

NEBRASKA

STATE PATROL

EMPLOYEES RETIREMENT SYSTEM &
DEFERRED RETIREMENT OPTION PLAN (DROP)



NPERS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS



IMPORTANT

This handbook contains time-sensitive information and should be read by all new State Patrol Retirement System members within 30 days of employment as a sworn officer of the Nebraska State Patrol.



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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NEBRASKA STATE PATROL RETIREMENT SYSTEM

Nebraska Revised Statutes
§§ 81-2014 through 81-2041

The Nebraska State Patrol Retirement System (the “Plan”) is a Defined Benefit Plan administered by the Public Employees Retirement Board (PERB) for State Patrol Sworn Officers.

The Plan is qualified under Internal Revenue Code **§401(a)** and is comprised of a Defined Benefit and a voluntary **Deferred Retirement Option Plan (DROP)**.

The voluntary DROP was added to the Plan, effective September 1, 2008. *DROP information is in the second half of the handbook.*

Tier Two benefits were added to the plan effective July 1, 2016.

IMPORTANT



The handbook provides an overview of the benefits available to members of the Plan as of the revision date. It is not intended to be a substitute for retirement education. In most circumstances, benefits are established using the statutes in effect at the time of termination. The provisions of the Nebraska State Patrol Retirement Act, in all cases, supersede the information in the 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.

If you have questions, contact:

Nebraska Public Employees Retirement Systems (NPERS)
P.O. Box 94816
Lincoln, Nebraska 68509-4816

Fax 402-471-9493, or call 402-471-2053
or call toll-free 800-245-5712.

You may schedule an appointment to visit NPERS at **1526 K Street, Suite 400**, in downtown Lincoln, or visit the website at **npers.ne.gov**.

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BENEFIT TIERS

Legislation passed in 2016 created a second tier of benefits. This benefit tier affects members joining the plan on or after July 1, 2016.

TIER ONE

Tier One refers to members who joined the plan prior to July 1, 2016.

TIER TWO

Tier Two refers to members who joined the plan on or after July 1, 2016.

IMPORTANT



Most plan provisions for Tier One and Tier Two are identical. Differences between the Tiers will be specifically noted in the handbook.

RETIREMENT BENEFIT

At retirement, eligible (vested) members will receive a monthly “pension” benefit paid for their lifetime. This benefit is calculated using a formula that multiplies total years of service credit, by the highest 12-month periods of salary (final average monthly compensation), and a formula factor set by law (currently 3%).

DEFINED BENEFIT FORMULA

Years of
Creditable
Service

X

Final
Average
Monthly
Compensation

X

Formula
Factor
(Currently
3%)

=

Retirement
Benefit
Payment

IMPORTANT



A member's account balance is NOT used when calculating the monthly benefit amount at retirement.

WARNING



Members **CANNOT** take a distribution from retirement until they have terminated employment with the State of Nebraska, including the Nebraska State Patrol and all other State agencies.

IMPORTANT



The **maximum monthly retirement benefit** payment is 75% of a member's final average monthly compensation. Members attain their maximum benefit payment after attaining 25 years of service credit provided they are at least age 50 when they apply for benefits.

MEMBERSHIP

Every sworn officer of the Nebraska State Patrol who is employed on or after September 7, 1947, must be a member of the Plan, *except for* sworn officers who were previously Carrier Enforcement Officers and chose to remain in the State Employees Retirement System.

Upon graduation from the training academy, the State Patrol Office will begin retirement deductions from a member's compensation and provide each new Plan member a Beneficiary Designation Form and a Statement Concerning Your Employment In A Job Not Covered by Social Security Form (See "Beneficiary Designation" for limitations). New Plan members should complete and return these forms to the Nebraska Public Employees Retirement Systems (NPERS) as soon as possible.

CONTRIBUTIONS/FUNDING

Members of the Plan contribute a percentage of their gross monthly compensation. The Nebraska State Patrol matches the members' contributions at 100%.

TIER ONE

Members who joined the Plan prior to July 1, 2016, currently contribute 16% of compensation.

TIER TWO

Members who joined the Plan on or after July 1, 2016, currently contribute 17% of compensation.

The Nebraska Investment Council (NIC) invests the assets of the Plan to help fund the lifetime benefits issued to eligible members. The NIC invests in a variety of investment vehicles, including bonds and fixed investments, and domestic and foreign equities (stock).

IMPORTANT



Contributions from the State of Nebraska and investment earnings are not credited to members' accounts, but, instead, provide funding for the lifetime monthly benefit provided to eligible members at retirement.

ELIGIBILITY/VESTING

Members must vest to be eligible for a monthly retirement benefit. Unvested members are only eligible for a refund of their contributions, plus statutory interest.

Vesting occurs incrementally based on years of service credit earned in the Plan. Members with *less than six* full years of service are not vested and are not eligible for a monthly benefit at retirement. At six years, members are 20% vested. This vesting percentage increases 20% for each additional year of service thereafter until reaching 100% at 10 years of service. (See “Vesting Reductions.”)

Members who terminate employment with the Patrol at age 60 are 100% vested regardless of years of service.

Vesting Credit

Within the **first 180 days** of employment, members may apply for *eligibility and vesting credit* for years of participation in another Nebraska governmental retirement plan as defined by Section 414(d) of the Internal Revenue Code.

IMPORTANT



Vesting credit is not “service credit.” It will not be included as service credit in your retirement benefit calculation but instead is used to determine the vesting percentage.

To apply for vesting credit, members should request an Application for Vesting Credit from the State Patrol Personnel Office or NPERS. **To be considered, a member’s completed application must be received by NPERS within 180 days of the start of the member’s employment as a sworn officer of the Nebraska State Patrol. There are no exceptions.** Members who fail to timely apply are not eligible for vesting credit.

To qualify as years of service for vesting purposes, members must have been a full-time employee of the Nebraska governmental entity while participating in the other Nebraska governmental retirement plan. Examples of Nebraska governmental employment that may qualify for vesting credit include, but are not limited to municipal government, state government, county government, public power district, public school, state university or state college. Examples of governmental employment that does not qualify for vesting credit include, but are not limited to: federal employment, out-of-state university or college, or any non-governmental employment.

BENEFICIARY DESIGNATION

Members have enhanced statutory death benefits that are unique to the Plan. These statutory death benefits offer extraordinary opportunities should a member pass away leaving a surviving spouse and/or surviving children under the age of 19. However, due to the nature of these enhanced statutory death benefits, members are generally limited to naming only their spouse and children under the age of 19 as the beneficiaries of their Plan assets. The Beneficiary Designation Form members complete when they join the Plan *must* include member's spouse and children under the age of 19.

