

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

SJP • MARCH 2017

## A NEW YEAR'S RESOLUTION!



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### RETIREMENT NEWS

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What was your New Year's Resolution for 2017? Resolutions are a way to motivate yourself in the hope of making your life better, and some resolutions provide the additional benefit of reducing expenses, allowing you to save more for retirement. If you haven't yet begun to follow through with a resolution for this year, now is the perfect time to re-commit to a goal.

To begin, what lifestyle changes can you make to free up additional funds to save? Review your monthly expenses. What unwanted or unnecessary habits or expenses do you have that could be eliminated or reduced?

#### QUIT SMOKING

Kicking this habit not only saves you money but also provides significant health benefits. The price of a pack of cigarettes will vary, but a smoker who purchases one pack of cigarettes a day can easily spend as much as \$2,000 a year on cigarettes.

Kicking this habit can be very difficult. There are multiple methods to achieve this goal and no one method is right for everyone. The American Lung Association (<http://www.lung.org/stop-smoking/>) and the Smokefree.gov (<https://www.smokefree.gov/>) websites have several good hints and tips to help individuals who are trying to quit.

#### EXERCISE & DIET

A healthy diet combined with an exercise regimen can lead to savings on health care expenses. Individuals who

maintain a healthy lifestyle generally have fewer health related issues creating savings in the form of fewer visits to the doctor and lower annual prescription expenses.

Review what you are spending on food. Are you looking at the weekly ads for local grocers? Buying items on sale can reduce your monthly expenses. Sale items that can be stored or frozen can be purchased in larger quantities for future meals. Avoid prepackaged or processed items as these products may be more expensive and are generally not as healthy as unprocessed options.

#### WORKPLACE "NOSHING" – COFFEE/LUNCH/SNACKS

Do you visit the corner coffee shop every morning? What is your lunch routine? It's easy to spend in excess of \$10 per day on these items. Consider bringing coffee from home, or if available, using a workplace coffee maker. Do you go out for lunch? Not only is this an expensive habit, it can also result in unhealthy choices. Instead of eating out every day, start packing a lunch a few times a week. What are you

snacking on during the workday? Keeping a healthy snack on hand can reduce trips to the snack machine during breaks and help with dieting goals.

#### MAKE IT HAPPEN

As with most New Year's resolutions, the difficulty comes in the implementation. Instead of taking on several goals at once, consider starting smaller. Unrealistic goals can lead to failure and frustration. Start with one and remind yourself each day why this goal is important. You may have greater success if you enlist the aid of a friend or family member to provide support and cheer you on.

#### ONE MORE STEP...

Finally, don't forget to save some of those funds! Judges and State Patrol employees all have access to voluntary retirement savings via their 457, Deferred Compensation Plans (DCP). School employees may contact their payroll/HR department for information about 403(b) retirement saving plan options.

# ! DCP Three Year Catch-Up Discontinued

# Changes to Deferred Compensation Plan Fees

Judges and State Patrol employees 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. The plan is designed to provide employees a supplementary income upon termination or retirement.

The tax code sets annual limits on the amounts that can be contributed to a §457 plan. In addition, there are two provisions that allow for contributions above these amounts. The "Age 50" provision applies to individuals who are age 50 or older, and the "Three Year Catch-up" provision applies to individuals nearing retirement age who did not defer the maximum amount allowed in prior years. Please refer to the companion article in this newsletter for more information on the 2017 contribution limits.

At the December 19, 2016, meeting, the Public Employees Retirement Board (PERB) voted to retain the Age 50 provision, and discontinue the Three Year Catch-up provision. The PERB delayed elimination of the Three Year Catch-up in order to provide a final opportunity for members to apply throughout 2017. Those individuals already participating in the Three Year Catch-up will be allowed to continue participation per plan provisions. As with all applications, forms must be received by NPERS during normal working hours. In 2017, December 30 and 31 fall on a Saturday and Sunday. As a result, Three Year Catch-up applications must be received in our office no later than 5 p.m., December 29.

