

RETIREMENT NEWS

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

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RETIREMENT NEWS

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ACCOUNT STATEMENTS NOW INCLUDE BENEFICIARIES

Account statements are mailed to State and County members on a quarterly basis. These statements are an important tool to report account information and provide members an opportunity to alert us of any discrepancies. We are pleased to announce a new feature will be added to future account statements. In response to requests from plan members, quarterly statements have been updated to include the beneficiaries on file for your retirement account.

Your next statement, issued after the first of the year, will list the names of your primary and contingent beneficiaries as of the date of the statement. If you have recently submitted a beneficiary form, the updated beneficiary listing may not display until the following statement. Please review the beneficiaries as



reported on your statement to ensure they are accurate!

It is extremely important you designate beneficiaries for your retirement account, and keep them updated.

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TERMINATIONS & PRE-ARRANGED RETURNS TO WORK

One of the main duties at NPERS is ensuring the plans we administer are in compliance with the federal tax code. Failure to comply can result in mandatory repayment of benefits, and fines and penalties assessed to the plan, employers, and plan members. Even worse, non-compliance could jeopardize the plan's tax-qualified status.

An ongoing compliance issue is reemployment after termination/retirement. Reemployment is defined as providing ANY service for ANY employer

participating in your plan, after terminating employment. For County members, this includes returning to employment at any Nebraska County, with the exception of Douglas and Lancaster. For State members, this includes returning to employment at any State agency.

The primary compliance issue involves members who are reemployed after taking a distribution from their retirement account. The federal tax code and State statutes require State and County plan members terminate employment prior to

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2019 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 2019

CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50%	\$0 to \$38,500	\$0 to \$28,875	\$0 to \$19,250
20%	\$38,501 to \$41,500	\$28,876 to \$31,125	\$19,251 to \$20,750
10%	\$41,501 to \$64,000	\$31,126 to \$48,000	\$20,751 to \$32,000

For example, a couple filing a joint return with an AGI of \$38,500 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 \$40,000, 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.

2019 DCP CONTRIBUTION LIMITS

2019 maximum contribution limits for the voluntary Deferred Compensation Plan (DCP) have been announced by the IRS. The normal maximum contribution deferral has increased from \$18,500 to \$19,000 for members under age 50. The additional contribution amount provided for individuals age 50 or older is unchanged from the \$6,000 amount provided in 2018. As a result, the 2019 total contribution limit for members age 50 and older will be \$25,000.

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 1st, the annuity rate for Defined Contribution members has been updated from the 2018 rate of 3.14% to the 2019 rate of 3.84%. Per Nebraska statutes, this rate is determined using the January Pension Benefit Guaranty Corporate rate (3.09%) plus 0.75%. This rate will apply to all annuities purchased by Defined Contributions with a 2019 effective date.

At this time, the annuity rate for Cash Balance Tier One members is 7.75% and the annuity rate for Cash Balance Tier Two members is 7.5%.

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

TERMINATIONS CONTINUED FROM PAGE 1

taking a distribution from their retirement account. State statutes require a “bona fide separation from service” and establish break-in-service time frames of 120 days for both plans.

A member shall not be deemed to have terminated employment if they subsequently provide service (temporary, part-time or full-time, paid or voluntary) for any employer participating in the plan within this 120-day time frame.

It has come to the attention of NPERS that prior to (or at) retirement, some employers and employees are pre-arranging (written or verbal) returns to service after the 120-day break-in-service time frame. If the member takes a distribution from their retirement account, these arrangements may be a violation of both state and federal laws, and could put the plan in jeopardy and subject the member to mandatory repayment provisions. The IRS has advised plan sponsors to prohibit these arrangements or risk penalties and potential loss of tax-qualified status.

Any State or County plan member who takes a retirement distribution and subsequently provides service at their prior employer will give the impression there may have been a pre-arranged agreement to return to work. If it appears there was a pre-arranged return to work, NPERS will conduct an inquiry to research the facts and circumstances surrounding the member’s return to work.

As part of the inquiry, NPERS will contact the employer and ask for documentation to demonstrate the process taken to replace the retired/terminated employee. In addition, both the member and employer will be asked to certify in writing if there was, or was not, a pre-arranged return to work agreement. After the inquiry has been completed, NPERS and the Public Employees Retirement Board will determine if there was a bona fide separation from service or a pre-arranged return to work.

Your employer cannot hold a position open for you after you begin retirement benefits – regardless of the time frame.

If **at any time** it is determined a State or County plan



member did not experience a bona fide separation from service, or there was a pre-arranged agreement to return to work, three steps shall be taken:

- 1. No further benefits will be issued.**
- 2. Any missed contributions must be made up by the member and employer.**
- 3. All benefits previously issued – including any taxes withheld – must be repaid by the member.**

These repayments could be sizable amounts, especially if the non-compliance is discovered after the member has received several months or years of benefits. Failure to repay can result in garnishment of wages, checking and savings accounts, and other retirement assets.

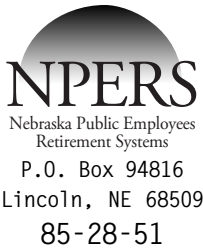
Reemployment after retirement is a complex topic and one that can lead to unwelcome consequences for non-compliance. Members are encouraged to refer to their plan handbook for additional information on reemployment requirements. Members and employers are welcome to contact our office if they have additional questions or concerns.

ACCOUNT STATEMENTS CONTINUED FROM PAGE 1

Failure to do so can result in unintended parties receiving death benefits, a significant reduction in death benefits, or death benefits paid to your estate. In addition, if you are participating in the voluntary State of Nebraska Deferred Compensation Plan (DCP), please remember to review the beneficiaries listed on your DCP account statement. Beneficiaries previously designated for your mandatory account will not transfer to the DCP account.

To designate or update beneficiaries, you may download a Beneficiary Designation Form from the NPERS website, or request a copy of the form from your employer or our office. When NPERS receives your properly completed, signed and notarized form, it will cancel any previous beneficiary designations.

Don't forget you have the option to "Go Green" and view your statements online. Plan members may suspend mailing of paper statements by enrolling for electronic statements using the Ameritas online account access.



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QUARTERLY CASH BALANCE RATE

For the quarter beginning January 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.