Members are required by law to update their survivor listing with NPERS. NPERS will send a Supplemental Registration Form to members annually to facilitate this process. Members must complete the form and return it to NPERS. If a member's beneficiary designation conflicts with Nebraska law, death benefits will be paid according to the law, not the member's beneficiary designation (See "Death Benefits" for more details).

Members who have no spouse or children under age 19 may name other beneficiaries by filing a Beneficiary Designation Form with our office.

Divorced members must provide NPERS with a copy of their divorce decree and property settlement agreement. In addition, if a member's former spouse is entitled to a portion of the member's account, proper language must be included in a domestic relations order and qualified by NPERS. (See "Spousal Pension Rights Act.")

IMPORTANT



It is important to inform NPERS of any beneficiary changes to ensure benefits are paid promptly and properly. Members who have more than one retirement account at NPERS must designate to which accounts the Beneficiary Designation Form ("Plan Type" – upper right corner), or file separate Beneficiary Designation Forms if they want to name different beneficiaries for each NPERS retirement account.

WARNING



Beneficiary(ies) designated on a valid and complete beneficiary form that does not conflict with statute generally take priority over beneficiary(ies) named in a will or trust.

EXEMPTION FROM LEGAL PROCESS

All Plan assets are held *in trust*. Under current law, these assets are immune from execution, garnishment, attachment, bankruptcy and insolvency laws, or any other process of law. Members cannot use their Plan assets as loan collateral since they are not assignable.

IMPORTANT



There are only two means by which Plan assets can be paid to anyone other than the member or the member's beneficiaries:

- Through a qualified domestic relations order under the Spousal Pension Rights Act
- Through an IRS tax lien

TERMINATING SERVICE BEFORE RETIREMENT

Members who terminate employment as a patrol officer before becoming eligible for monthly retirement benefits (see "Retirement Age") have the following choices for management of their Plan assets:

Deferral

Terminated members who have **six or more years of service**, including vesting credit, may elect to defer their retirement benefit until they reach retirement age and apply for a monthly benefit. *Members who elect this option cannot elect to take a refund of their contributions at a later date.* A monthly benefit is calculated using the salary and service credit the member accumulated at termination. Age and vesting reductions may also apply depending on the member's vested status upon termination and age when they apply for the benefit. (See "Retirement Age" and "Vesting Reductions.")

In the event of a member's death during the deferred period, the accumulated value of the member's contributions at the date of termination, plus regular interest as defined in the law to the date of the member's death, will be paid to the member's beneficiary or estate. No monthly survivor benefit will be provided.

IMPORTANT



Members who are not vested may defer their account but are not eligible to receive a monthly retirement benefit. (See “Eligibility/Vesting.”)

ADDRESS UPDATES

Members who defer their account must report any address changes in writing directly to NPERS to ensure they receive their annual Account Statements and other informational items. An address change form is available on the “Forms” page of the NPERS’ website. All address change forms must be signed by the member. In addition, a terminated member *who has deferred taking benefits* (a.k.a. an inactive member) may change their address online if they have created an NPERS online account.

WARNING



A terminated member who fails to maintain an up-to-date address with NPERS may have their account balance transferred to Unclaimed Property. This may result in loss of benefits and potential tax implications.

Refund

Terminated members who are not eligible to retire may request a refund of their accumulated contributions plus regular interest as defined in the law. (See “Retirement Eligibility.”) Members who wish to apply for a refund must request an Application for Separation Refund form by telephone or in writing from NPERS.

APPLICATION FOR SEPARATION REFUND

After NPERS receives a member’s properly completed, signed, and notarized Application for Separation Refund, the member’s payment will be processed no earlier than the later of:

60 days after the member’s termination date (provided all retirement contributions have posted to the member’s account)

OR

20 business days after receipt of the member’s completed application

All or part of a member's refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth). Except for rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. Members will be taxed when they withdraw the money from the other plan. Roth IRA rollovers (a.k.a. "Roth conversions") are subject to State and Federal income taxes *in the year of the rollover*. Members are responsible for filing and paying taxes on the Roth conversion. **Be aware that refunds do not include employer matching contributions and taking a refund erases/cancels all service credit in the Plan.**

IMPORTANT



Tier One members who take a refund and return to plan participation (reemployed) on or after 7/1/2016 will return under Tier Two provisions.

IMPORTANT



You must incur a bona fide termination of employment to receive a refund. (See "Termination.") Members who return to employment with the Patrol may be able to repay a refund and restore service credit. (See "Repayment of Refund.")

SERVICE CREDIT

Per Nebraska law, service credit is earned for serviced rendered while a contributing member of the Plan, rounded to the nearest month. A member receives one year of service credit for each year that elapses from the member's plan entry date. Partial credit is granted if a member's employment terminates before the anniversary of the member's plan entry date.

Service credit is not earned for periods when members do not make retirement contributions. Members will not be granted service credit if they:

- Go on an unpaid leave of absence
- Take leave without pay
- Are placed on unpaid suspension
- Are paid worker's compensation benefits
- Incur any other periods where they are not contributing to the Plan

Members must report any non-contributing periods to NPERS in writing to help ensure accurate service credit is reflected in their files.

The **maximum** retirement benefit payable is 75% of a member's final average monthly compensation. Therefore, *25 years* is the *maximum* number of years that will apply towards a member's retirement benefit calculation (25 years X 3% formula factor = 75%).

If a member works **more than 25 years**, the extra years of service credit will not be included when calculating the member's retirement benefit. However, if a member's salary increases during those years, the member's final average monthly compensation used to calculate the member's benefit may increase thereby increasing the member's monthly benefit.

Military Service

Members who are reemployed after qualified military service may be eligible for vesting and service credit for their period of military service. The employer shall be responsible for funding covered military service benefits including member and employer contributions. Military service credit provisions only apply to service that falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA).

Members who wish to have their military service reviewed for potential service credit must file their request with NPERS in a timely fashion. Please contact NPERS for further assistance regarding eligibility, the application process, applicable time frames, and the documentation necessary to support such an agreement.

HEART ACT

Heroes Earnings Assistance and Relief Tax Act of 2008

For any member whose death occurs on or after January 1, 2007, while performing qualified military service, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requires their beneficiary(s) be entitled to any additional death benefit the member would have received had the member been employed during the period of military service when the death occurred.

VERIFICATION OF SERVICE CREDIT

A member's years of service credit (and compensation) must be verified by NPERS before a retirement benefit can be calculated. Upon receipt of a member's retirement application, NPERS will contact the State Patrol Business Office and request the member's employment history.

IMPORTANT



Service credit and compensation for retirement purposes will be determined by NPERS in accordance with Nebraska law. (See “Creditable Service” and “Compensation.”)

Members may make a one-time, written request for a tentative verification of service credit from NPERS up to one year, but no less than 180 days prior to, retirement or entering DROP.

