

RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS STCO • JANUARY 2017



IN THIS ISSUE...

A New Year's Resolution..... 1
 Saver's Tax Credit..... 2
 DCP Beneficiaries 3
 DCP Contribution Limits 3
 Defined Contribution Annuity Rate Change... 4
 Administrative Fee Changes..... 4
 Cash Balance Rate..... 4

NPERS
 Nebraska Public Employees Retirement Systems

PUBLIC EMPLOYEES RETIREMENT BOARD

Ron Ecklund
 Chair

Janis Elliott
 Vice Chair

Denis Blank
 State Member

Elaine Stuhr
 Member-At-Large

Dennis Leonard
 Patrol Member

Kelli Ackerman
 School Member

Judge J. Russell Derr
 Judges Member

Pamela Lancaster
 County Member

Michael Walden-Newman
 State Investment Officer

Director: **Phyllis Chambers**

RETIREMENT NEWS

Editor: **John Winkelman**
 Asst. Editor: **Angela Hatcher**

402-471-2053
 800-245-5712
npers.ne.gov

What will be 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.

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! State and County employees all have access to voluntary retirement savings via their 457, **Deferred Compensation Plans (DCP)**. County employees should contact their payroll/HR department for more information, and State employees can access DCP enrollment forms and plan handbooks on the NPERS website.

Saver's Tax Credit



Low and moderate income employees may be able to significantly reduce their taxes by qualifying for the Federal Saver's Tax Credit.

Contributions made to an employer sponsored retirement plan such as the voluntary Deferred Compensation Plan (DCP) or an individual retirement arrangement (IRA), *may* qualify for a tax credit of up to \$1,000 per individual (\$2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2017

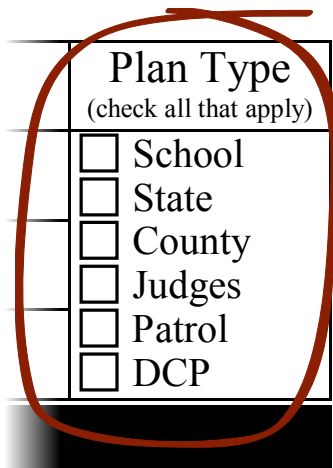
CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50%	\$0 to \$37,000	\$0 to \$27,750	\$0 to \$18,500
20%	\$37,001 to \$40,000	\$27,751 to \$30,000	\$18,501 to \$20,000
10%	\$40,001 to \$62,000	\$30,001 to \$46,500	\$20,001 to \$31,000

For example, a couple filing a joint return with an AGI of \$37,000 or less is eligible for the 50% rate. If both contributed \$2,000 (or more) to a qualified plan, both would receive the maximum \$1,000 Saver's Credit. If their AGI was a bit higher at \$38,000, they move to the 20% bracket and both would receive a \$400 credit.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of your taxable income and you pay taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes you owe dollar for dollar and provides *significantly* better savings. In addition, contributions made to DCP reduce your AGI and may help you qualify for a higher Saver's Tax Credit.

Designate Your DCP Beneficiaries

Are you participating in the voluntary Deferred Compensation Plan (DCP)? This plan is offered to all state employees; plus employees of Lincoln, Greeley, McPherson, and Dodge Counties; and employees of the Elkhorn Logan Valley and SW NE Public Health Districts. DCP is a tax-deferred retirement plan that is an excellent way to save additional funds for retirement. Eligible employees may enroll *at any time* by submitting a DCP Enrollment form to their agency payroll department, but there is one additional document that also needs to be completed... a Beneficiary Designation form.



Plan Type (check all that apply)	
<input type="checkbox"/>	School
<input type="checkbox"/>	State
<input type="checkbox"/>	County
<input type="checkbox"/>	Judges
<input type="checkbox"/>	Patrol
<input type="checkbox"/>	DCP

The beneficiary form you filled out for your mandatory retirement plan *does not* transfer to your voluntary DCP account.

You must fill out a new beneficiary form when you initially enroll in DCP. At that time, you can designate the same or separate beneficiaries for your DCP and mandatory plans.

In the upper right corner of the beneficiary form there are six small boxes. If you check just the DCP box, the beneficiaries you list will apply *ONLY* to the voluntary DCP. If you wish to designate the same beneficiaries for both plans, be sure to check *BOTH* the State (or County) and DCP boxes.

DCP participants who fail to submit a beneficiary form will have the death benefits paid to their estate in a lump sum. Accounts over \$25,000 must be paid via Automated Clearing House (ACH). NPERS will not: (1) pay to the participant's surviving spouse, or (2) pay the account balance as a plan-to-plan transfer or rollover if a participant has not designated a beneficiary. This may result in a significantly higher tax rate for their survivors. Questions regarding taxation of death benefits should be directed to an estate planning attorney or other tax professional.

As a reminder, the DCP enrollment form must be submitted to the agency payroll department so they can set up your desired DCP withholding. Notarized beneficiary forms can be sent directly to NPERS.

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

2017 DCP Contribution Limits

2017 maximum contribution limits for voluntary Deferred Compensation Plans (DCP) have been announced by the IRS for \$457, tax sheltered retirement plans. The limits for 2017 remain the same as the limits previously set for 2016.

The standard yearly maximum contribution for 2017 is \$18,000 for members under age 50. The additional contribution amount for members age 50 or older is \$6,000, increasing the total limit to \$24,000.

DCP is a tax-sheltered retirement plan somewhat similar to a Traditional IRA. It is a long-term investment plan and not intended as a short-term savings account. All state employees are eligible to participate, as are some county employees whose employer does not offer a section 457 plan. Please refer to the NPERS website for more information and DCP enrollment forms.

Defined Contribution Annuity Rate Change

Effective January 1, the annuity rate for **Defined Contribution** members has been updated from the 2016 rate of 3.57% to the 2017 rate of 2.62%. Per Nebraska statutes, this rate is determined using the January Pension Benefit Guaranty Corporate rate (1.87%) plus 0.75%. *At this time*, the annuity rate for **Cash Balance** members remains unchanged at 7.75%.

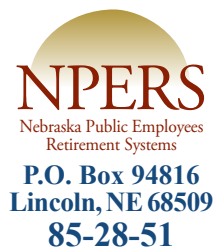
Please refer to your plan handbook for more information on the annuities offered to State and County members at retirement or termination.

Changes to Administrative Fees

At the November 21 meeting, the Public Employees Retirement Board approved three changes to NPERS' administrative fees. Effective December 25, 2016, administrative fees for *County Defined Contribution* participants will decrease from 5.5 basis points to 4.5 basis points. Participants in *State Defined Contribution* will see an increase of the administrative fee from 1.5 to 4.0 basis points. Individuals participating in the voluntary *Deferred Compensation* plan will see the fee increase 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. NPERS 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.



QUARTERLY CASH BALANCE RATE

For the quarter beginning January 1, 2017, the rate of return for Cash Balance participants is 5%.

The current and historical Cash Balance rates of return are available via the "Cash Balance Rates of Return & Dividends" link on our website.