For Nebraska State and County Employees
RETIREMENT NEWS
NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | APRIL 2020

IN THIS ISSUE

NPERS
Nebraska Public Employees Retirement Systems

RETIREMENT NEWS

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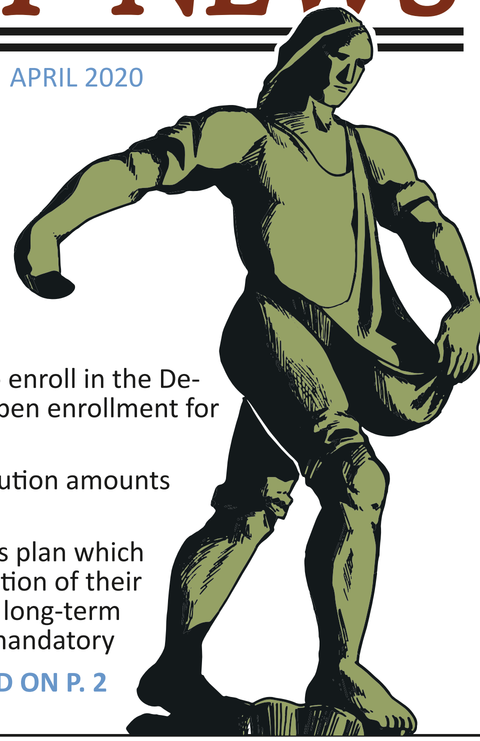
DCP & Open Enrollment



We are excited to announce starting this year, the ability to enroll in the Deferred Compensation Plan (DCP) will be an option during open enrollment for state employees.

In addition, the ability to enroll and/or change DCP contribution amounts will be available **year round** via the Employee Work Center.

The State of Nebraska DCP is a voluntary retirement savings plan which allows state employees the ability to defer and invest a portion of their compensation for retirement. DCP should be considered a long-term retirement savings account designed to supplement your mandatory retirement plan.

CONTINUED ON P. 2

New Investment Options

As reported in the April 2019 newsletter, the passage of LB 32 during the 2019 legislative session allowed the Nebraska Investment Council (NIC) to update the investment options available for the State and County Defined Contribution Plans, the voluntary Deferred Compensation Plan, and the State Patrol DROP program. The NIC has finalized the new investment options which will take effect in January 2021.

DELETED FUNDS	NEW FUNDS	RETAINED FUNDS
Conservative Premixed	LifePath Index	Investor Select
Moderate Premixed	US Total Stock Market Index	US Bond Index
Aggressive Premixed	Global Equity	International Equity Index*
Age Based	US Core Plus Bond	Stable Value
S&P 500 Index		
Large Company Growth		
Large Company Value		
Money Market		
Small Company		*With Revisions

NPERS will be running articles in upcoming newsletters to explain the new investment options and the transfer process that will take place in January 2021. Please refer to the companion article in this newsletter for information on the new LifePath funds.

DCP Basics

- Contributions are made on a pre-tax basis. There is no employer match.
- Distributions are taxable and cannot be taken until you cease employment with the state.
- You may begin contributing, suspend contributing, or change contribution amounts anytime during the year via the Employee Work Center.
- Enrollments (and changes to contribution amounts) will begin as soon as administratively possible, but no earlier than the first of the following month. Elections made during open enrollment will be reflected on the first paycheck in July.
- The minimum contribution is $25 per month ($12.50 per paycheck if paid bi-weekly). You cannot contribute more than your earned income or the annual maximum set by law. Please refer to the January NPERS newsletters for DCP annual maximums.
- You are in charge of deciding how to invest your account. There is no guaranteed rate of return. Your account balance will fluctuate depending on market performance and the investment options you select.
- DCP accounts are subject to administrative, record keeping, and investment fees. NPERS strives to keep these fees reasonable and affordable. Plan expenses are evaluated periodically and fees are subject to adjustment as needed. More information, including the current DCP fees, may be found in the July 2018 NPERS newsletter.

Don't Delay!

It's difficult to start investing during times of market volatility, but the sooner you start, the easier it will be to amass a sizable nest egg. It's never too late to save more for retirement, but someone who waits until age 45 to begin saving will need to contribute significantly more each month to obtain the same size nest egg as someone who began at age 30. Even if you can't set aside a sizable amount to contribute, saving a little now is much better than saving nothing at all.

For more information, please refer to the DCP handbook on the NPERS website, the April Retirement News, or contact NPERS at 800-245-5712 or 402-471-2053.

If You Enroll: The "To Do" List

If you elect to participate in DCP during open enrollment or via the Employee Work Center, and if this is your *initial* enrollment in the plan, there are two more steps to take.

STEP ONE: DESIGNATE BENEFICIARIES

Your beneficiary is the person (or persons) who will receive any funds remaining in your DCP account upon your death. Beneficiaries designated for the mandatory retirement and beneficiaries named during open enrollment do NOT apply to DCP accounts! You may designate beneficiaries using the NPERS Beneficiary Designation form on the NPERS website.

If a DCP participant does not submit a Beneficiary form for the DCP account, death benefits will be paid to the spouse married to the member on the member's date of death. If there is no eligible spouse, death benefits are issued to the member's estate.

STEP TWO: CHOOSE YOUR INVESTMENTS

At initial enrollment, contributions to DCP will be placed in the default investment option until the member selects their desired investments. These options will be updated by the Nebraska Investment Council in January 2021. Please refer to the companion article in this newsletter.

NPERS recommends using the Ameritas Online Access to choose investments. If you have already created an Ameritas account for your mandatory retirement, your new DCP account will be added to your existing login credentials once Ameritas receives enrollment data from NPERS. If you have not created an online account, Ameritas will mail correspondence containing the information you need to create an online account.