Individuals who wish to utilize the Three Year Catch-up this final year are responsible for calculating the additional deferral amounts and providing our office with documentation supporting these amounts. Due to the complexity of these calculations, members may need to enlist assistance from a qualified tax professional.

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

At the November 21, 2016 meeting, the Public Employees Retirement Board approved a change to NPERS' administrative fees. Effective December 25, 2016, administrative fees for Judges and Patrol members participating in the voluntary Deferred Compensation Plan (DCP) increased from 5.5 to 6.0 basis points.

One basis point is equivalent to 0.01% or 0.0001 in decimal form. For a \$10,000 account, 5.0 basis points would result in a \$5.00 annual fee. A breakdown of the administrative fees may be found in the "Fee Detail" section on member statements.

This fee is charged to cover a portion of NPERS operating expenses. The PERB strives to keep these fees reasonable and affordable. Plan expenses are evaluated periodically and fees are subject to adjustment as needed. By law, these fees may only be used to pay for the expenses incurred in the plan from which the fees were collected.

## 2017 CONTRIBUTION LIMITS

2017 maximum contribution limits have been announced by the IRS for 403(b) and 457 (Deferred Compensation) retirement plans. The limits for 2017 remain the same as the limits previously set for 2016. For both plans, the standard yearly maximum contribution is \$18,000. Individuals age 50 or older may contribute an additional \$6,000 *using the Age 50 Catch-up provision*, increasing their total limit to \$24,000.

School employees who have completed 15 or more years of service in the same school district and have contributed, on average, less than \$5,000 a year to their 403(b) may be able to contribute more under the *Lifetime ("Long Service") Catch-up provision*. This allows eligible 403(b) participants to contribute up to an additional \$3,000 per year up to a lifetime maximum of \$15,000.

### FOR TAX YEAR 2017

|  |          |
|--|----------|
| Standard maximum contribution .....                                | \$18,000 |
| If you qualify for the \$3,000 Lifetime Catch-up.....              | \$21,000 |
| If you qualify for the Age 50 Catch-up .....                       | \$24,000 |
| If you qualify for BOTH the Age 50 and the Lifetime Catch-up*..... | \$27,000 |

\*The first \$3,000 of contributions in excess of the standard \$18,000 limit will apply to the Lifetime Catch-up and reduce the \$15,000 Lifetime Catch-up limit. For more information on 403(b) limits, please refer to IRS publication 571.

State Patrol employees and Judges participating in Deferred Compensation (DCP) may be able to contribute more using the *Three Year Catch-up provision*. This provision allows members who did not defer the maximum amount in prior years to contribute up to a maximum of \$36,000. The Three Year Catch-up is allowed once, within three years of anticipated retirement, and cannot be implemented at the same time as the Age 50 provision or during the calendar year the member elects to retire.

**NOTE: The Three-Year Catch-up provision will be discontinued effective January 1, 2018. Individuals who have enrolled prior to this date will be allowed to continue participation per plan provisions.**

### FOR TAX YEAR 2017

|  |          |
|--|----------|
| If you're under age 50 .....                     | \$18,000 |
| If you qualify for the Age 50 Catch-up .....     | \$24,000 |
| If you qualify for the Three-Year Catch-up ..... | \$36,000 |

State Patrol and Judges who would like to participate in the State DCP can access the enrollment form on the NPERS website under "Forms." This form should be submitted to your agency payroll or HR rep so they can set up the payroll deduction. NPERS does not administer 403(b) plans. School employees who wish to participate in a 403(b) should contact their HR department for plan and enrollment information.

# PERB News

At the January 23rd meeting, the Nebraska Public Employees Retirement Board (PERB) elected their Chair and Vice-Chair for 2017. By unanimous vote, the PERB selected Janis Elliott as the Chair and Lieutenant Dennis Leonard as Vice-Chair of the board.

