

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | OCTOBER 2020

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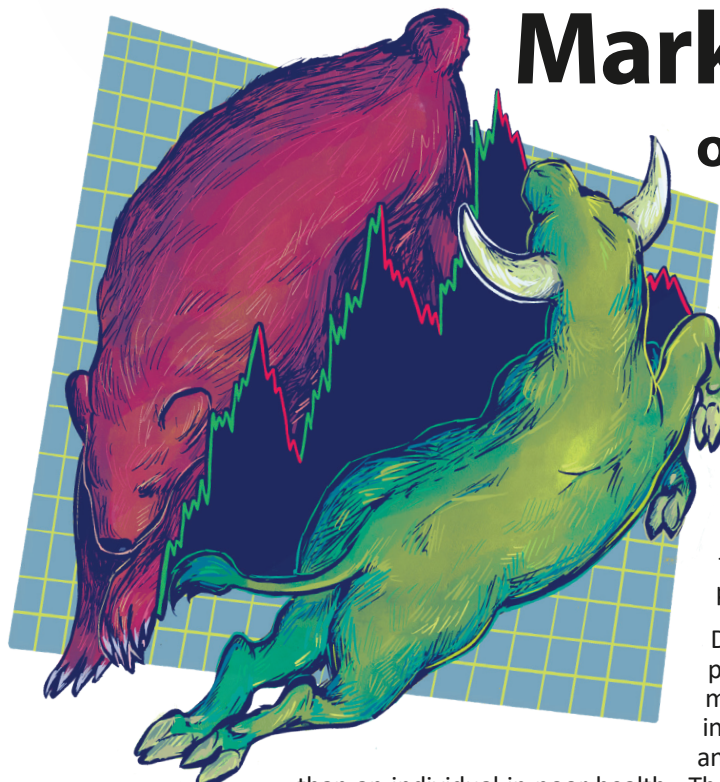
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# Market Impact on Pensions

Michael Walden-Newman  
State Investment Officer



After a decade-long bull market, the Covid-19 pandemic has added volatility to market returns. What began as a health crisis has grown into a financial crisis due to volatility in global markets and economies. Thankfully, recent market returns have improved, but there is still uncertainty regarding the long-term economic effects of the pandemic.

Despite all the doom and gloom, it's important to remember the Nebraska retirement plans started out on a strong footing. A healthy individual who experiences an illness will have a much better prognosis

than an individual in poor health. The same concept holds true for an investment portfolio. Market downturns will have a greater impact on an underfunded or "unhealthy" pension plan. Thankfully, all the Nebraska CASH plans were in good financial shape at the onset of the pandemic.

State lawmakers have historically mandated the Nebraska Investment Council diversify the investments of the assets in our charge "so as to minimize risk of large losses." We have not deviated from these risk management practices and procedures during the past months of market turmoil. Our conservative, deliberate approach is designed to provide a relatively steady outcome compared to our peers - and it does.

The Council understands pension benefits are an important component for our public employees' retirement income. The Nebraska pension fund portfolios are structurally strong, built to withstand the tests of times like these. Our investment strategy is based on a long-term time horizon designed to provide retirement benefits for current and future generations of Nebraskans.

## New & Discontinued Investment Options

The Nebraska Investment Council (NIC) is updating the investment options for the State and County Defined Contribution Plans, the voluntary Deferred Compensation Plan, and the State Patrol DROP program.

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## New & Discontinued Investment Options (cont'd.)

The following chart identifies the funds that will be discontinued January 8, 2021, the new funds available on December 4, 2020, and the current funds that will be retained.

