For Nebraska State and County Employees

Retirement News

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

STCO • APRIL 2013

NPERS Team Brings Together Another Successful Year

2012 was a busy year at NPERS! Each year we compile our accomplishments for the annual Legislative Report. Our staff of dedicated employees worked hard to administer the six retirement plans for the Nebraska State, County, School, Judges, State Patrol, and Deferred Compensation members. We'd like to share a few of our accomplishments.

The NPERS Call Center

- Answered over 37,000 incoming calls.
- Provided retirement information and counseling for over 2,754 members who visited our office in person.

Data Services

- Handled over 34,900 pieces of incoming mail.
- 155,162 pieces of outgoing mail.
- Scanned over 239,000 documents.
- Processed over 16,000 new beneficiary forms, 2,755 tax withholding forms, and 2,922 changes to direct deposits.

Education Services

- Held 43 Retirement Planning seminars at 10 locations across the state, speaking to a total of 1,881 members.
- Five Financial Planning seminars were held for a total of 118 members.
- All six plan handbooks were updated.
- Six newsletters issued
- The 2012 issues of the Legislative and Investment Reports published.

NPERS Benefits

- Processed over 1,700 retirement applications.
- Issued approximately $534.7 million in benefits to plan members including monthly annuity payments, refunds, rollovers, systematic withdrawals, and required minimum distributions.

Internal Auditing

- Performed 28 school employer and 30 county employer audits.

More details of our 2012 accomplishments can be found in the 2013 Annual Legislative Report, available on the Publications page of the NPERS website.

Cash Balance Rate

For the quarter beginning in April, 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.

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NPERS
Nebraska Public Employees Retirement Systems

RETIREMENT NEWS

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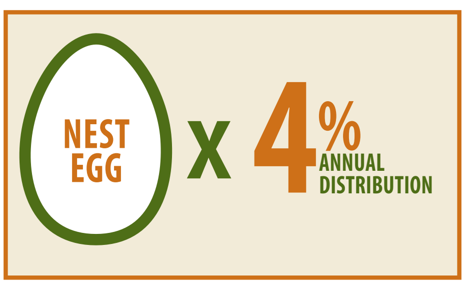
Nest Egg Management AFTER Retirement

***Managing retirement assets after ceasing employment is every bit as important as the process employed to accumulate a nest egg. Retirees need to ensure assets are available over the rest of their lifetimes, regardless of how long they may live. With more and more Americans living well into their 90s, many retirees run the risk of depleting their savings during retirement. In order to maintain these assets, most strategies focus on* asset distribution *and* asset allocation.**

Asset Distribution

A common mistake made by many new retirees is spending too much, too soon. Buying new toys and going on extravagant vacations certainly has its appeal, but retirees who expend too many assets at the start of retirement are jeopardizing their future financial security. The goal is to stretch these distributions out so they last over your lifetime.

As a general rule of thumb, many financial advisors currently recommend a 4% annual distribution rate from retirement assets. For example, a $100,000 nest egg would create $4,000 in annual income. Remember, this is not a fixed amount. If distributions and investment losses result in a $90,000 account balance at the end of the year, then next year's distribution needs to be limited to $3,600. Be aware that multiple years of poor returns, especially in the initial years of retirement, could require a re-evaluation and reduction in distributions.



Asset Allocation

Most retirees will need to generate some measure of return on their assets during retirement. The amount of return needed will vary, depending on the size of the accumulated nest egg, expenditures during retirement, and the expected longevity of the retiree.

Asset allocations range from aggressive to conservative. In order to obtain higher rates of return, an aggressive investor will expose a larger percentage of their assets to investments with greater volatility. On the other hand, a conservative investor will choose more stable allocation options. The conservative approach has less risk, but generates a lower rate of return over time. Retirees need to find an appropriate asset allocation, balancing risk vs. returns. Retirees with an overly aggressive allocation may have to sell stocks or bonds during a downturn in the market, essentially locking in losses. An overly conservative approach reduces risk, but the lower rate of return over time may create a loss of purchasing power due to inflation.