Janis Elliott was originally appointed to the PERB in 2009 as a School Plan representative. Janis has served as a Physics teacher at Bellevue Public Schools and is currently the Department Chairperson at Central High School in Omaha. She has served on various educational boards and committees including serving as the President of the Bellevue Education Association and a member of the Executive Board at the Nebraska State Education Association. Janis has received national and state recognition for excellence as an educator. In 2015, Janis traveled as an NEA Foundation Global Educator to Peru after receiving the NSEA Teaching Excellence Award. She was recently elected for a two-year term as a trustee on the Executive Committee of the National Council on Teacher Retirement.

Dennis Leonard was appointed to the PERB in 2014 as the Patrol Plan representative. Dennis has worked for the State Patrol for 30 years, serving as a Trooper, SWAT operator, narcotics investigator, criminal investigator, polygraph examiner, and narcotics unit supervisor. Since 2002, he was the Troop C Investigative Lieutenant for a 17-county area of central Nebraska. Dennis retired from the Patrol December 2016.

Visit the NPERS website to download your Plan Handbook, print off necessary forms, estimate your benefit, and more!

[npers.ne.gov](http://npers.ne.gov)

## 2016 NPERS

# Employees of the Year

*The Nebraska Public Employees Retirement Systems is pleased to announce our two recipients for 2016 Employees of the Year, Vicki Huber and Steve Miles.*

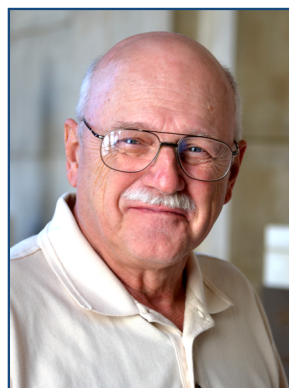
### **Vicki Huber** EMPLOYEE OF THE YEAR



Vicki joined NPERS in 2008 as a Staff Assistant I, and currently serves as the Administrative Assistant to the Director & Legal Counsel. Vicki assists the NPERS director with the logistics of the Public Employee Retirement Board (PERB). She prepares meeting agendas, makes travel and room arrangements as needed, compiles PERB meeting materials, records the meeting minutes, and manages the PERB website. She also corresponds with outside agencies and the public; keeping them informed of PERB events and NPERS publications and reports.

Vicki's other duties include assisting the agency's legal counsel. She helps with the review of qualified domestic relations orders (QDROs) and advises members and their legal counsel on the documentation and steps required for splitting retirement accounts during a divorce proceeding.

### **Steve Miles** EMPLOYEE OF THE YEAR



Steve joined the NPERS call center staff in 2008, and retired from NPERS in December 2016. His duties included fielding inbound phone calls from our members, answering their questions and providing assistance as needed. He also created the retirement packets and conducted office visits for members who were retiring. In addition, Steve reviewed refund/rollover applications to ensure proper completion, and handled other projects as assigned.

Prior to working at NPERS, Steve was in public education for 25 years and also worked with the University of Nebraska's Independent Study High School for 4.5 years. He also serves as an adjunct faculty member for Southeast Community College in their Academic Transfer Department.

*Congratulations to Vicki and Steve! We are pleased to acknowledge their hard work and dedication to our members.*

# 2017

# LEGISLATION

*The 105<sup>th</sup> Legislature, first session, convened on January 4, 2017 for a 90-day session that will end June 2. During this session, the following bills impacting the School, Judges, and Patrol retirement plans were introduced.*

**Provisions may be amended during the legislative session and some bills will not advance out of committee, or be passed by the legislature. Please refer to the Legislation page of the NPERS website for updates and progress as the session continues. The final results of the 2017 session will be reported in the September newsletter.**

## **LB 31 – SCHOOL**

Further defines service credit in the School Plan. Jury duty shall be included as service credit when the member is paid full compensation by the employer. Adds language limiting service credit to the statutory definitions.

