RETIREMENT NEWS

Nebraska Public Employees Retirement Systems — Vol. 24, No. 1

PROVIDING INFORMATION TO STATE AND COUNTY EMPLOYEES

In this issue...

NPERS
Nebraska Public Employees Retirement Systems

Welcome...

Janis Elliott, who is NPERS' newest PERB Member representing the School Plan, lives in Bellevue with her husband and has been an educator for 25 years.

A Physics teacher at Bellevue Public Schools, Janis has received national and state recognition for excellence as an educator, including the Presidential Award for Excellence in Science and Mathematics Teaching Honorable Mention.

Janis has served on various educational boards and committees and was the 2005-2007 President of the Bellevue Education Association. She currently serves on the Nebraska State Education Association Metro Board, and is a key leader for Bellevue in the Building a Presence in Science Program.

We look forward to getting to know Janis during her term with the PERB.

Can you Borrow from your Future?

Q: I'm having trouble making ends meet and just trying to "hold on" in this recession. High prices for gas and food are adding salt to the wound, and my car needs repairs. Is it possible to borrow against my retirement account or take a partial refund while I'm still working for an NPERS employer? How can I possibly save for my future right now?

A: NPERS can understand that it is tempting to borrow against your future retirement to ease financial worries today, but **you cannot borrow from your NPERS member contributions**, nor may you use them as collateral for a loan. This is a provision in Nebraska Statutes, which governs NPERS. There is no "hardship provision" available to members of the **State** and **County Plans**.

The law both *prevents you from accessing your money while you are working* for an NPERS employer, and *protects you against creditors* as long as your contributions remain on deposit with NPERS. The plan assets are held by NPERS in trust, which means the monies are immune from execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law. The assets cannot be paid out because of any legal actions, except through a "qualified domestic relations order" in a divorce case, or through an IRS tax lien. You cannot take a refund (full or partial) of your account while you are still making contributions to the Plan.

Keep in mind that your contributions are providing you with an important retirement benefit. Don't sell it short! Also consider saving even more for retirement by using the voluntary §457 Deferred Compensation Plan for State of Nebraska employees, or your county's deferred compensation plan.

Thank You!

Dale Kahla has served as a School Plan representative on the Public Employees Retirement Board (PERB) since 2004.

Mr. Kahla's term expired on Jan. 1, 2009.

With almost four decades of experience as a math and science teacher at York Public Schools, Dale has demonstrated his dedication to education.

He is a member and seven-time president of the local Education Association.

We appreciate the contributions Mr. Kahla made to the PERB during his term and wish him and his family all the best. He will be missed by his fellow Board members as well as NPERS' Director and staff.

Legal Corner

Legislative Update by NPERS Legal Counsel, **Joe Schaefer**

A number of legistlative bills with implications for Nebraska's Retirement Systems are now before the First Session of the 101th Legislature. The session is scheduled to end June 4, 2009. NPERS will update the progress of this legislation in the next "Retirement News." The legislation includes the following:

LB 23 – All Plans – Makes the State Treasurer a voting member of the Nebraska Investment Council, but does not impose the education requirements nor make the Treasurer a fiduciary as those requirements apply to the current voting members (who are appointed by the Governor and approved by the Legislature). Under current law, the State Treasurer is a non-voting member. (This bill was indefinitely postponed on February 5, 2009.)

LB 121 – State & County – Transfers property tax assessment duties from the State back to certain counties. On or before July 1, 2012, property assessments will again be the responsibility of each county. If a county has not hired staff to perform these duties prior to this date, state employees of the Department of Revenue currently involved in the county assessment function would become county employees. All state employees transferred to a county would immediately participate in the county retirement plan and have all retirement funds transferred from the State Employees Retirement System to the Retirement System for Nebraska Counties. Vesting credit will be granted for transferred employees.

LB 140 – All Plans – Restricts or prohibits investments with companies having ties to Sudan. The bill exempts self-directed investments (defined contribution and deferred compensation accounts) from the provisions of the Act.

LB 188 – State & County –
All State & County:
Increases the timeframe for new employees to apply for vesting credit from 30 to 180 days. Increases the timeframe whereby a surviving spouse may apply for the 100% Joint & Survivor annuity from the current 120 days to 180 days following the death of the member.