One way to minimize the damage from a market downturn is by creating an emergency fund of assets in cash or any other low risk and easily liquidated option. This fund should be kept separate from all other assets and contain enough capital to keep you "afloat" for a minimum of two years. During a market downturn you can access these assets to pay your expenses, avoiding the danger of having to sell when the market is low. Once the market has rebounded, be sure to replenish your emergency fund and only tap into these assets during market downturns.

Managing your assets during retirement is essential to maintaining financial security. This can be a complicated process, depending on your individual situation. Selecting an appropriate asset allocation and distribution strategy is a personal decision. Many factors need to be considered as part of the process. NPERS encourages retirees to take the steps necessary to educate themselves. There are several books, classes, and online resources that can help. Some retirees may need to seek help from a professional financial advisor. Some individuals charge for a financial plan and others may charge only for the investments made. Shop around and compare – there are a wide variety of financial services available.

PERB Update

Front (L-R): Stuart Simpson, Denis Blank, and Richard Wassinger.
Back (L-R): Janis Elliott, Randall L. Rehmeier, Phyllis Chambers, Ronald Ecklund, Elaine Stuhr, and Jeffrey States. **Not pictured:** Darrell Fisher.

At the January 28th meeting, the Public Employees Retirement Board (PERB) re-elected Denis Blank to serve as Chair, and elected Richard Wassinger as Vice-Chair, for the 2013 calendar year. Prior to his retirement, Denis Blank was the Chief Administrator at the Nebraska Department of Agriculture. Mr. Blank was first appointed to the PERB in 2001 as a State Plan representative. Richard Wassinger has served as the Cass County Treasurer since August 1, 1983. Mr. Wassinger was initially appointed to the PERB in 2006 as the County Plan representative.

Elaine Stuhr has been re-appointed and confirmed for a 2nd five-year term to the PERB as a public or "at-large" member. Previously, Ms. Stuhr served for 12 years as a State Senator in the Nebraska Unicameral. During that time she served on several different committees, including the Retirement Committee as Chair and Vice Chair.

Darrell Fisher

Last November, Rhonda Lahm was appointed to replace Sergeant Glenn Elwell as the State Patrol representative on the PERB. Ms. Lahm has since been named Director of the Nebraska Department of Motor Vehicles and has resigned her position on the PERB.

Darrell E. Fisher has been appointed and confirmed to fill the current State Patrol vacancy. Mr. Fisher graduated from the University of Nebraska at Kearney with a Bachelor of Science degree, majoring in Criminal Justice. He began employment with the Nebraska State Patrol in 1979 and rose to the rank of Lieutenant Colonel during his 29 years of service. Mr. Fisher retired from his position of Assistant Superintendent with the State Patrol in 2008. NPERS would like to welcome Mr. Fisher to the Retirement Board.

2013 State & County Retirement Legislation

The 103rd Legislature, first session, convened on January 9, 2013, for a 90-day session that will end on June 5. Omaha Senator Jeremy Nordquist was elected the chair of the Nebraska Retirement Systems Committee and Senator Al Davis the vice-chair. Other committee members include Danielle Conrad, Russ Karpisek, Heath Mello, and Rick Kolowski.

During the first ten days allotted for introducing new legislation, multiple new bills addressing the State and County retirement plans were introduced. Please refer to the Legislation page of the NPERS website for updates and progress as the session continues.

LB77 – IRAN DIVESTMENT ACT

This bill proposes state funds and funds administered by the state, including public employee retirement funds, would not be invested in companies that provide power production-related services, mineral extraction activities, or military equipment to the government of Iran.

LB227 – EXCLUDE RETIREMENT BENEFITS FROM STATE INCOME TAX

This bill proposes to exclude retirement benefits from Nebraska State income tax. Beginning January 1, 2014, up to January 1, 2015, when filing Nebraska State income tax, federal adjusted gross income shall be reduced by thirty-three and one third percent of all amounts received as retirement benefits to the extent such benefits are included in federal adjusted gross income.