For employees hired on or after July 1, 2017, used sick and vacation leave must be leave accrued by the member in order to be counted as service credit. "Sick Leave Bank" or donated leave used by a member would not be eligible for service credit.

Would remove the language allowing employers to pay for purchases of service under the 12-month preretirement provision. The bill would require these purchases be paid in full by the employee.

## **LB 32 – ALL PLANS**

Would remove language to provide tax advice in the State and County Plans. Allows Counties to make quarterly, semiannual, or annual payments to individuals receiving a prior service annuity.

## **LB 169 – ALL PLANS**

Would exempt retirement benefits from NE State taxes.

## **LB 219 – JUDGES, SCHOOL, PATROL, AND STATE & COUNTY CASH BALANCE**

### **State & County Cash Balance**

Currently, State and County Cash Balance annuity rates are determined using the 1994 Group Annuity Mortality Table. This bill would allow the use of updated mortality factors. Provisions would apply to Cash Balance members hired after January 1, 2018; or terminated members rehired on or after January 1, 2018, who have taken a distribution or refund from their account.

Clarifies that the Public Employees Retirement Board may make adjustments to the Cash Balance annuity rate based on a recommendation from the

plan actuary after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation.

### **School/Judges/Patrol**

Currently, annuity rates are determined using the 1994 Group Annuity Mortality Table and an 8% annuity rate. This bill would allow the use of updated mortality factors and allow the Public Employees Retirement Board (PERB) to adjust the annuity rate. Adjustments to mortality tables and annuity rates shall be recommended by the actuary and approved by the PERB following an actuarial experience study, a benefit adequacy study, or a plan valuation. These provisions would apply to members hired after July 1, 2017; or terminated members rehired on or after July 1, 2017, who have taken a retirement benefit or refund of their account.

## **LB 278 – SCHOOL, STATE & COUNTY**

### **State & County**

The bill clarifies disability as "...an inability to engage in any a substantially gainful activity by reason of any medically determinable physical or mental impairment which began while the member was a participant in the plan and which was initially diagnosed or which became disabling while the member was an active participant in the plan and can be expected to result in death or be of a long-continued and indefinite duration."

The bill also allows the Public Employees Retirement Board (PERB) to waive the requirement for a medical exam for disability retirement if the PERB determines "...extraordinary circumstances exist which preclude substantial gainful activity by the member. Such circumstances shall include hospice placement or similar confinement for a terminal illness or injury."

### **School**

The bill would modify the application time frame for disability retirement. Under current law, work related disability applications may be made within

five years of termination, and non-work related applications within one year. LB 278 would require all disability applications be made within one year of termination of employment.

In addition, the bill would allow the retirement board to require any disability beneficiary who has not attained age of fifty-five to undergo a medical examination at the expense of the board once each year. If any disability beneficiary refuses to undergo such an examination, the disability retirement benefit may be discontinued by the board.

## **LB 412 – ALL PLANS**

This bill would require the Nebraska State Investment Officer to:

"Determine the extent to which state funds are invested in companies or funds which derive a substantial portion of their revenue from extraction or combustion of fossil fuels."

"Review the extent to which state funds are invested in companies or funds which derive a substantial portion of their revenue from clean energy and opportunities for investment in clean energy investment."

"Report on the volatility and risk associated with identified fossil fuel investments."

"Begin the process of clean energy investment to the extent it is consistent with prudent investment strategies."

"Provide a status report to the Governor and to the Clerk of the Legislature no later than December 15, 2017."

## **LB 413 – JUDGES & STATE PATROL**

Would increase the filing time for retirement applications from 90 to 120 days prior to effective date of retirement.

Clarifies language relating to supplemental cost-of-living payments.

## **LB 414 – JUDGES**

This bill would change how the Judges Plan is funded. Effective July 1, 2017, the portion of court fees currently appropriated to the retirement fund would be diverted to the general fund. Each July 1st an annual employer matching contribution (of a currently undesignated percentage of member compensation) would then be remitted to the Judges' retirement fund.

