within 120 days, death benefits will be paid as a 100% Lump Sum distribution. In all instances, the entire account must be distributed no later than 5 years after the participant's date of death.

IMPORTANT- ADDRESS

Beneficiaries receiving a death benefit must maintain a current address with NPERS. Failure to maintain an updated address may result in potential tax penalties and transfer of the account to Unclaimed Property.

UNFORSEEABLE EMERGENCY WITHDRAWALS

If a participant suffers a severe, unforeseeable emergency, the participant can apply to take a distribution from their account prior to ceasing employment. Emergency withdrawals are not allowed for personal expenses, such as a down payment for a house, purchase or repair of an automobile, college or other educational expenses, normal monthly bills, or credit card debt.

The severe, unforeseeable emergency must result from a sudden and unexpected illness or accident of the participant or the participant's dependents, or the loss of the participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising because of events beyond the participant's control.

The participant must provide financial records that document the severe, unforeseeable emergency and its financial impact on the participant, and complete an Emergency Withdrawal Request Questionnaire. The participant must also prove that they cannot meet the financial need created by the severe, unforeseeable emergency from other resources. Distributions will be limited to the amount necessary to satisfy the need (plus reasonable taxes).

DCP accounts are subject to market fluctuations prior to the actual distribution of an emergency withdrawal.

Contact NPERS if you have questions regarding emergency withdrawals. Emergency withdrawals must be approved by the Public Employees Retirement Board. NPERS is required to withhold taxes on emergency withdrawals. (See "Taxation.")

"DE MINIMUS" WITHDRAWALS

Participants may withdraw their total account if the balance is less than $5,000 and the participant has not contributed to the DCP during the prior two years. In addition, NPERS reserves the right to distribute an account if a participant does not make contributions for two years and the account balance is less than $1,000. Only one de minimus withdrawal is allowed during a participant's DCP participation.

REEMPLOYMENT

Participants must incur a bona fide termination of employment before a distribution from the DCP will be allowed, unless an exception applies. If a participant returns to employment at an employer covered by the DCP within 120-calendar days after the alleged termination date, or the participant prearranges a return to work with an employer covered by the DCP, the participant has not terminated employment. If a participant does not terminate employment and has taken a distribution from their account, the participant will be required to repay any distribution.

TAXATION

Contributions to DCP are not subject to state and federal income taxes when deducted from your salary. The taxable income reported on a participant's Wage and Earning Statement (IRS Form W-2) issued by a participant's employer is reduced by the amounts the participant contributes to their DCP account.

When a participant takes a lump sum, systematic withdrawals, or Roth conversion distributions from their DCP account, the participant will be subject to federal and state income tax on the distribution. State income tax will be based on the participant's state of residence when they receive the payments.

NPERS is required *by law* to withhold **20%** for federal income taxes and, for Nebraska residents, **5%** for Nebraska state income taxes for lump sum and systematic withdrawal distributions. The withholding for approved unforeseeable emergency withdrawals is also 20% for federal and 5% for Nebraska. These withholdings may or *may not* satisfy a participant's tax obligations for the year.

Taxable distributions from a participant's account will be reported to on a 1099-R form each year in January. A copy of the 1099-R will also be provided to the Internal Revenue Service.

Participants may wish to contact the Internal Revenue Service and/or a tax consultant for additional income tax information.

Taxation of Rollovers/Conversions

Any amounts from a participant's DCP account rolled into a Traditional IRA, or another qualified retirement plan, are not subject to taxation at the time of the rollover. Those amounts will be subject to taxation when the participant takes a distribution from the rollover account.

Conversions to a Roth IRA are subject to State and Federal income taxes in the year of the conversion. Participants are responsible for filing and paying taxes on the Roth IRA conversion.

Taxation of Annuities

As of July 1, 2020, NPERS no longer offers annuities as a distribution option from the DCP. However, some legacy annuities are still being paid. NPERS will withhold federal taxes, and Nebraska state taxes for Nebraska residents, from each monthly annuity payment based on the withholding election a legacy annuity participant designates on a Withholding Certificate for Annuity Payments form. If you do not submit a withholding form, taxes are withheld at the rate of "married taxpayer with three exemptions." Such a participant may change your withholding at any time by submitting a new withholding form.

If a participant is not a resident of the State of Nebraska, monthly annuity payments may be subject to state taxes of the state in which the participant resides.

Required Minimum Distributions (RMD)

Taxable distributions (RMDs) must be taken each year after a participant has terminated employment and reached RMD age.

RMD DEADLINES

A participant's first (initial) RMD must be taken by the April 1 following the later of:

- The year the participant terminates employment, if the participant is over RMD age, or
- The year the participant reaches RMD age.

Subsequent RMDs must be taken each year by December 31.

RMD ages are determined by the federal tax code. Effective January 1, 2020, the RMD age was increased from 70½ to 72 . If you were born on or after July 1, 1949, your RMD age is 72.