State & County Defined Contribution (DC):
Clarifies that Defined Contribution (DC) members who terminate and are reemployed after a 120-day break in service will participate in Cash Balance (CB). Any funds remaining (deferred) in the DC account will also transfer to CB.

Provides a required minimum distribution "holiday" for DC participants for the calendar year 2009. DC participants are likely to have suffered investment losses this past year and federal law has been modified so they will be allowed another year to make back the losses before being required to take a distribution in 2010.

State Cash Balance:
Allows terminating members to transfer all or part of the funds in their account to the voluntary §457 Deferred Compensation Plan (DCP). If all of their funds are not transferred or taken as a lump sum distribution, the remaining funds in the CB account must be taken in the form of an annuity at the time of the transfer.

LB 366 – State – Increases the member contribution rate from 4.8% to 5.0% effective July 1, 2009. Employers would continue to contribute an amount equal to 156% of the employee amount.

LB 403 – All Plans – Members who are not in the United States lawfully would not be eligible to receive a retirement benefit. (Currently, the School Employees Plan requires lawful presence before an employee may join the Plan.) The bill does not address what would be done with the benefits owed a current member who was in the United States illegally.

LB 427 – County – Creates the "County Law Enforcement Officer Retirement Act." This bill would create a separate retirement plan for County employees who are "any person employed by a county of the State of Nebraska on a permanent basis as a law enforcement officer." This plan would be a Defined Contribution design with five-year vesting and unspecified contribution rates. This plan would be similar to the State & County Defined Contribution plan. Participants would make their own investment decisions using the same funds as offered in the State & County DC plan. There would be no guaranteed rate of return.

LB 538 – All Plans – Exempts government employee retirement benefits, up to a set amount, from Nebraska State income taxes. For 2009 the exemption is $30,000 for individuals filling a joint return and $15,000 for all others. For 2010 the exemption is $60,000 for individuals filling a joint return and $30,000 for all others. For 2011 the exemption is $90,000 for individuals filling a joint return and $45,000 for all others. For 2012 the exemption is $120,000 for individuals filling a joint return and $60,000 for all others. For years beginning on or after 2013 the exemption is $150,000 for individuals filling a joint return and $75,000 for all others. Federal income taxes would still apply to the benefits.

Annual Report to the Legislature

NPERS has presented its 2009 Annual Report to the Legislative Retirement Committee which oversees pension legislation. The report summarizes our 2008 accomplishments and improvements in services to our plan members, and outlines our goals for this year.

Our plan membership grew to a record 108,434 members and so did the services we provide. While our plan assets have declined due to the unprecedented market conditions, Nebraska's plans are well-funded in comparison to other public retirement plans.

A few highlights of the report include the membership status and a summary of plan assets, shown at the right, and the following:

NPERS distributed over $394 million in benefits to plan members in all six plans in the form of monthly annuity payments, refunds, rollovers, systematic withdrawals, and required minimum distributions.

In our Member Services Department, the Call Center answered approximately 33,000 phone calls and met with over 1,300 members in personalized office visits. The Benefits area processed 1,225 school retirements, 393 estimates for purchase of school service, 24 disability claims, and 213 death claims. Our Legal Department qualified 58 domestic relations orders.

Our Education Services staff traveled Nebraska providing retirement seminars for members, training for employers, and special presentations for agencies and organizations. Over 3,002 individuals participated in 72 different venues.

The Data Services Department processed over 43,000 pieces of incoming mail, 497,000 pieces of outgoing mail, electronically scanned 500,000 documents, and entered over 3,000 beneficiaries into the system records.

The forms on our NPERS website were redesigned as interactive and can now be completed and printed on a personal computer before signing and submitting to our office. Our website had 243,569 hits, mostly from members and employers obtaining information and forms online.

We implemented the new Deferred Retirement Option Plan (DROP) for State Patrol Plan members age 50-60 with 25 years of service. When joined voluntarily, DROP provides a way for a member to receive a lump-sum amount at retirement in addition to an ongoing monthly retirement benefit.

To view the entire report, go to **www.npers.ne.gov** and from the "Member Info" menu to the left of the screen, select "Publications/Videos" and scroll down to "Legislative Reports."