## **LB 415 – SCHOOL, STATE PATROL, COUNTY, & STATE**

### **School, State Patrol, County & State**

Members who accept an early retirement incentive must incur a three year break in service prior to providing service in any capacity for any employer participating in the County, State, State Patrol, or School (including Omaha) Retirement Plans.

A member who qualified for and took retirement distributions from the plan and is subsequently employed or reemployed by any employer participating in the County, State, State Patrol, or School (including Omaha) Retirement Plans will not be eligible for vesting credit for their prior employment, and will be required to accrue 10 years of service to vest. They will not be eligible for retirement benefits under disability provisions.

### **State, County, & State Patrol**

New language stipulates a termination has not occurred if a member enters into an employer-employee relationship in any capacity, with any employer participating in the plan, prior to a 120-day break in service. In any capacity would include temporary, part-time, voluntary, or substitute service.

New language also adds additional employers to termination and break in service requirements. Members would not be classified as terminated if they provide service which qualifies them for participation in the State Patrol, State, or School (including Omaha) Retirement Plans prior to a 120-day break in service.

Effective July 1, 2017, a retired member who is hired or rehired in any capacity by an employer participating in the School (Including Omaha), State Patrol, County, or State Retirement Plans, shall "certify under oath or affirmation that, prior to retirement, he or she did not have a prearranged agreement to work after retirement with any such employer."

### **School**

New language stipulates a member cannot enter into an employer-employee relationship in any capacity, with an employer participating in the plan,

prior to a 180-day break in service. In any capacity would include, but not be limited to, temporary, part-time, voluntary, or substitute service. In addition, the 180-day reemployment provisions would be expanded to include employment at Omaha Public Schools, and employers/agencies participating in the State, County, and State Patrol Retirement Plans.

Effective July 1, 2017, a retired member shall also certify under oath that, prior to retirement, there was no prearranged agreement to commence employment in any capacity with an employer participating in the Class V School (Omaha), County, State Patrol, or State Retirement Plans.

Members hired on or after July 1, 2017, would not be eligible for the "Rule of 85" early retirement and would instead fall under "Rule of 90" provisions. Under the Rule of 90, these members would qualify for unreduced benefits starting at age 60 if their attained age plus creditable service equals 90 or greater. This provision would also apply to participants who have taken a refund or retirement benefit and returned to membership (as a new employee) on or after July 1, 2017.

All employers participating in the plan must provide notification to the State Department of Education of all terminations of employment, hires, and rehires. Notification must be made within 15 calendar days. The State Department of Education shall forward this information to NPERS within 15 calendar days of receipt from the employer. Employers shall also be required to fulfill requests from the Public Employees Retirement Board such information as the board deems necessary which shall include, but not be limited to, certification by the employer and member that, prior to the member's retirement, there was no prearranged agreement to return to work in any capacity, including, but not limited to, acceptance of employment under a personal services contract as an independent contractor, as a consultant, or with a private leasing company, a temporary staffing agency, or any other company.

### **Patrol**

The employer involved in the termination of employment and the officer shall certify under oath or affirmation that, prior to the officer's retirement, there was no prearranged agreement to return to work in any capacity, including, but not limited to, acceptance of employment under a personal services contract as an independent contractor, as a consultant, or with a private leasing company, a temporary staffing agency, or any other company.

## **LB 532 – ALL PLANS**

Would change military service credit provisions. Changes would only apply to military service that falls within the definition of military service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA).

Allows the Public Employees Retirement Board may adopt and promulgate rules and regulations to carry out these provisions including, but not limited to, notification of military service, acceptable methods of payment, determining the compensation upon which the contributions must be made, and the documentation required to substantiate that the individual was reemployed pursuant to USERRA regulations.

### **State & County**

Would change provisions for military service rendered on or after January 1, 2018. Under the new language, members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions, and any additional actuarial costs to the plan.

### **School, Judges, & Patrol**

Members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions, and any additional actuarial costs to the plan.