DELETED FUNDS	NEW FUNDS	RETAINED FUNDS
<ul style="list-style-type: none"> <li>• Conservative Premixed</li> <li>• Moderate Premixed</li> <li>• Aggressive Premixed</li> <li>• Age Based Funds</li> <li>• S&amp;P 500 Index</li> <li>• Large Company Growth</li> <li>• Large Company Value</li> <li>• Money Market</li> <li>• Small Company</li> </ul>	<ul style="list-style-type: none"> <li>• LifePath Index</li> <li>• US Total Stock Market Index</li> <li>• Global Equity</li> <li>• US Core Plus Bond</li> </ul>	<ul style="list-style-type: none"> <li>• Investor Select</li> <li>• US Bond Index</li> <li>• Stable Value</li> <li>• International Equity Index*</li> </ul> <p style="text-align: right;">*With Revisions</p>

Individuals participating in the Defined Contribution, the voluntary Deferred Compensation Plan, or the Patrol DROP are encouraged to review their current investment elections and transfer assets out of the funds that will be discontinued. They may transfer now if they wish to use one of the retained funds, or wait and select from the new options starting December 4, 2020.

**PLEASE NOTE!** If an election is not made by the member, at the end of market day on January 8, 2021, any assets in a discontinued fund will automatically transfer to the fund indicated in the following chart.

Information on the LifePath funds may be found in the April 2020 newsletter. Information on the US Total Stock Market Index and the Global Equity funds may be found in the July 2020 newsletter. Please refer to the companion article in this newsletter for information on the new US Core

Plus Bond fund and the updates to the International Equity Index fund. Our Annual Investment Report and Investment Education Video will also be updated later this year to include information on the new investment options.

DISCONTINUED FUND	TRANSFER TO FUND
Conservative Premixed will transfer to...	LifePath Index
Moderate Premixed will transfer to...	LifePath Index
Aggressive Premixed will transfer to...	LifePath Index
Age Based will transfer to...	LifePath Index
S&P 500 Index will transfer to...	US Total Stock Market Index
Large Company Growth will transfer to...	US Total Stock Market Index
Large Company Value will transfer to...	US Total Stock Market Index
Money Market will transfer to...	Stable Value
Small Company will transfer to...	LifePath Index
International Stock Index will transfer to...	Revised International Stock Index

# US Core Plus Bond Fund & Revised International Stock Index Fund

This article briefly explains two of the five new fund options that will be available on December 4th, 2020, the US Core Plus Bond Fund and the revisions that occurred to the International Stock Index Fund. The revisions to the International Stock Index Fund were made primarily to invest in a broader international stock index fund than was previously used.

### US Core Plus Bond Fund

The US Core Plus Bond Fund investment option invests in a diversified portfolio of bonds invested across a global opportunity set. The fund emphasizes investment in higher-quality bonds

that are selected across sectors and geographies in order to avoid concentration risk. The fund is actively managed with a risk-focused approach to preserve capital while seeking to deliver attractive total returns. Contributions to the US Core Plus Bond Fund investment option are invested in the PIMCO Total Return Fund.

### International Stock Index Fund- Revised

The revised International Stock Index Fund investment option shall be invested in a portfolio of international stocks with the objective of providing a return

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as close as possible to that of the Morgan Stanley Capital International (MSCI) All Country World ex-U.S. IMI Index (ACWI ex-U.S. IMI). The MSCI ACWI ex-U.S. IMI Index represents approximately 99% of the global equity opportunity set outside of the U.S. including large-cap, mid-cap, and small-cap stocks. Contributions to the International Stock Index Fund investment option are invested in the Blackrock MSCI ACWI ex-U.S. IMI Index Fund. Blackrock uses a passive approach to try to achieve the fund's investment objective.

### **How Do I Make A Change?**

The quickest way to make investment changes for your accounts is via the Ameritas Online account access. Changes may be submitted using a form, but paper submissions may take up to three business days to process after we have received the form. Investment allocations and transfers made using the Ameritas Online access are automatically processed at the end of the market day. Access to these new options begins starting December 4, 2020.