When a member makes such a request, the member must disclose any:

- Periods of leave without pay
- Unpaid leaves of absence
- Suspensions without pay
- Periods where the member received worker’s compensation benefits
- Period when the member was not contributing to the Plan

NPERS will corroborate the information reported by the member with the State Patrol Business Office to tentatively verify the member’s service credit. Service credit accrued, and leaves without pay taken, after the tentative verification will be reviewed by NPERS when we receive the member’s retirement application.

Members who do not request a tentative verification will have their service credit verified by NPERS when their benefits are calculated.

COMPENSATION

TIER ONE

At retirement, a member’s **three** highest 12-month periods of salary, counting back from the final month of pay, are used to determine their *final average monthly compensation* when calculating the member’s benefit.

TIER TWO

At retirement, a member’s **five** highest 12-month periods of salary, counting back from the final month of pay, are used to determine the member’s *final average monthly compensation* when calculating the member’s benefit. (See “Tier Two Salary Caps.”)

“Compensation means gross wages or salaries payable to the member for personal services **performed** during the plan year” and “**includes** overtime pay, member retirement contributions, and amounts contributed by the member to plans under §§125 and 457 of the Internal Revenue Code.”

For Tier One Members

Compensation **does not include** insurance premiums converted into cash payments, worker’s compensation benefits, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.

For any officer employed after January 4, 1979, compensation does not include compensation for unused sick leave or unused vacation leave converted to cash payments.

For Tier Two Members

Compensation **does not include** unused sick leave, vacation, holiday compensatory time, compensatory time, or similar benefits converted to cash payments, insurance premiums converted into cash payments, worker’s compensation benefits, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.

SALARY CAPS

**Applies to
Tier Two
Only**

As required by Nebraska law, increases in compensation during the five years prior to retirement will be capped at 8% per year for purposes of calculating Tier Two members’ retirement benefits.

Longevity Pay (All Tiers)

The annual lump-sum longevity pay issued to Troopers on their service anniversary date is not included as compensation for retirement purposes.

REPAYMENT OF REFUND

Members who previously took a refund from the Plan and then return to active employment may repay their refund to reestablish prior service credit. Full payment must be received **within five years** of the member's election to purchase service credit or prior to termination, whichever occurs first.

Payment may be made through direct payments, an irrevocable payroll deduction or a rollover from the following types of tax qualified plans:

- §401(a) Qualified Retirement Plan [including 401(k) plans]
- §403(a) or (b) Tax Sheltered Annuity Account
- §457(b) Eligible Deferred Compensation Plan
- §408(a) or (b) Individual Retirement Account containing only pre-tax funds/ monies from a qualified plan

The cost to repay a refund will include the original amount of the refund plus the interest that would have accrued if the account had not been withdrawn.

Members interested in repaying a refund should contact NPERS for an Application for Purchase of Service and Method of Payment Form. The form and an estimated purchase cost will be sent to the member by NPERS. Because the repayment process includes multiple steps and the member must be actively working and contributing to the Plan at the time of the purchase, NPERS must receive a member's valid and complete application **no later than 60 days prior** to the member's last day of employment as a sworn officer with the Nebraska State Patrol.

ACCOUNT STATEMENT

Each fall, NPERS will mail an Account Statement *to our members' home address*. Members who are actively working for the Nebraska State Patrol as sworn officers must have their address for retirement purposes updated by the Nebraska State Patrol. Members who terminate prior to reaching retirement age should notify NPERS directly of any address changes.

The annual Account Statement is the document NPERS uses to inform members of their estimated years of service credit and compensation for the prior fiscal year as reported by the Nebraska State Patrol Business Office. Compensation and service credit are considered "estimated" until reviewed and verified by NPERS.

A member's benefit is determined using the member's total years of creditable service and highest years of compensation (as described earlier in the handbook). It is critical that members review this data as reported on their Account Statement! **Members must notify NPERS in writing of any potential service credit or compensation errors appearing on their annual Account Statements.**

A member's total contributions and regular interest as defined by law are also reported on the annual Account Statement. Interest is credited monthly. Employer contributions and investment earnings are used for funding the monthly lifetime retirement benefits and do not appear on members' annual Account Statements because they are a Plan asset.

TERMINATION OF EMPLOYMENT

Termination of employment occurs on the date on which the Nebraska State Patrol determines a member's employer-employee relationship is dissolved. The Nebraska State Patrol Business Office must notify NPERS of the date on which such a termination occurs. Termination of employment does not include ceasing employment with the Nebraska State Patrol if the member returns to regular employment with the Nebraska State Patrol **or another agency of the State of Nebraska** within **120 calendar days** after ceasing employment. (See "Reemployment.") If a member has not terminated employment with the State of Nebraska, the member will be prohibited from taking a distribution from the Plan, and will be required to contribute to the appropriate NPERS retirement plan based upon the agency for which the member is rendering service and the capacity in which the member is employed.

RETIREMENT AGE/ELIGIBILITY

IMPORTANT



There are three important points to remember:

- If a member delays distribution of their retirement benefits, NPERS will calculate the member's benefit using **the member's attained age on their retirement effective date**, rather than the member's age when they terminated employment. (See "Retirement/Effective Date.")
- The maximum monthly benefit payment is 75% of final average monthly compensation.
- Benefits are calculated **based on the law** in effect at the time the member terminated employment with the State Patrol/State of Nebraska.

Unreduced Benefits

ELIGIBILITY FOR UNREDUCED BENEFITS

30 or More Years of Service; Any Age

Members with **30 or more** years of service credit are eligible for an unreduced benefit **at any age**.

25 or More Years of Service; Age 50

Members who terminate with **25 or more** years of service credit are eligible for an unreduced benefit **at age 50**.

10 or More Years of Service; Age 55

Members who terminate employment with **10 or more** years of service credit are eligible for an unreduced retirement benefit **at age 55**.

Reduced Benefits

Vested members with less than 25 years of service credit may begin drawing a reduced retirement benefit at age 50.

BENEFITS WILL BE REDUCED BY:

5/9ths of 1% for each month the member's age precedes age 55

OR

5/9ths of 1% for each month the member's service credit precedes 25 years

The calculation that provides the highest amount will be used when determining the member's benefit.

Benefits for partially vested members with less than 10 years of service credit will also be reduced by a vesting percentage as explained in "Vesting Reductions."

Mandatory Retirement – Unreduced Benefits

Members must retire from the State Patrol at **age 60**. Any member who attains age 60 upon separation from service is eligible to receive an unreduced monthly benefit based on the years of service credit acquired and compensation reported.

Deferred Retirement

Members who cease employment **prior** to reaching retirement age and have six or more years of service credit may defer their retirement benefit until reaching retirement age. (See "Terminating Service Before Retirement, Retirement Age/Eligibility, and Vesting Reductions.")

VESTING REDUCTIONS

Benefits will be subject to a vesting reduction for members with at least 6 but less than 10 years of service credit. Vesting percentage reductions are applied *after* calculating the retirement benefit.

