

RETIREMENT NEWS

FOR NEBRASKA STATE AND COUNTY EMPLOYEES | APRIL 2019 | NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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RETIREMENT NEWS

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RETIREMENT BOARD NEWS

At the January 28 meeting, the Nebraska Public Employees Retirement Board (PERB) elected the Chair and Vice-Chair for 2019. By unanimous vote, the PERB retained Janis Elliott as the Chair and elected Kelli Ackerman as Vice-Chair of the board.

We are sad to report Dennis Leonard has elected to resign from the PERB. Dennis was originally nominated to the Board in 2014 to serve the remainder of the Patrol Member position previously held by Darrell

Fisher, and was re-appointed in 2015. He was elected as the Vice-Chair of the PERB in 2017 and 2018. We wish Dennis the best in his future endeavors.



Janis Elliott

Kelli Ackerman

Dennis Leonard

DCP INCOMING ROLLOVERS & TRANSFERS

The State of Nebraska voluntary 457(b) Deferred Compensation Plan (DCP) is an excellent way to save and invest additional dollars for your retirement. Did you know DCP also accepts incoming rollovers from another qualified 401(a), 401(k), 403(a), 403(b), or Traditional Individual Retirement Arrangement (IRA), and transfers from another governmental 457(b)?

Rollover/transfer regulations vary depending on the source of the incoming funds.

You may rollover funds from a 401, 403, or Traditional IRA into your State of Nebraska DCP account under these circumstances:

- You must be an active employee participating in the State of Nebraska DCP. Exception: After termination, State Employees may rollover funds from their State Cash Balance account provided they established a DCP account prior to ceasing employment with the State.
- Amounts rolled into DCP will be accounted for separately from any current and future payroll deductions.
- Amounts rolled into DCP will not count toward the annual limit on deferrals.
- You cannot roll funds from a Roth account into DCP.
- Amounts rolled from other retirement accounts may be subject to early

withdrawal penalties if distribution is made prior to the retirement age provisions established by the outgoing plan.

You may transfer funds from another governmental 457 plan if these conditions apply:

- You are actively employed by the State of Nebraska.
- You have enrolled and previously made at least one contribution to your Nebraska DCP account.
- After the transfer has occurred, you must make at least one additional monthly contribution to your Nebraska DCP account equal to or greater than the monthly amount you were contributing to the transferring plan.
- Your annual contribution limit will be reduced by any contributions you previously made to the other 457 account. You may not contribute more than the annual limit for all 457 plans you participate in during any calendar year.
- You must have ceased employment with the entity that maintains the transferring plan unless you are transferring all of the assets from the other 457 plan.

To open a DCP account, submit the DCP Enrollment form to your agency payroll/HR department. The DCP Enrollment form may be obtained from them or the NPERS website.

2019

LEGISLATION

The 106th Legislature, first session, convened on January 9, 2019 for a 90-day session that will end June 6. During this session, the following bills impacting the State and County retirement plans have been introduced.

These descriptions represent the bills as introduced. Provisions may be amended during the legislative session and some bills may not 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 2019 session will be reported in the July newsletter.

LB 32 – STATE/COUNTY DEFINED CONTRIBUTION & DCP

LB 32 allows the Nebraska Investment Council (NIC) to modify the 13 investment options currently provided to participants in the State and County Defined Contribution plan. This will also result in a change to the investment options in the voluntary State Deferred Compensation Plan (DCP).

On or after January 1, 2021, investment options shall include, but not be limited to:

- An investor select account which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy substantially similar to the investment allocations made by the state investment officer for the defined benefit plans. These investments shall most likely include domestic and international equities, fixed income investments, and real estate, as well as potentially additional asset classes.
- A stable return account which shall be invested by or under the direction of the state investment officer in a stable value strategy that provides capital preservation and consistent, steady returns.
- An equities account which shall be invested by or under the direction of the state investment officer in equities.
- A fixed income account which shall be invested by or under the direction of the state investment officer in fixed income instrument.
- A life-cycle fund which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy that adjusts from a position of higher risk to one of lower risk as the member ages.

Defined Contribution, DCP, and DROP participants shall be given a detailed current description of each new investment option. Participants who fail to make an investment election from the new funds shall have their account invested in the life-cycle fund.

For more information, please refer to the companion article in this newsletter.

LB 33 – RETIREMENT BOARD

LB 33 increases the PERB per diem from \$50 to \$75. In addition, the bill would change the actuary contract limits to allow for two 3-year options, and remove the requirement for a competitive, formal, sealed bidding process for the legal compliance audit. Finally, the bill would change the due date of the Annual Legislative Report from March 31 to April 10, effective 2020.

LB 34 – STATE & COUNTY

Under current law, State and County members who have filed a grievance regarding a termination may withdraw up to \$25,000 from their account pending the outcome of the grievance. If reinstated, the member must repay the distribution. If passed, LB 34 would eliminate this grievance distribution provision.

LB 35 – STATE & COUNTY

LB 35 makes changes to the eligibility and reemployment provisions of the County and State plans.

It would require permanent full-time State and County employees be at least 18 years old to participate in the plan, which is consistent with what is required of part-time employees.

Consistent with current practices, effective January 1, 2020 a State or County member who is reemployed in any capacity with less than a 120-day break in service shall not be deemed to have terminated employment. In this instance, the member must:

- Return to plan participation. A member previously participating in Defined Contribution shall resume participation in Defined Contribution. A member participating in Cash Balance shall resume participation in the Cash Balance Tier in which they were previously participating.
- Repay all distributions, including annuity payments. No further distributions may be taken.
- Make up any missed contributions.