When participating in DCP, it is your responsibility to determine your retirement goals and select an investment strategy that works for you. NPERS cannot provide individual investment advice, but basic information on investing and the DCP investment options may be found on the Financial Facts page of the NPERS website.

Retirement Board News

At the January 28 meeting, the Nebraska Public Employees Retirement Board (PERB) elected the Chair and Vice-Chair for 2020. By unanimous vote, the PERB retained Janis Elliott as the Chair and Kelli Ackerman as Vice-Chair.

Janis Elliott

Kelli Ackerman

The 106th Legislature, second session, convened on January 8, 2020 for a 60-day session. The session was suspended due to the Coronavirus (COVID-19) pandemic. The session will reconvene as needed to address emergency needs. Once the pandemic has passed, the session will reconvene to finalize remaining business.

Prior to the session being suspended, the following bills impacting NPERS plans and Nebraska retirees were 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 when the session continues.

LB 806

This bill would exempt certain retirement benefits from Nebraska income taxes. Effective 1/1/2021, Social Security benefits, retirement benefits from a 401(a) or 403(a) qualified retirement plan, retirement benefits from OSERS retirement plan, retirement benefits from the County, Judges, Patrol, School, and State retirement plans, retirement benefits from the US Civil Service or Federal Employees Retirement System, and military retirement benefits would be exempt from Nebraska income taxes.

LB 1054

Modifies Required Minimum Distribution (RMD) language to conform to recent changes in federal law (please refer to the companion Legal Corner article in this newsletter). This bill would increase the RMD age from 70 ½ to 72 for individuals who turned 70 ½ after 12/31/2019.

LifePath Funds

One of the new investment choices going into effect in January 2021 will consist of ten separate target date funds. These target date funds are similar to the Age-Based funds that will be phased out in January 2021. The new target date funds, named LifePath Funds, are designed to provide a diversified, professionally managed investment portfolio in a single fund. They are comprised of a mix of investments including, but not limited to, global and U.S.-based stocks and bonds.

Investors who choose this option will select the LifePath fund closest to their anticipated date of retirement. For individuals who are several years from retirement, their LifePath fund will have a larger allocation of stocks in the investment mix. As the retirement date draws closer, the investment allocation is gradually adjusted to reduce the amount of stocks, creating a more conservative portfolio. At retirement, the fund will have finally reached its most conservative allocation.

There will be ten LifePath funds available to choose from in January 2021.

ANTICIPATED RETIREMENT DATE	LIFEPATH FUND
2022 or earlier	LifePath Retirement
2023 to 2027	LifePath 2025
2028 to 2032	LifePath 2030
2033 to 2037	LifePath 2035
2038 to 2042	LifePath 2040
2043 to 2047	LifePath 2045
2048 to 2052	LifePath 2050
2053 to 2057	LifePath 2055
2058 to 2062	LifePath 2060
2063 or later	LifePath 2065

FOR EXAMPLE:

An individual is currently 25 years old. They plan on retiring at age 65. Their anticipated retirement date is 40 years from now and using this criteria, they would pick the LifePath 2060 fund.

By selecting a single LifePath fund, individuals can pick the date they anticipate to retire and make a one-time selection of the appropriate LifePath fund. The fund will be rebalanced to become more conservative as the target retirement date approaches and as needed in response to investment performance.

Legal Corner

by NPERS Legal Counsel Orron Hill

The law governing retirement plans has seen more activity in the last several years than in the past several decades. Examples of the activity include, but are not limited to:

- The Secure Annuities for Employee Retirement Act of 2013;
- The tax reform in 2017;
- The U.S. Department of Labor's proposed amendments to the fiduciary rule, and the response by various stakeholders; and
- The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act).

The SECURE Act was attached to the Further Consolidated Appropriations Act, 2020 (FCA). The FCA was:

- Passed by the House of Representatives on December 17, 2019;
- Passed by the Senate on December 19, 2019; and
- Signed into law by the President on December 20, 2019.

The SECURE Act makes multiple changes to the Internal Revenue Code (Code), and other laws, governing tax-preferred vehicles, including the tax-qualified retirement plans administered by NPERS. The changes are meant to increase access to tax-preferred retirement plans, simplify administrative burdens, and alleviate costs.

A provision of the SECURE Act of particular note for our plan members, like you, relates to Required Minimum Distributions (RMDs).

Under the old version of the Code, plan participants who terminated employment with an employer offering a qualified retirement plan were required to take a minimum distribution from their account by April 1 of the calendar year following the calendar year in which the participant turned 70½. The SECURE Act, in part, amends the Code to change this age to 72 for individuals who attain 70½ after December 31, 2019.

The SECURE Act also requires governmental pension plans to amend their plan documents to comply with the SECURE Act by December 31, 2024.

NPERS proposed legislation to amend the State statutes that govern your retirement plans, and is in the process of updating our

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LEGAL CORNER (CONTD.)

educational materials, and forms, to bring them in line with the SECURE Act's requirements. We would like to thank Senator Mark Kolterman for introducing LB1054 in response to our proposed legislation and offer our thanks to the Nebraska Retirement Systems Committee for their continued support of the retirement systems. Information about the legislative changes can be viewed on the "Legislation" page of the NPERS website.

If you are nearing RMD age, please be sure to review the notices that accompany your annual statements. **It is important you take action prior to your RMD required beginning date to avoid a 50% excise tax on late distributions and the possible forfeiture of monthly benefits.**

Please contact NPERS with any questions.

CASH BALANCE RATE

For the quarter beginning April 1st, 2020, 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.