Years of Service Credit	Vesting Reduction
6	80%
7	60%
8	40%
9	20%

Members with 10 or more years of service credit are fully vested and have no vesting reduction.

SAMPLE BENEFIT CALCULATION

Member A retires at age 55 with 20 years of service credit with the State Patrol, and a final average monthly compensation of \$5,000 (\$60,000 average annual salary). Member A's monthly retirement benefit will be calculated as follows:

EXAMPLE: MONTHLY BENEFIT

\$5,000 (Final Average Compensation)	X	20 (Years of Creditable Service)	X	3%* (Formula Factor Set by Current Law)	=	\$3,000 (Monthly Benefit)
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*Member A must be employed on or after July 10, 1990, to qualify for the 3% formula factor.

RETIREMENT/EFFECTIVE DATE

EFFECTIVE DATE

A member's retirement effective date will be the *first day of the month following*:

- The date the member's Patrol/State employment terminates; **AND**
- The date the member's completed application is received by NPERS; **AND**
- The month in which the member is first eligible for benefits

Members can expect to receive their first benefit payment approximately **90 days after** their retirement effective date provided all retirement contributions have been remitted and posted to their account.

IMPORTANT



A member's first payment will be retroactive to the member's retirement effective date.

Before You Retire

ITEMS TO CONSIDER AND STEPS TO TAKE BEFORE RETIREMENT

- Step 1** Up to one year, but no less than 180 days prior to retirement, contact NPERS in writing to request a *tentative* verification of service credit (See "Verification of Service Credit.")
- Step 2** Notify NPERS in writing, by telephone, or in person approximately 120 days before the anticipated retirement effective date to request an application for retirement packet. **Retirement benefits do not start automatically!**
- Step 3** NPERS will send a retirement packet containing the Patrol Application for Retirement form.
- Step 4** Submit the Application for Retirement form to NPERS preferably 30 days but *no more than 120 days prior* to the retirement effective date. The Patrol Application for Retirement may be filed by mail or in person by making an appointment with NPERS. Please keep in mind the time frame for a timely filing. NPERS will perform a final verification of service credit and compensation after receipt of the Application for Retirement form.
- Step 5** Please contact our office with questions about establishing a retirement effective date.
- Step 6** Provide NPERS with a legible copy of your Birth Certificate.
- Step 7** If married, provide NPERS a legible copy of your spouse's Birth Certificate and a copy of your marriage license.
- Step 8** Provide NPERS a legible copy of the Birth Certificate for your children under the age of 19.

IMPORTANT



During retirement, NPERS will periodically send correspondence by mail regarding Cost-of-Living Adjustments (COLAs), tax information, or other retirement plan information. Notify NPERS in writing of any change of address. Failure to maintain an up-to-date address can result in temporary suspension of benefits. (See "Suspension of Benefits.")

DEATH BENEFITS

The death information listed under this section applies only to retirements, disability retirements, and deaths occurring **on or after July 16, 2004**. *Proof of death is required before payments can be made.*

Before Retirement: Active Member

If a member's death occurs before retirement, benefits will be calculated as if the member retired under disability. (See "Disability Retirement" for calculation of a disability benefit amount.)

PERCENTAGES APPLIED TO THE DEATH BENEFIT:

**Surviving spouse but
NO dependent children
under age 19:**

The member's surviving spouse's benefit will be 75% of the calculated annuity for the remainder of the surviving spouse's life.

**Surviving spouse AND
dependent children
under the age of 19 in
the surviving spouse's
care:**

The benefit will be 100% of the calculated annuity. When all the member's dependent children attain the age of 19, the benefit will be 75% of the calculated annuity paid to the member's surviving spouse for the remainder of surviving spouse's life.

PERCENTAGES APPLIED TO THE DEATH BENEFIT (CONT'D)

Surviving spouse AND dependent children under the age of 19 in and/or not in the surviving spouse's care:

The benefit will be 25% of the calculated annuity to the member's surviving spouse and 75% to be divided equally among the member's dependent children under the age of 19. ***In no case will the benefit received by the member's surviving spouse and dependent children residing with such surviving spouse be less than 50% of the calculated annuity.*** When a dependent child attains the age of 19, the benefit will be divided equally among the member's remaining dependent children under the age of 19. When there is no remaining dependent child of the member under the age of 19, the benefit will be 75% of the calculated annuity paid to the member's surviving spouse for the remainder of surviving spouse's life.

No surviving spouse BUT dependent children under the age of 19:

The benefit will be 75% of the calculated annuity divided equally among the member's dependent children under the age of 19. When a dependent child attains the age of 19, the benefit will be divided equally among the member's remaining dependent children under the age of 19. When all of the member's children attain the age of 19, the benefit stops.

No surviving spouse AND no dependent children:

A lump sum payment of the member's contributions and regular interest as defined in the law will be paid to the member's designated beneficiary(ies), or to the member's estate if no beneficiaries have been properly designated. Benefits may be rolled over into another qualified retirement account or IRA (Traditional or Roth).

IMPORTANT



Surviving spouse is defined in Nebraska law as the spouse married to the member on the date of the member's death *if married for at least one year prior to death* or if married on the date of the member's retirement **OR** the spouse or former spouse of the member if survivorship rights are provided under a qualified domestic relations order (QDRO) filed with the Public Employees Retirement Board pursuant to the Spousal Pension Rights Act. *The spouse or former spouse designated in a QDRO will supersede the spouse married to the member on the date of the member's death as provided under a QDRO.*

WARNING



If a member applies for a refund of their account and dies before payment is made, the beneficiary designation you have on file with NPERS will be invalid. The refund you requested would be paid to your estate.

Before Retirement: Inactive Member (Deferred Account)

If an inactive member dies during the deferred period, the accumulated value of the member's contributions at the date of termination, plus regular interest as defined in the law to the date of the member's death, will be paid to the member's beneficiary or estate, as applicable. Benefits may be rolled over into another qualified retirement account or IRA (Traditional or Roth). No monthly benefit will be provided.

After Retirement

If a member dies after retirement, the member's regular benefit will continue to the member's spouse and/or children under the age of 19 at the same percentages that apply to death before retirement outlined above.

If a member has no surviving spouse and no dependent children under the age of 19, the death benefit is equal to the member's retirement account balance at retirement less the benefits received during the period of the member's retirement up to the date of the member's death. If the total benefits received during the period of the member's retirement exceed the member's account balance at retirement, there is no death benefit. Benefits may be rolled over into another qualified retirement account or IRA (Traditional or Roth).

Death Foreign Payouts- 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.

DISABILITY BENEFITS

Members who cease employment with the Nebraska State Patrol because of a disability and are physically unfit to perform the duties of a sworn officer may apply for disability retirement benefits. Members must submit a Patrol Application for Retirement/Disability to NPERS and be examined by a physician selected by NPERS.