From January 1, 2015, up to January 1, 2016, this deduction shall increase to sixty-six and two-thirds percent of all amounts received as retirement benefits to the extent such benefits are included in federal adjusted gross income.

On or after January 1, 2016, this deduction shall increase to one hundred percent of all amounts received as retirement benefits to the extent such benefits are included in federal adjusted gross income.

"Retirement benefits" means the total amount of governmental or other pension or retirement pay, including, but not limited to, such pay received under the federal Social Security Act, defined benefit or defined contribution plans, annuities, individual retirement accounts,

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plans maintained or contributed to by an employer, or maintained or contributed to by a self-employed person as an employer, and deferred compensation plans or any earnings attributable to deferred compensation plans.

LB238 – EXEMPT SOCIAL SECURITY & CERTAIN RETIREMENT BENEFITS FROM STATE INCOME TAX

This bill proposes to exempt Social Security and certain retirement benefits from Nebraska State income tax.

Beginning January 1, 2013, when filing Nebraska State income tax, federal adjusted gross income shall be modified to exclude one dollar of retirement income for every one dollar of nonretirement income. This exclusion shall be limited to $60,000 dollars for taxpayers filing a married filing joint return and $30,000 dollars for taxpayers filing any other return.

For taxpayers filing a married filing joint return, if their federal adjusted gross income exceeds $120,000, the $60,000 exclusion shall be reduced by one dollar for every one dollar over the $120,000 threshold. For taxpayers filing any other return, if their federal adjusted gross income exceeds $60,000, the $30,000 exclusion shall be reduced by one dollar for every one dollar over the $60,000 threshold.

Nonretirement income means income other than retirement income that is included in the taxpayer's federal adjusted gross income and is earned in Nebraska. Nonretirement income excludes investment income.

"Retirement income" means any of the following amounts received which are included in the taxpayer's federal adjusted gross income:

Amounts received as benefits under the federal Social Security Act.

Amounts received as a retirement benefit under a retirement plan qualified under section 401(a) or 403(a) of the Internal Revenue Code.

Amounts received as a retirement benefit from the retirement systems provided for in the Class V School Employees Retirement Act, the County Employees Retirement Act, the Judges Retirement Act, the Nebraska State Patrol Retirement Act, the School Employees Retirement Act, the State Employees Retirement Act, the United States civil service retirement system, and the United States military employee retirement system.

LB263 – RETIREMENT COMMITTEE BILL

As submitted, this bill proposes various clean-up and corrections to the existing public retirement plans to clarify provisions, conform certain terminology among the plans, and adapt compliance audit recommendations.

County:
Permanent part-time employees and part-time elected officials age eighteen or older who wish to exercise the option to begin participation in the retirement system must do so within the first thirty days of employment.

On and after July 1, 2013, if the board determines that a County plan does not meet the definition of a governmental plan, the board shall provide notice to the member and the member shall become inactive and considered fully vested.

A full-time or part-time employee of the state who becomes a county employee pursuant to transfer of assessment function to a county under section 77-1340 or 77-1340.04 shall receive vesting credit for his or her years of participation in the State Employees Retirement System of the State of Nebraska.

State:
Permanent part-time employees age eighteen or older who wish to exercise the option to begin participation in the retirement system must do so within the first thirty days of employment.

All Plans:
Clarifies the employer is responsible to make up missed contributions in the event employee contributions are not received by the retirement office. These contributions shall be treated as pre-tax for purposes of determining tax liability upon distribution.

NPERS may, but would not be required to, assess a registration fee to seminar participants.

Defined Contribution Annuity Rate Change

Effective January 1st, the annuity interest rate for **Defined Contribution** members has been updated from the 2012 rate of 4.49% to the 2013 rate of 3.42%. Per Nebraska statutes, this rate is determined using the January Pension Benefit Guaranty Corporate rate (which was 2.67%) plus 0.75%. The annuity rate for **Cash Balance** members remains unchanged at 7.75%.

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