



RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

JANUARY 2023

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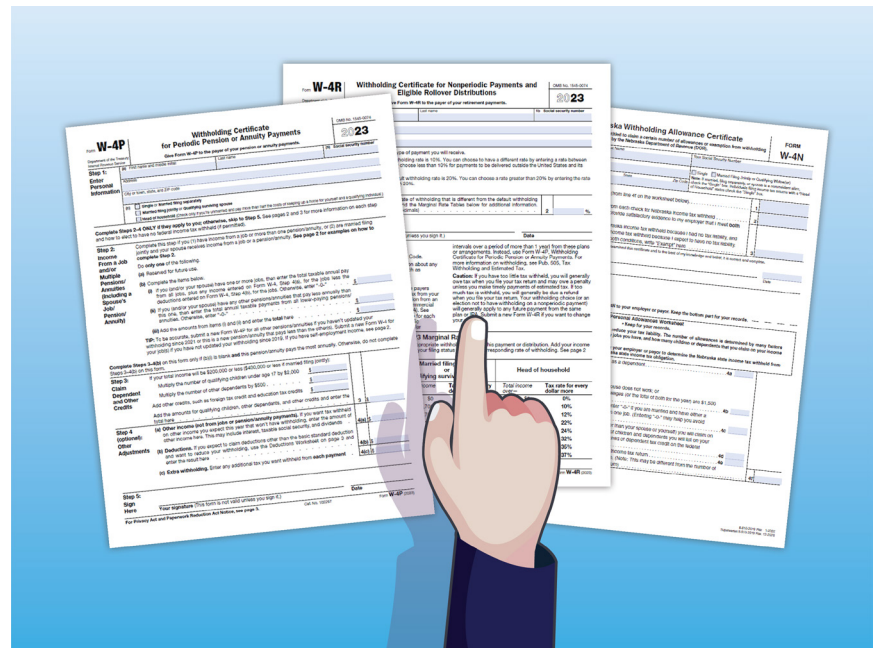
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IRS CHANGES TO TAX WITHHOLDING



Due to changes made by the IRS, as of January 1st, 2023, NPERS will be requiring W-4P (Federal) and W-4N (State of Nebraska) forms for new annuities to begin.

Additionally, distributions such as lump sum payouts or roll-overs may require the completion of a W-4R (Federal) should you want additional taxation withheld on those options.

These new tax withholding forms will be included in retirement packets and distribution applications. We know that during times of change, completing extra paperwork can be frustrating, but these new tax forms are designed to withhold more accurately, helping you when it comes time to file. More accurate taxation also potentially means you'll see more money in your pocket.

The W-4 forms can be downloaded on our website but cannot be accepted electronically at this time.

You will need to mail it to NPERS at:
P.O. Box 94816, Lincoln, NE 68509-4816.

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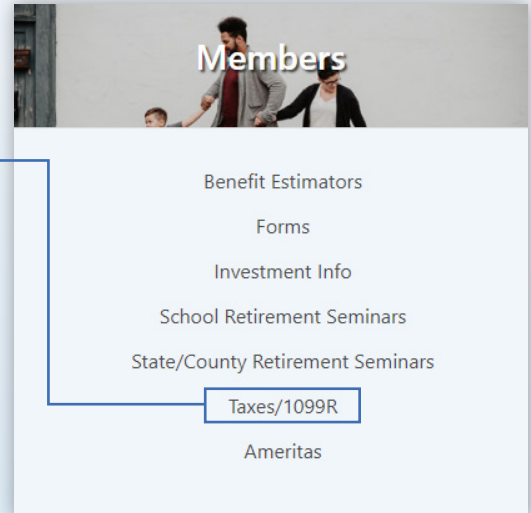
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IRS CHANGES TO TAX WITHHOLDING (CONT'D)

We have created a video walkthrough of the new tax forms on our website. This video, along with more information concerning taxes and tax documentation, can be found at [NPERS.NE.GOV](https://www.npers.ne.gov) by scrolling on the home page to the “Members” heading and locating the topic [Taxes/1099R](#).

*NPERS’ staff are **NOT** certified to provide any kind of advisement regarding taxation or regarding your specific tax situation.* If you submit an incorrectly completed tax withholding form this could result in IRS penalties or other tax consequences. We wish to make every effort to help our members, however, we suggest consulting with your tax advisor to ensure proper completion of this form.

Carefully read the checklist we include with this important tax form, as it provides guidance when making these changes.



DEFINED CONTRIBUTION ANNUITY AND CASH BALANCE ANNUITY RATE CHANGES

Effective January 1st, the annuity rate for **Defined Contribution** members has been updated from the 2022 rate of 3.12% to the 2023 rate of **5.61%**. Per Nebraska statutes, this rate is determined using the January Pension Benefit Guaranty Corporate rate (4.86%) plus 0.75%. This rate will apply to all annuities purchased by Defined Contributions with a 2023 effective date.