If the Public Employees Retirement Board (PERB) approves the member's application, the effective date of the member's disability retirement will be the first day of the month following either the receipt of the member's properly completed disability application or the member's last day of employment, whichever is later.

IMPORTANT



Under Nebraska law, members are not eligible for disability retirement until they have exhausted all their accumulated annual leave including, but not limited to, vacation, sick, and administrative leave.

The PERB may require a medical examination or other information on an annual basis. There is no reduction in disability benefits because of age.

DISABILITY BENEFIT FORMULA: 17 YEARS OR LESS

The monthly benefit will be 50% of the member's regular monthly salary at date the member is disabled.

$$\begin{array}{c} \text{Monthly} \\ \text{Salary at Date of} \\ \text{Disablement} \end{array} \times 50\% = \begin{array}{c} \text{Monthly} \\ \text{Disability} \\ \text{Benefit} \\ \text{Payment} \end{array}$$

DISABILITY BENEFIT FORMULA: MORE THAN 17 YEARS

The monthly benefit will be calculated using the formula below.



*By law, the calculated benefit amount cannot exceed 75% of the final average monthly salary, which is the maximum benefit for a normal retirement.

SPOUSAL PENSION RIGHTS ACT

In 1996, the Spousal Pension Rights Act codified the rights of divorced spouses and children to a share of a plan member's retirement account. To claim this share, proper language must be included in the domestic relations order and be qualified by NPERS. For further details refer to Receiving Funds for an Alternate Payee link found on your "Plan Info" page of the NPERS website or contact our office.

REEMPLOYMENT

Members who are reemployed with the Nebraska State Patrol should update their beneficiary listing by filing a new Beneficiary Designation Form with NPERS.

Before Retirement

BEFORE RETIREMENT

If you have previously taken a refund:

Members who have previously taken a refund of their accumulated contributions plus regular interest as defined by law may repay the total amount, plus interest, and reestablish their prior service credit. (See "Repayment of Refund.")

If you elect not to repay a refund:

Members who elect **not to repay** the refund will re-enter the Plan as a new member. Service credit cancelled due to a refund **cannot** be counted when determining the member's monthly retirement benefit unless the refund is repaid.

If you have NOT previously taken a refund:

Members who have NOT taken a refund of their account will have the new service credit they acquire added to their previous service credit when determining total "creditable service" for retirement purposes.

BEFORE RETIREMENT (CONT'D.)

Account Number: Members will maintain their original account number with NPERS.

After Retirement

AFTER RETIREMENT

Benefits A member who has retired and returns to work with the Nebraska State Patrol or any other agency of the State of Nebraska will continue to receive retirement benefits so long as the member completed a bona fide termination of employment (a.k.a. break in employment) of at least *120 calendar days and did not prearrange a return to work the Nebraska State Patrol or another agency of the State of Nebraska.*

Plan Participation If a member returns to employment after a 120-day break and meets membership requirements, the member will return as a new employee (which could result in the member being in a different Tier). Retirement contributions will be withheld from the member's compensation and member will receive service credit for service commencing from the date of reemployment. The member should complete a new Beneficiary Designation Form for their new account when they return to work.

If a member returns to employment with the Nebraska State Patrol or another agency of the State of Nebraska prior to 120 days, the member **must** repay benefits the member received, whether a refund or monthly retirement payments.

Federal law prohibits an employee and employer from prearranging ANY return to employment or service at an employer participating in the plan (including any other state agency) during the 120-day period. If at any time it is determined there was a prearranged return to work, benefits will be suspended, and all benefits previously issued must be repaid – including interest.

IMPORTANT



Failure to repay "ineligible" benefits can result in garnishment of assets including wages, checking and savings accounts, and other retirement assets.

RETIREMENT PLANNING PROGRAM

Since 1987, NPERS has conducted statewide retirement planning seminars for members and their spouses. All state patrol officers who are age 50 or within five years of qualifying for retirement are eligible to attend a retirement seminar.

Information is provided on the Plan, retirement payment options, financial planning, Social Security benefits, Medicare, health insurance, adjusting to retirement, and estate planning.

Each eligible employee is allowed **leave with pay** to attend **up to two** of these full-day retirement planning programs. Members may attend a seminar more than twice, but such leave is at the member's expense and the member's absence is at the discretion of their employer. Members may not attend more than one seminar **per fiscal year**.

Members are welcome to register and attend any retirement seminar. An NPERS representative will be available to discuss the Plan. For information on seminars scheduled in your area, contact NPERS, or visit our web site at npers.ne.gov.

TAXATION

IMPORTANT



NPERS does not provide tax advice. In all cases, members should consult the Internal Revenue Service, their state's revenue agency, or a tax professional, as appropriate, for information on tax consequences, questions, or matters.

Contributions to the Plan are not taxed when deducted from a member's compensation. Distributions, whether in the form of a monthly benefit or refund, are therefore subject to state and federal income tax.

Contributions made prior to January 1, 1985, were taxed before being deducted from salary. These contributions are not subject to state and federal income tax and will be returned to you "tax free" (see Safe Harbor).

When Receiving a Retirement Benefit

NPERS will withhold federal taxes from each monthly check at the rate the member specifies on the Withholding Certificate for Annuity Payments form (included in the retirement packet and available on the NPERS website). If you do not complete and submit this form to NPERS, we will

withhold at the rate of “married plus three exemptions.” Members may change their withholding at any time by submitting a new form. Members who have created an online account via the NPERS website may also change withholding online.

Members who are residents of the State of Nebraska when receiving monthly retirement payments will also have Nebraska taxes withheld from their benefit at the same withholding rate selected for federal taxes.

Members who move and are *no longer residents of the State of Nebraska* must submit an updated withholding form. Such member’s benefit will be taxable in accordance of the laws of the state to which they moved. Members should contact the Department of Revenue (or equivalent) for the state to which they moved to determine their tax liability and establish a payment process. NPERS can withhold Federal and Nebraska taxes, but not taxes due to another state.

NPERS will report your retirement income on a 1099-R form each year in January for the payments received the prior year. A copy of that form will also be provided to the Internal Revenue Service.

Safe Harbor

Pre-1985 contributions are returned tax free based on the “Safe Harbor” method, as required by the Internal Revenue Service. NPERS calculates the “tax-free” portion of a member’s monthly retirement check by dividing pre-’85 contributions by the fixed number of payments assigned per your age at retirement.

EXAMPLE



Under the current tax tables, 360 monthly payments are designated for individuals commencing benefits at or prior to age 55. If a member had a total of \$7,200.00 of pre-’85 contributions, this amount would be divided by 360 and the member would receive \$20.00 of their monthly benefit tax free for the first 360 payments.