# Retirement Planning in Uncertain Times

*Orron Hill, Legal Counsel*

According to a recent survey published on July 29, 2020, by the Alliance for Lifetime Income (Alliance) that included working Americans between 56 and 75 years of age with a minimum of \$100,000 in assets:

- 60% are concerned about future unpredictability in the markets due to the volatility caused by COVID-19;
- 70% are more pessimistic about their retirement plans due to COVID-19;
- 52% worry about whether their employment status will change in the next year;
- 56% are rethinking their retirement plans, including how much money they will need to retire;
- 20% have decided to retire later than originally planned;
- 33% are "very confident" they have sufficient income to cover expenses in retirement; and
- 86% say they now know annuities and pensions provide protected monthly income that can help cover expenses in retirement.

(See the Retirement Reset Tracker Wave 3 Study Research Summary at [https://assets.ctfassets.net/qd21fa23g7v7/4kF6QqqrDRzENN3XA02IfT/374a1636c-1866b876ac6aec47a25bb66/Alliance\\_RetirementResetSurvey\\_Wave3-Research\\_Summary.pdf](https://assets.ctfassets.net/qd21fa23g7v7/4kF6QqqrDRzENN3XA02IfT/374a1636c-1866b876ac6aec47a25bb66/Alliance_RetirementResetSurvey_Wave3-Research_Summary.pdf)

and the full COVID-19 Retirement Reset Tracker Wave 3 Research Report at [https://assets.ctfassets.net/qd21fa23g7v7/uGG6uRuti155ZhX00uuv5/caf04487d11ba633cb3a3f49c37d67de/COVID-19\\_Retirement\\_Reset\\_Report\\_Wave3\\_7-7-20\\_FINAL.pdf](https://assets.ctfassets.net/qd21fa23g7v7/uGG6uRuti155ZhX00uuv5/caf04487d11ba633cb3a3f49c37d67de/COVID-19_Retirement_Reset_Report_Wave3_7-7-20_FINAL.pdf).)

The survey's findings also show 79% of respondents feel discretionary spending is important to quality of life in retirement, and 70% are less than "very confident" they will be able to afford all of their desired discretionary spending in retirement.

After reading this, you may be asking questions like:

- How do I avoid the uncertainty about retirement expressed by the survey's respondents? or
- How do I plan for my retirement, including identifying and addressing my desired discretionary spending?

Great questions! Here are some things to consider...

**Timing.** It is never too soon to start planning for retirement. "Now" is ALWAYS better than "later." Setting yourself up for financial success in retirement takes planning, time, and money. The earlier you start, the more time you have to plan, and the more money you will be able to save.

**Retirement Lifestyle Planning.** Set out your vision of retirement. This includes deciding such things as:

- Where you will live – both the city/state/country, and type of housing arrangements (i.e., apartment, condo, house, motorhome, cruise ship, time-share, etc.);
- How you will spend your free time; and
- How much you will travel.

Doing so is foundational work to help you plan how much money you will need each month for life's little necessities and for your quality of life in retirement (discretionary spending).

"Retirement Planning in Uncertain Times" will be continued in upcoming newsletters. Look forward to real world, common sense examples and approaches, such as making a budget and estimating your Social Security income, which we will be discussing more in-depth next time, to make sure you can retire according to your plan.

# New Videos

Were you planning to attend a State & County Preretirement Seminar this fall, only to find them sadly cancelled due to COVID-19? Good news, you can attend from the comfort of your own home! In an effort to better serve our members statewide, we have posted new videos to our website, which cover the bulk of materials we would convey at our Pre-retirement Seminar. The videos include State & County Pre-retirement, Retirement 101, the Deferred Compensation Plan, Social Security, and Medicare (in partnership with Nebraska Senior Health Insurance Information Program). Also, watch for the Estate Planning video coming soon. Make an educated retirement plan with the help of the many resources NPERS has available for you today! Discover all this and much more on our website [NPERS.NE.GOV](https://npers.ne.gov)

  
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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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NEBRASKA STATE AND COUNTY EMPLOYEES | OCTOBER 2020

## Handbooks Revised

The member handbooks for the State, County, and the voluntary Nebraska Deferred Compensation plans have been revised. The new revision dates are 7/2020. You may access the current version on the “Publications/Videos” page on the NPERS’ website.

<https://npers.ne.gov/SelfService/public/howto/publications/>