Effective January 1, 2020 a State or County member who is reemployed on a permanent full or permanent part-time basis on or after a 120-day break in service:

- A member previously participating in Defined Contribution shall resume participation in Defined Contribution. A member participating in Cash Balance shall resume participation in the Cash Balance Tier in which they were previously participating.
- If the member purchased an annuity, these payments will continue.
- No further distributions may be taken until the member again terminates employment at all employers/entities participating in the plan.
- If the member did not take a distribution, prior vesting credit shall be restored.
- If the member took a distribution, vesting credit for the pri-

or service is forfeited. During the first three years after re-employment, the member may make a one-time election to repay lump sum and/or rollover distributions. If repayment is elected, vesting credit and forfeited employer matching contributions shall be restored in proportion to the percentage of repayment against the total value of all distributions. Repayment must be completed within five years of reemployment or prior to termination, whichever is earlier.

LB 565 – STATE, COUNTY, & DCP

LB 565 designates the spouse of a married plan member as the default primary beneficiary. When a married plan member dies with no beneficiary designation on file, the surviving spouse shall be considered the primary beneficiary of the retirement account.

LB 32 CHANGES INVESTMENT OPTIONS

By Michael Walden-Newman - State Investment Officer

Changes in state law approved during the 2019 legislative session will allow the Nebraska Investment Council to improve the investment options for the State and County Defined Contribution Plan, the Deferred Compensation Plan and the State Patrol DROP program. Gov. Pete Ricketts signed LB 32 on March 7. The bill was sponsored by Sen. Mark Kolterman at the Council's request.

The Council investment team started reviewing the Defined Contribution and Deferred Compensation investment options in 2016. We invited several DC experts to our office to present their best ideas on what they would recommend as investment options in a Defined Contribution or Deferred Compensation Plan. The July 2017 Council meeting included a presentation and discussion on DC best practices available on our website at <https://nic.nebraska.gov>.

State law includes a list of required investment options for the Defined Contribution Plan. To update Plan options, we needed to first update the statutory list. The list was too restrictive to implement today's best practices. LB 32 corrects that.

WHAT HAS CHANGED?

CURRENT LIST

- Stable Return Account
- Equities Account
- S&P 500 Index Fund Account
- Fixed Income Account
- Money Market Account
- Balanced Account
- Age-Based Account
- Investor Select Account

NEW LIST

- Stable Return Account
- Equities Account
- Fixed Income Account
- Investor Select Account
- Life-cycle Fund with an asset allocation and investment strategy that adjusts from a position of higher risk to one of lower risk as the member ages.

SPECIFICS ON CHANGES

REPLACE THE CURRENT AGE-BASED OPTION WITH LIFE-CYCLE FUNDS AND REMOVE THE BALANCED ACCOUNT

Use Life-cycle funds that provide automatic risk reduction as the participant ages. Life-cycle or Target Date funds have a much more gradual risk reduction path than the current age-based option. Participants only need to focus on one key variable – their anticipated retirement date.

REMOVE THE MONEY MARKET INVESTMENT OPTION

Both the Stable Return Account and the Money Market investment options offer a conservative investment strategy with essentially the same goal of capital preservation. Over the long term, we would expect the Stable Return Account to provide a slightly higher total return than the Money Market option. We do not need both.

REMOVE THE S&P 500 INDEX FUND IN STATUTE

Within the list of investment options currently in statute, both an equity option and the S&P 500 Index option are listed. Removing the reference to a specific equity index would allow flexibility to use more broad-based index funds across the asset class.

The Council plans to finalize the new options by year-end end. The new lineup will take effect in January 2021. NPERS will keep members posted on specifics of the transition process and the new investment options.

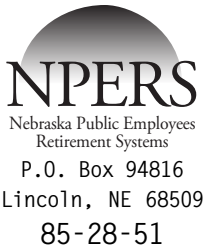
SPAM AND MARKETING EMAILS

Several State employees have recently received retirement related emails sent to their work email addresses. The subject line in these emails have included, "Participants in the Nebraska Public Employees' Retirement System Can you Afford to Retire? Do you understand your Benefits? We Can Help...." and "Nebraska Public Employees.. Will Your Retirement Survive?" The email encourages the recipient to schedule a 15 minute "No Cost Retirement Consultation" where you will receive a "State of Nebraska Public Employees Retirement Report" and a "Complimentary Personalized Retirement Analysis."

Some plan members are under the impression these emails came from NPERS. **They did not.** These are spam/marketing emails coming from a private entity who has obtained the email addresses of Nebraska State employees. The organization sending these emails is not affiliated with NPERS in any way.



Official NPERS emails will only come from a nebraska.gov email account, or, in the case of electronic statements, through Ameritas, the record keeper for NPERS retirement plans. If you receive a communication regarding your retirement account, and question if it's a legitimate communication from NPERS or a solicitation from a third party, please feel free to contact our office.



"DCP INCOMING ROLLOVERS/TRANSFERS" CONTINUED FROM PAGE 1

After you submit the enrollment form to payroll/HR, they will set up the automatic payroll deduction and forward the form to NPERS for final processing. The calendar month after NPERS receives the completed form is when your participation and contributions to DCP will begin. After your account is active, you may contact NPERS if you wish to conduct a rollover into your account.

Please remember to complete a Beneficiary Designation form when enrolling in DCP. The beneficiary form you filled out for your mandatory retirement plan will not designate beneficiaries for your voluntary DCP account. Unlike the enrollment form which must go to your payroll/HR department, beneficiary forms can be sent directly to NPERS.

For more information on DCP, please refer to the April 2018 State & County Retirement News.

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QUARTERLY CASH BALANCE RATE

For the quarter beginning April 1st, 2019, 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.