After the member received the fixed number of payments assigned, the member’s monthly benefit is 100% taxable.

When Receiving a Refund of Your Account

REFUND OPTIONS

Refund Paid Directly to You

All or part of a refund may be paid directly to the member and all pre-tax amounts will be reported as taxable income. NPERS is required by law to withhold **20%** for federal income tax and **5%** for Nebraska state income tax.

Refund By Rollover Distribution

All or part of a refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth). Except for rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. Members will be taxed when they withdraw the money from the other plan. Roth IRA rollovers are subject to State and Federal income taxes *in the year of the rollover*. Members will be responsible for filing and paying taxes on the Roth rollover.

An IRS Form 1099-R will be provided to you the January following the year in which you receive a refund payment. The form will show the amount of the refund, the taxable income and the capital gains, if applicable.

Contributions prior to 1985 have already been taxed and will be returned to the member tax-free. These after-tax contributions can be rolled over if the receiving rollover company will accept them, and the member makes the appropriate election on your Application for Refund form.

WARNING



A refund taken prior to age 59½ may be subject to an additional 10% federal tax penalty assessed when filing your tax return.

You may AVOID the early withdrawal penalties if one of the following applies:

- The taxable portion of a refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date
- Payment is made to an alternate payee under a qualified domestic relations order
- The payment is used for large medical expenses
- The member attained age 50 during the year of separation from service

In the event of death or disability, the early withdrawal penalties will not apply, regardless of your age

COST-OF-LIVING (COLA) PROVISIONS

After members have been retired for at least one full fiscal year (July 1 through June 30), their benefit will be reviewed for a COLA each July 1. This increase will be determined using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) during the previous fiscal year.

COLA provisions vary depending on Tier One or Tier Two status.

TIER ONE

A Tier One member's COLA is capped at 2.5%. If the CPI-W is 2.5% or less, a Tier One member will receive the CPI-W, but if the CPI-W is higher than 2.5%, a Tier One member's COLA will be 2.5%.

Any time inflation erodes the value of your retirement benefit below 60% of the original purchasing power, a Tier One member's COLA for that fiscal year will be the amount of the CPI-W rate. The 2.5% cap does not apply to the 60% purchasing power COLA.

TIER TWO

A Tier Two member's COLA is capped at 1.0%. If the CPI-W is 1.0% or less, a Tier Two member will receive the CPI-W, but if the CPI-W is higher than 1.0%, a Tier Two member's COLA will be 1.0%.

If the annual actuarial report indicates the plan is fully funded with a sufficient actuarial surplus, the retirement board may elect to issue a supplemental lump-sum cost of living payment for that year. The supplemental payment cannot exceed 1.5%.

There is no 60% purchasing power COLA provision for Tier Two members.

DIRECT DEPOSIT

Pension benefits are issued via direct deposit. A direct deposit form is available on the NPERS website and will be included in your retirement packet. Members who are unable to secure a bank account for direct deposit should contact our office as soon as possible.

The direct deposit authorization will remain in effect until changed by the member in writing. To change the direct deposit account, a member must complete and sign a new direct deposit form and submit it to NPERS. Any changes to direct deposit MUST be received by NPERS at least 30 days prior to the date scheduled for the annuity benefit payment for which the change is to occur.

SUSPENSION OF BENEFITS

NPERS will periodically send correspondence by mail regarding Cost-of-Living Adjustments (COLA), tax information, or other retirement plan information. NPERS will attempt to contact a member if this mail is designated undeliverable and returned to our office. After 60 days, if we are unable to reach the member and have not received written confirmation of the member's new address, NPERS will place a hold on the member's benefit. The benefit will be resumed as soon as administratively possible upon receiving written documentation of the member's new address.

APPEALS PROCESS

Members of the Plan may have their accounts reviewed if they disagree with a written decision of the NPERS Director or the Public Employees Retirement Board (PERB). Members must file an appeal form within 30 days after receiving notice of a final decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If members wish to further appeal a decision, they may be eligible for judicial review under the Administrative Procedure Act and governing NPERS Rules and Regulations.

ADMINISTRATION OF THE RETIREMENT FUND

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 an ex-officio (non-voting) member of the Board.

The PERB is responsible for the administration of the Judges, State Patrol, School Employees, State Employees and County Employees Retirement Systems and the State Deferred Compensation Plan. [§84-1501]. The PERB meets monthly and meeting dates are posted on the NPERS website at npers.ne.gov.

The Nebraska Public Employees Retirement Systems (NPERS) is the agency responsible for the administration of the State Patrol Plan.

A **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 system's assets. The Council contracts with outside managers to invest the various funds.

Consulting Actuaries, employed by the PERB, conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB, and evaluate the system's assets and liabilities each year. Copies of the annual actuarial report are posted on the NPERS website at npers.ne.gov.

RELEASE OF INFORMATION

Member account information including name, address, account balances, beneficiaries, or payment options, will only be released under the following conditions:

CONDITIONS FOR RELEASE OF INFORMATION

- Personal visit to NPERS by the member with adequate proof of identity
- Adequate proof of identity provided over the phone (not including beneficiary listings)
- Written and signed request from the member
- Written release signed and dated by member (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 from a personal representative of a deceased member accompanied by a certified copy of letter of appointment
- A request from individual holding power of attorney and the power of attorney contains a provision specifically granting the authority to deal with retirement plans, OR provisions granting the authority to do all things on the member's behalf and authorizing the release of information
- A request from a third party signed by the third party and the member

Beneficiary designation(s) are only provided to members after NPERS receives a signed, written request, or to the member personally visits NPERS (with adequate proof of identity).

Account information may be released to a member's employer and other governmental entities for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws.

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
- Requests for annuity estimates
- Changes in tax withholding
- Changes in direct deposit
- DCP Enrollment and Change forms

Original, signed NPERS forms are required to process annuities or payments, to change beneficiaries, or change of address for payment requests. However, faxed applications will be accepted to establish an effective date of retirement **if the original, notarized form is received by NPERS within five (5) working days of the faxed form.**

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.

DEFERRED COMPENSATION PLAN

As an employee of the State of Nebraska, members are eligible to participate in the voluntary Deferred Compensation Plan (DCP) for State of Nebraska employees. This is a tax-deferred, voluntary investment plan authorized by IRS Code § 457(b). The DCP is designed to provide employees a supplementary retirement income.

The DCP permits you to “defer” a specified amount of a member’s current compensation until termination of employment. A member’s deferral is invested at their discretion in any combination of the investment funds offered. As with other retirement plans, there are restrictions on withdrawals. Therefore, participation should be considered a long-term investment program and not a short-term savings program.

For more information, please refer to the DCP handbook available on the NPERS website.

SOCIAL SECURITY BENEFITS

Since establishment of the Plan in 1947, members have not been included in the Social Security system. Consequently, if a member works and earn social security credit through other employment, any social security benefit the member receives due to the other employment may be reduced because of the pension the member receives from the State Patrol Retirement System.