## **LB 548 – SCHOOL**

Would merge Omaha Public School Retirement (OSERS) into the Nebraska Public School Plan effective July 1, 2020. Requires NPERS use the current OSERS benefit and contribution structures for all active, deferred, inactive, disabled, and retirement members of the OSERS plan. Transfers all assets, rights, liabilities, and obligations of OSERS obligations to the School Plan. Requires the Retirement Systems Committee of the Legislature to contract with an actuary to provide an analysis that will identify the additional contribution to be made each year for additional funding that would have been required under OSERS to achieve the same funding ratio as the School Plan. Omaha Public School employees first hired on or after July 1, 2020, would participate in the School Plan provisions.



Are you ready?

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

2017

# Retirement Planning Seminars for SCHOOL

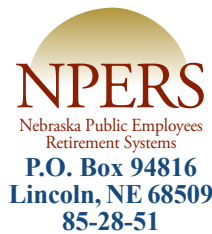
Plan Members Age 50 & Over

The 2017 Retirement Planning seminar season has begun. Seminars will be held across the state beginning March 1, and ending on June 29. Enrollment forms have been mailed and are also available on the NPERS website.

School plan members age 50 and over are entitled to receive leave with pay to attend up to two retirement planning seminars (paid leave limited to once per fiscal year). Members may bring one guest. The fee to attend is \$25 per person. Non-members or an additional guest may attend for \$35 per person.

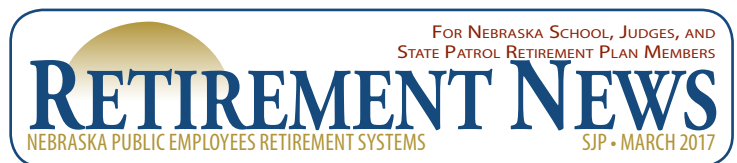
Please be aware there are attendance limits depending on location and some sessions will fill up. Individuals who delay submitting an enrollment form may not be able to attend their preferred session.

Check in on the day of the seminar begins at 8:00 a.m. – *please no early arrivals*. Seminars begin promptly at 8:30.



## SEMINAR DATES:

|  |   |
|--|---|
| <b>LINCOLN</b><br>MEETING 22 JUNE 8<br>MEETING 30 JUNE 14<br>MAY 3 JUNE 29           | <b>VALENTINE</b><br>APRIL 5             |
| <b>LA VISTA</b><br>MEETING 14 MAY 17<br>MARCH 15 JUNE 7<br>MARCH 29 JUNE 28<br>MAY 4 | <b>NORTH PLATTE</b><br>APRIL 6 APRIL 26 |
| <b>GRAND ISLAND</b><br>MARCH 8 JUNE 21   | <b>GERING</b><br>APRIL 12 APRIL 13      |
| <b>KEARNEY</b><br>MARCH 9 APRIL 25   | <b>COLUMBUS</b><br>APRIL 19 JUNE 22     |
|  | <b>NORFOLK</b><br>APRIL 20 JUNE 15      |



## PLAN FUNDED STATUS

The 2016 annual actuarial study again reported improved funded ratios for the Nebraska School, Judges, and Patrol plans.

The plan funded ratios are expected to decrease next year due to changes in the actuarial assumptions recommended by the actuaries and approved by the PERB on September 17, 2016.

For more information, copies of the annual actuarial reports are available on the Publications/Videos page on the NPERS website.



Membership: 80,714\*  
Assets: \$9,698,584,810\*

**The Nebraska School plan funded status increased from 88.0% to 89.6%.\*\***



Membership: 334\*  
Assets: \$159,240,849\*

**The Nebraska Judges plan funded status increased from 97.1% to 98.1%.\*\***



Membership: 841\*  
Asset: \$361,155,486\*

**The Nebraska State Patrol plan funded status increased from 86.9% to 88.7%.\*\***

\*As of June 30, 2016. \*\*As of July 1, 2016.