YOUR RMD AGE

- **If you were born *before* July 1, 1949, your RMD age is 70½.**
- **If you were born *on or after* July 1, 1949, your RMD age is 72.**

IT IS THE PARTICIPANTS' RESPONSIBILITY TO:

- Understand their RMD age and due dates
- Calculate RMD amounts
- Take a taxable distribution in time to meet RMD deadlines

Failure to take an RMD can result in significant tax penalties and the eventual transfer of a participant's account to Unclaimed Property. Participants may wish to consult with a tax professional for assistance.

IMPORTANT

NPERS will make every effort to provide RMD warnings to terminated participants, but we cannot guarantee accurate notification for every participant. This is especially true if the participants do not keep their contact information up-to-date.

Early Withdrawal Penalties

Unlike the mandatory Nebraska State and County retirement plans, or a Traditional IRA, contributions made to the DCP, and their earnings, are ***not*** subject to a 10% federal tax penalty for early withdrawals.

Any funds (and subsequent earnings) rolled into DCP from another tax-qualified plan may be subject to early withdrawal provisions.

RETIREMENT SAVINGS TAX CREDIT

Low- and moderate-income employees may be able to reduce their taxes by qualifying for the Federal Saver's Tax Credit, formally known as the Retirement Savings Contribution Credit. Contributions to DCP may qualify participants for a tax credit of up to $1,000 per individual ($2,000 if filing jointly).

Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI). Income limits are adjusted each year for inflation and published by the IRS.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of an individual's taxable income and the individual pays taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes an individual owes dollar-for-dollar and provides *significantly* better savings.

PARTICIPANTS MAY TAKE THE CREDIT IF **ALL** OF THE FOLLOWING APPLY:

- The participant is at least age 18
- The participant is not a full-time student
- No one else claims an exemption for the participant on their income tax return

For further information and full details on the "Retirement Savings Contributions Credit," please consult a tax professional or access the Internal Revenue Service website **at www.irs.gov**.

ADMINISTRATION OF THE PLAN

The **Public Employees Retirement Board (PERB)** consists of eight members appointed by the Governor for five-year terms. Six members are participants in the retirement systems administered by the PERB. Two are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is also a member of the PERB in a non-voting, ex-officio capacity.

The PERB is responsible for the administration of the Judges, State Patrol, School Employees, State Employees and County Employees Retirement Systems, and the Deferred Compensation Plan. PERB meetings are normally scheduled on the third Monday of each month. Current PERB members and meeting dates may be found on the NPERS website.

The **Nebraska Public Employees Retirement Systems** is the agency responsible for the administration of the Plan.

The **Director** is hired by the PERB and directs NPERS in its administration of the various systems. The Director is subject to the approval of the Governor and a majority vote of the Legislature.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

The **Nebraska Investment Council** is responsible for the investment and management of the systems' assets. The Council contracts with outside managers to invest the various funds.

The **record keeper** is a company under contract with the PERB to maintain individual member accounts, provide quarterly statements, and allow for changes in investment allocations where applicable.

RELEASE OF INFORMATION

Participant account information including name, address, account balances, beneficiaries, or payment options, will only be released under specific conditions.

CONDITIONS FOR RELEASE OF INFORMATION

- The participant personally visits NPERS with adequate proof of identity
- Adequate proof of identity provided over the phone (not including beneficiaries)
- Written and signed requests from the participant
- Written release signed and dated by participant (release date must be less than 12 months old)
- A court ordered release
- Request from guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship
- A request for information from an individual holding a power of attorney granted to that person by a member and the power of attorney on file contains:
    - A provision specifically granting the attorney-in-fact authority to deal with retirement plans; or
    - A provision granting the attorney-in-fact authority to do all things on the member's behalf; and a provision authorizing the release of information to the attorney-in-fact
- Request from a personal representative of a deceased member accompanied by a certified copy of letters of appointment
- A request for information from a third party signed by the third party and the participant

Beneficiary designation(s) are only provided to the participant after receipt of a signed, written request or personal visit to NPERS (with adequate proof of identity).

Account information may be released to a participant's employer for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws. Account information may be released as necessary under a qualified domestic relations order, court order, or subpoena.

Fax Policy

FAXABLE DOCUMENTS	
The following will be honored via facsimile (fax) if signed by the member:	■ Requests for account information ■ Requests for beneficiary listings ■ Changes in tax withholding ■ Changes in direct deposit ■ DCP Enrollment and Change forms

Original, signed NPERS forms are required to process distributions, change beneficiaries, or submit change of address for terminated/retired members.

Email Policy

General questions about DCP and requests for forms may be communicated through email.

At the present time, NPERS does not answer individual account questions by email. NPERS will respond to signed, written requests.

APPEALS PROCESS

DCP participants may have their accounts reviewed if they disagree with a written decision reached by NPERS' Director or the Public Employees Retirement Board (PERB). Participants must file an appeal form within 30 days after receiving notice of the Director's or the PERB's decision.

A hearing officer appointed by the PERB will schedule a hearing and send written notice to all parties concerned. If participants wish to further appeal a decision, they may be eligible for judicial review under the Administrative Procedures Act.

State laws and NPERS policies are subject to change. Please view our website or contact our office for the most current plan information.

NPERS

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