To be eligible for Medicare, Members who were hired by the Nebraska State Patrol prior to July 1986 must either qualify for social security benefits via other methods/employment or through their spouse (if the member's spouse receives social security benefits). Some retirees must purchase Medicare insurance at a considerable premium since they and their spouses did not qualify for social security retirement benefits through other employment.

However, since July 1986, new sworn officers with the Nebraska State Patrol are contributing to Medicare and will have Medicare coverage available to them without having to work and earn social security credits.

DROP

DEFERRED RETIREMENT OPTION PLAN (DROP)

A voluntary Deferred Retirement Option Plan (DROP) was added to the State Patrol Retirement Plan, effective September 1, 2008.

WARNING



DROP is for Tier One Members Only.

Tier Two members are not eligible to participate in DROP.

DROP BASICS

- A member who is at least **age 50 but less than age 60 with 25 years of service credit** may voluntarily enter DROP.
- In exchange for working **up to five** more years (but not beyond age 60), DROP provides a way for members to receive a lump-sum amount at retirement *in addition* to an ongoing monthly retirement benefit.
- Upon entering DROP, a member's retirement benefit is calculated and both the member and employer (Nebraska State Patrol) cease making monthly contributions to the Plan.
- During DROP, member continues working and receives a paycheck while the member's monthly retirement benefits are deposited into the DROP account.
- The DROP account will be invested by the member using the investment options provided in the § 457(b) Deferred Compensation Plan for State of Nebraska employees.
- Monthly benefit payments will accumulate in the account for a **maximum of five years**.
- The end of the DROP occurs when the member ceases employment and "retires in fact."
- The monthly benefits will then be paid directly to the member, and the member must withdraw or rollover the accumulated DROP account.

DROP ADVANTAGES

- The member continues working and receiving paychecks while monthly pension benefits are deposited into the DROP account.
- Self-directed investments allow freedom to choose conservative, moderate or aggressive options.
- There are tax sheltered benefits. DROP contributions and investment earnings are on a pre-tax basis and not subject to taxation until distribution.
- Upon ceasing employment, members will receive the monthly benefit and have access to funds in the DROP account.
- Retirement contributions are no longer deducted from pay and provide potential for additional retirement savings using the § 457(b) Deferred Compensation Plan (DCP) for State of Nebraska employees.

DROP CONSIDERATIONS

- Loss of potential benefit enhancements during DROP.
- Pension not adjusted for salary increases accrued during DROP.
- No COLA during DROP.
- The members are responsible for investment choices, gains, or losses.

HOW DROP WORKS

Eligibility

To participate in DROP, a member must be eligible to begin drawing a full (unreduced) pension. **To be eligible, the member must be currently employed with 25 or more years of service credit and be at least age 50 but less than 60 years of age.**

Application to Enter DROP

If a member is interested in DROP, the member should contact NPERS and the State Patrol Business Office. Upon notification of the member's interest in participating in DROP, NPERS will calculate a retirement benefit estimate using the member's existing salary and service credit and will send the estimate to the member together with an Application to Participate in the State Patrol DROP, a beneficiary form for the member's DROP account, and other pertinent information.

Upon deciding to enter DROP, the member should complete, sign and have notarized the Application form, and return the form to NPERS **no more than 120 days prior** to the desired DROP "effective date."

The member's **last day of employment** before entering DROP must be the *last day of the calendar month* before the DROP effective date. The DROP **effective date** will be the *first of the month following* the month the member stops contributing to the Plan, provided the member has filed an Application to Participate in DROP *before* the last day of employment.

WARNING



Upon entering DROP, a member's monthly retirement benefit will be "frozen." The member will **not** be eligible for any benefit improvements passed by the Nebraska Legislature. Also, the member may not "opt out" of DROP and return to "Active" status.

Once determined, the amount of the benefit payment will not change. Future compensation (salary) will not be considered and there will be no cost-of-living adjustments (COLA) during DROP. Any increases in compensation will not increase the amount of the retirement benefit (see "Working During DROP").

Members who participate in DROP will be eligible for COLA increases **one full fiscal year** (July 1 through June 30) after ceasing employment and leaving DROP.

EXAMPLE



The member terminates employment and participation in DROP, and "retires in fact," on August 31, 2022. The member would not be eligible for a COLA increase until July 1, 2024.

Deferring Comp Time Pay Into DCP

When entering DROP, members may elect to defer comp time to the voluntary DCP.

If a member has previously established a DCP account:

Complete, sign, and submit a *DCP Plan Change Form* (NPERS Form 8400) to the Nebraska State Patrol payroll department. The payroll department is responsible for forwarding the form to NPERS. NPERS must receive the properly completed DCP Change Form **the calendar month prior to the date the member enters DROP.**

If a member has not previously established a DCP account:

Complete, sign, and submit a *DCP Plan Enrollment Form* (NPERS Form 8000) to the Nebraska State Patrol payroll department. The payroll department is responsible for forwarding the form to NPERS. NPERS must receive properly completed DCP Enrollment Form **the calendar month prior to the date the member enters DROP.**

Working During DROP

During DROP, members will continue to work as a sworn officer of the Nebraska State Patrol and receive compensation from their employer. Retirement contributions will no longer be deducted from a member's compensation, and the employer contributions will cease. Meanwhile, the member's monthly retirement benefit payments will be electronically deposited into the member's DROP account and accounted for by Ameritas, the State's record keeper.

IMPORTANT



Any salary increases (raises) received while in DROP will increase a member's pay but will not increase the monthly retirement benefit payment being deposited into the DROP account (or received by the member following "retirement in fact").

When Will the First Benefit Payment be Deposited into the DROP Account?

It will take **60 to 90 days** of processing time before the *first* payment will be deposited into a member's DROP account. The first payment will include up to three retirement benefit payments. (This is the same time-frame used under a traditional State Patrol retirement.) DROP deposits thereafter will occur monthly. NPERS will process the first deposit as soon as administratively possible and **is not responsible for gains or losses due to the timing of deposits.**

Ceasing Employment and Ending DROP

By entering DROP, members agree to cease employment at the end of **five years (60 months)** or upon turning **age 60**, whichever occurs first. Members may cease employment *any time prior to five years.*

After a member notifies their employer of their intent to cease employment (a.k.a. "retire in fact"), the State Patrol Business Office will submit a State Patrol Notice of Termination Form for DROP Participants to NPERS. NPERS will then send the member a State Patrol DROP Request for Distribution form and other information necessary to distribute the DROP account.

Members may not take a distribution of the DROP account until after the member terminates employment.

INVESTING THE DROP ACCOUNT

During DROP, the member will invest their DROP funds using the same investment options offered in the §457 Deferred Compensation Plan (DCP) for State of Nebraska employees.