NPERS Retirement Plan Assets

(Market Value)

SYSTEM	2006	2007	2008
School Employees*	$5,974,750,945	$7,024,856,413	$6,578,300,402
Judges*	$103,945,918	$121,215,683	$113,254,039
State Patrol*	$241,017,483	$279,618,100	$259,479,803
State Employees DC	$782,259,817	$824,569,183	$528,524,670
State Employees CB	$422,275,890	$470,871,851	$467,425,098
County Employees DC	$184,026,657	$191,617,726	$131,193,097
County Employees CB	$124,418,778	$140,000,355	$129,233,772
Deferred Compensation NPERS Plan	$100,095,835	$109,566,840	$83,337,861
Hartford Plan	$50,659,598	$51,631,906	$31,305,975
Total All Plans	**$7,983,450,921**	**$9,213,948,057**	**$8,322,054,717**

*Defined Benefit Plans thru 6/30/08
State, County, DCP thru 12/31/08

2008 NPERS Membership

SYSTEM	ACTIVE	INACTIVE	RETIRED	TOTALS
School Employees*	37,832	18,512	15,339	71,683
Judges *	157	9	155	321
State Patrol *	496	9	352	857
State Employees DC	5,810	1,682	–	7,492
State Employees CB	11,390	2,440	410	14,240
County Employees DC	2,243	813	–	3,056
County Employees CB	5,468	890	187	6,545
Deferred Compensation – NPERS	3,058	134	–	3,192
Deferred Compensation –Hartford	–	1,048	n/a	1,048
TOTALS	**66,454**	**25,537**	**16,443**	**108,434**

*Thru 6/30/08

ANNUAL INVESTMENT REPORT AVAILABLE IN APRIL

The Annual Investment Report for the **State Plan**, the **County Plan** and the state's **Deferred Compensation Plan (DCP)** will be available in April 2008. The report is for the plan year ending December 31, 2008, and includes annual *Cash Balance, Defined Contribution* and *Deferred Compensation Plan* results. The report will be posted on NPERS' website at **www.npers.ne.gov** in the "Publications/Videos" section.

The 1% Difference

Last year, New York City school children went door to door collecting pennies. By asking for only 1% of a dollar, they were able to raise $1 million for charity.

Sometimes the small actions we take yield big results. Take a look at two examples of how adjusting your finances by just 1% can make a real difference over time.

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Boost Your Contribution

Making contributions to Nebraska's §457 Deferred Compensation Plan via payroll deductions is a great way to save for retirement. The contributions come out of your salary automatically making saving a breeze.

If you're not already saving the maximum amount allowed, why not commit to steadily increasing your contributions by 1% (or more) each year? For example, if you're earning $25,000 per year, and you're currently contributing 5% of your salary to the 457 deferred compensation plan, you'll have approximately $147,673 by the time you retire in 30 years, assuming an average return of 8%.

But if you increase your contribution by 1% (from 5% to 6% of your salary), your account could be worth approximately $177,202 about 17% more—by the time you retire.

Refinance Higher-Cost Loans

Concerns about the economy have led to interest rate cuts by the Federal Reserve. With some interest rates falling to their lowest levels in decades, now is a good time to think about refinancing a higher-cost loan or mortgage.

As the following examples show, interest rates don't need to fall far for you to save money. Here's what you could potentially save by reducing your interest rate by just 1%:

Refinancing a 25-year, $200,000 mortgage to reduce the rate from 6.75% to 5.75% could save you approximately $37,083 in interest over the life of the loan. That is $2,966 saved annually that you could add to your retirement savings! An additional $125 a month over 25 years puts an amazing $98,693 in your 457 deferred compensation account assuming an 8% rate of return. (This is a hypothetical example which does not reflect the performance of any specific investment).

No excuses now. Even at an assumed 4% rate of return, your account would have $54,139! Read more about Nebraska's 457 plan at **www.npers.ne.gov.**

NPRIS Goes Live!

In the last Retirement News, we notified members that our automated information system called PIONEER was being upgraded into NPRIS (Nebraska Public Retirement Information System), which uses web-based technologies. The NPRIS update, which required 18 months to construct and test, was implemented March 2, 2009.

During those 18 months, NPERS identified the requirements for the system and worked with the vendor on development of 19 different functional areas. The project will continue to be monitored by the IT Steering Committee, the Office of the Chief Information Officer (OCIO), the Nebraska Information Technology Commission (NITC), and a quality assurance team from the University of Nebraska-Lincoln.

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