Currently, the annuity rate for **Cash Balance Tier One** members is 7.75% and the annuity rate for **Cash Balance Tier Two** members is 7.2%. The Tier Two rate was adjusted based on actuarial assumptions and will decrease each January by .1% until the rate is 7%.

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

NPERS 2022

EXCELLENCE IN LEADERSHIP WINNERS



At the November 21st, 2022 Public Employees Retirement Board meeting, the board took the opportunity to recognize the 2022 Excellence in Leadership Award winners, Brenda Dinges and Maria Davis.

Left to right:

*PERB Chair Janis Elliott,
Brenda Dinges, Maria Davis,
NPERS Director Randy Gerke*

FEELING THE PINCH!

These days we hear a lot of sensational speculation regarding retirement. Will Social Security be around when we need it? What happens if we retire and outlive our money? Will rising healthcare costs rob us of the lifestyle we want in retirement?

There are many topics today that highlight common feelings people have while planning their retirement: insecurity and fear. These feelings are only natural, as much of retirement planning involves making decisions about the unknown.

How long will I live in retirement? How will the cost of living change in those years? Questions like this cannot be answered. These variables are unknowable. Rather than giving into the insecurity and fear, something we can do is to address what we do know, here and now, and be educated to do our best guessing about the unknown. Here is another thing we can do: *We*

can save for the future now.

The Deferred Compensation Plan (DCP) can help us do this. The DCP is a plan available to all State of Nebraska employees and many county employees to help do the additional long-term saving that many of us will need to have a successful retirement. A DCP account allows you to defer some of your compensation on a pre-tax basis to an account you invest using your personal investment strategy. These funds are then available to be accessed at the time of your retirement.

You can enroll or change your contributions at any time using the Workday System. It only takes a minimum of \$25 a month to start and the money is automatically deducted from your paycheck. Do something now to help ensure a more secure tomorrow - get into DCP!

TAXES ON THE BRAIN, IT'S THAT TIME AGAIN...

As you gather up all your important paperwork to file your 2022 tax return, you may want to take notice of some changes the IRS has made regarding your 2022 tax filing. Some of these changes may impact your financial situation.

Items that could affect you:

- Remember, most income is taxable. Today it is common to see people receive income from what's commonly referred to as the "Gig Economy." If you sell items on-line, for example, work for a ridesharing service, deliver food or groceries for an online food ordering service, or if you rent out part of your property, this is all considered taxable income. Another newer form of income you may not have considered are digital assets like NFT's or Cryptocurrency.
- Due to changes in the American Rescue Plan Act of 2021, if you receive a payment from a third-party payment network, such as income from the gig economy, a transaction as low as \$600 can trigger a 1099-K to be issued to you. Once again, this could come from part-time work, side jobs, or the sale of goods.
- Due to no additional stimulus payments within a 2023 tax refund, refunds may seem slimmer.
- This tax season, if you don't itemize your return and take the standard deduction, you won't be able to deduct your charitable donations.
- To help protect against identity theft, some refunds that claim the Earned Income Tax Credit (EITC) or the Additional Child Tax Credit (ACTC) can't be issued before mid-February. It is mandatory that the IRS hold the entire refund not just the credit portion. This gives the IRS time to detect and prevent fraud.

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2023 DCP CONTRIBUTION LIMITS

The 2023 maximum contribution limits for the voluntary Deferred Compensation Plan (DCP) have been announced by the IRS.

The normal maximum contribution deferral amount is \$22,500 for members under age 50. The additional contribution amount provided for individuals aged 50 or older is \$7,500 making the 2023 total contribution limit for members aged 50 and older \$30,000.

If you are not already participating in DCP, consider enrolling today. DCP is a tax-sheltered retirement plan similar to a Traditional IRA. All state employees are eligible to participate as are some county employees whose employer does not offer a separate 457 plan.

For more information on the DCP, we feature a ten-minute informational video about the plan on our website – [NPERS.NE.GOV](https://www.npers.ne.gov).



P.O. Box 94816
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85-28-51

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TAXES ON THE BRAIN... (CONT'D)

- Just as NPERS often asks you to confirm your address is correct with your employer, the IRS would like you to make sure everything is current with them as well. A current address means that we can get important financial documents to you when you need them.

Want to learn more?

The information for this article was taken from the [IRS website](#). Although it might not be the first place you go for thrilling or exciting news, it is a great spot to be checking regularly to make sure you are complying with all the new tax changes and happenings coming your way.



CASH BALANCE RATE

For the quarter beginning January 1st, 2023, the rate of return for Cash Balance participants is **5.77%**! The Cash Balance rate of return is calculated using the federal mid-term rate plus 1.5% or a guaranteed rate of 5%, whichever is greater.

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