Members will make initial investment selections and determine allocation percentages when completing the Application to Participate in the State Patrol DROP. Thereafter, members may make investment changes *at any time*, with no fee (see “Change Investments Online or Submit Form”). NPERS provides investment education and assistance to members, described later in this section.

Investment Responsibility and Risk

The investments provided for DROP range from conservative to moderate to aggressive. When choosing investment funds and determining the allocation percentages, members should consider risk, volatility, loss of principal, and the timeframe during which the funds will be in DROP. Members may wish to *consult their own financial advisor* when making investment decisions.

Members **assume full responsibility** for all investments made. *There is no guaranteed rate of return!* Account balances may increase or decrease in value in response to the investment choices selected and market returns.

Investment Education and Assistance

NPERS provides a variety of investment assistance tools for members, such as:

INVESTMENT EDUCATION RESOURCES

Annual Investment Report

Each year NPERS releases an Annual Investment Report which contains fund details and performance of the investment options, and basic information on investment strategies and saving more for retirement. *It also includes specific information on automatic investing and risk related to return regarding the State's fund choices.* The Annual Investment Report is available in the “Publications/Videos” section of our website or a printed copy may be requested from NPERS.

Investment Education Video

Members may access this instructional video on the NPERS website at npers.ne.gov under “Investment Info.”

INVESTMENT ELECTION TOOLS

Members may change their investments at any time at no charge. Investment elections can be made online or by submitting a form.

Online Account Access Members may change investments online using the *Ameritas Online Account Access* by linking to the Ameritas website via NPERS' website.

Changes made online before close of market, usually 3 p.m. Central Time, Monday through Friday, take effect that same business day. Instructions on creating an online account are available on our website.

Investment Election Change Form Members may also complete and mail a completed Investment Election Change Form—DROP to NPERS. This form may be printed from our website at npers.ne.gov or may be requested by contacting our office.

IMPORTANT



Making investment changes is a **two-part process**, "Elections" and "Transfers," and members must consider if they want to implement part, or all, of the process.

ELECTIONS VS. TRANSFERS

Elections Investment "Elections" only determine where a member's *future* monthly deposits will be invested.

Transfers Changing investments on *current* funds requires an investment "Transfer."

Members may make Elections or Transfers at the same time or independently of each other. In addition, the investment choices for Elections do not have to be the same as Transfers.

ACCOUNT STATEMENTS

During DROP, members will receive statements from the record keeper. Members may choose to receive paper statements, for an extra fee, or register to receive these statements via e-delivery.

Members may also access their account online anytime, by linking to the Ameritas website via NPERS' website. Online access provides more detailed account information, such as daily account values and basis point charges.

FEES

ACCOUNT FEES

There are three separate fees assessed to DROP 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 Keeping Fee

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

In addition to the monthly record keeping fees, when members take a distribution of their DROP account, a \$75 distribution charge will be assessed by the record keeper.

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

Administrative Fee

A portion of NPERS' operational costs are reimbursed from Plan forfeitures. Forfeitures occur when a non-vested member ceases employment, which causes the employer contributions to be forfeited. These amounts are used to partially offset NPERS' administrative expenses.

NPERS may also assess a charge 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's 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 Plan, fees are generally higher, and sales charges may also apply.

Investment fees for each fund are listed in NPERS' Annual Investment Report which may be found on the NPERS website.

“RETIRE IN FACT” DISTRIBUTION OPTIONS

When a member notifies the State Patrol Business Office and terminates employment, the member is considered to have “retired in fact.” Please provide notification to the Patrol and NPERS at least 30 days prior to termination.

The State Patrol Business Office will complete a State Patrol Notice of Termination Form for DROP Participants and submit the form to NPERS. The member's monthly retirement benefits will no longer be deposited pre-tax into the DROP account and will instead be issued directly to the member (see “Address Changes” and “Taxation”). The member will be eligible for a COLA increase one full fiscal year (July 1 through June 30) after the date the member terminates employment and ends DROP participation.

The accumulated funds in the DROP account may now be distributed. NPERS will send a “request for distribution packet” to the member which will include the State Patrol DROP Request for Distribution form, and information and forms regarding direct deposit and taxes.

Members have three choices when taking distribution of their DROP account. The entire account must be distributed and may not be deferred.

DISTRIBUTION OPTIONS	
Lump Sum	A lump sum distribution of the entire account
Rollover	A rollover distribution of the entire account to another qualified, tax sheltered retirement plan
Combination	A combination of lump sum and rollover distribution

Individuals participating in the State of Nebraska DCP may roll DROP funds into their DCP account.

Members must NPERS of their distribution option by completing and submitting the State Patrol DROP Request for Distribution form. The DROP account **must be distributed in full** within 60 days of termination (a.k.a. “retirement in fact”).

DROP TAXATION

During DROP, all *retirement benefit payments* will be deposited on a pre-tax basis and will not be subject to taxation until distribution to the member (or the member’s beneficiary(ies)).

NPERS is required by law to withhold **20%** for federal income taxes and **5%** for Nebraska state income taxes for all lump sum distributions. These withholdings may or may not cover a member’s full tax liability. A member’s actual tax liability will vary depending on the member’s total taxable income for the year and the tax laws in effect at the time. If a member is no longer a resident of Nebraska and has notified our office in advance, the 5% Nebraska state tax will not be withheld. Members will, however, be subject to state income tax in accordance with their new state of residence.

Except for rollovers to a Roth IRA, rollover distributions are not subject to taxation at the time of rollover but will be taxed upon distribution. Roth IRA rollovers are subject to State and Federal income taxes *in the year of the rollover*. Members are responsible for filing and paying taxes on the Roth rollover. Once funds are rolled to another retirement plan, taxes will be assessed according to the rollover plan’s regulations. For example, if funds are rolled to a Traditional IRA, distributions prior to age 59½ may be subject to early withdrawal penalties.

SOCIAL SECURITY

Plan members are not included in the Social Security system regardless of DROP participation status.

ADDRESS CHANGES

While working, it is important for members to keep their address current **through their employer**, the State Patrol Business Office, which will then inform NPERS of any address changes.

After ceasing employment and leaving DROP, it is important to notify NPERS in writing of any address changes to receive future benefit payment, newsletters, and other information.

DEATH DURING DROP

If idea member dies while participating in DROP, the member's *retirement benefit payment* will continue in the manner specified in Nebraska law and described in the "Death Benefits – After Retirement" section of this handbook.

The DROP *account balance* will be distributed to the beneficiaries the member designated when electing DROP participation.

DISABILITY DURING DROP

If a member becomes disabled during DROP, the member will be deemed to have "retired in fact" and completed DROP. The member will begin receiving the retirement benefit payment as calculated at the beginning of DROP, and the DROP account will be distributed to the member.





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