

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS STCO • JANUARY 2014



## College Savings As Part of Your Financial Plan

State Treasurer Don Stenberg has launched a new online program available through the State Treasurer's website at [treasurer.org](http://treasurer.org) to help Nebraskans better understand state-sponsored 529 college savings plans in general and the Nebraska Educational Savings Trust (NEST) in particular. The new program, launched October 1, is called *Nebraska NEST Financial Scholars for Families*.

The easy-to-follow, interactive online program was developed by EverFi, an educational technology company based in Washington, D.C. The 30-minute tutorial can be accessed through the Treasurer's website at [treasurer.org](http://treasurer.org). There is no charge. Visitors can return as often as they like to seek answers to specific questions or to review the content.

The program provides basic information about 529 college savings plans including a section on myths vs. facts and a section for users to check their knowledge. Another feature is a calculator that suggests how much a parent or grandparent should

## Nebraska Tops Other State Plans In Studies

Two recent publications have ranked Nebraska lowest in the nation in overall retirement plan liability and debt. Barron's magazine and Moody's Investors Service have both given our state excellent ratings on how we manage our cash balance and defined benefit plans.

In September, Moody's published a study on states' pension liabilities. They ranked states based on their Adjusted Net Pension Liability or ANPL. The ANPL is the difference between the fair market value of a pension plan's assets and its adjusted liabilities. The three states with the lowest (best) ANPL-to-revenues as of fiscal 2011 were Nebraska at 6.8%, Wisconsin at 14.4%, and Idaho at 14.8%. The three states with the worst numbers were Illinois at 241%, Connecticut at 190%, and Kentucky at 141%.\*

### Moody's noted:

*"A key reason some states have a high pension burden is that they have consistently underfunded their pensions..."*

*"States with the most severe pension burdens all have a long history of contributing less to their pension plans than is actuarially required to maintain sufficient asset levels to pay future pension expenses. To reduce current expenditures and achieve short-lived budget relief, states that underfund simply increase the portion of their liability that must be amortized, resulting in required contributions that become even larger and more difficult to meet."*

In October, Barron's financial weekly also ranked Nebraska the lowest in the country for pension debt and unfunded liability. Their data, compiled by the investment management firm Eaton Vance, found the state with virtually no tax-supported debt and the lowest unfunded pension liability in the country, at just 0.7 percent.

Barron's noted that one of the things that helps keep Nebraska's pension liability low is that it has a cash balance plan. Nebraska's Cash Balance plan, a cross between a defined benefit plan and a defined contribution plan, is utilized for both the Nebraska State and County retirement plans.

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be saving based on the child's age. Audio is provided during part of the presentation.

"Our purpose for offering this program is to provide concise, easy-to-understand information about 529 college savings programs for parents and grandparents and others who may be interested in establishing accounts for children, grandchildren, nieces, nephews, and friends," Treasurer Stenberg said.

"We know that many Nebraskans—as well as families across the United States—are not well acquainted with the process for opening a college savings plan, or the tax advantages of state-sponsored 529 college savings plans, or how the beneficiaries can use the accounts. We want to make the system and the process easier for all, with the expectation that even more Nebraskans will discover the value of saving for college through NEST," Stenberg said.

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—State Treasurer Don Stenberg



The Nebraska NEST Financial Scholars for Families program is being supported by the Nebraska Educational Savings Trust, Nebraska's state-sponsored 529 college savings program. As State Treasurer, Stenberg is Trustee of NEST. State-sponsored 529 college savings programs take their name from Section 529 of the U.S. Internal Revenue Code.

NEST has more than \$3 billion in assets with 208,000 accounts nationwide. More than 59,000 of those accounts are owned by Nebraskans.

# 2013 NPERS EMPLOYEE AND MANAGER OF THE YEAR

*The Nebraska Public Employees Retirement Systems is pleased to announce our recipients for Manager and Employee of the year. Our Employee of the Year is **Iryna Vercellino** and our Manager of the Year is **Sheila Linder**.*



**Iryna Vercellino**  
EMPLOYEE OF THE YEAR

Iryna works for our Information Technology (IT) department and has been with NPERS for over two years. Prior to joining our team, Iryna worked for Dell for 8 years. Her time here is devoted to multiple duties including the management of system updates where she coordinates the testing, and deployment of software updates. She also handles the monthly status reports, system security coordination and reporting, disaster recovery updates and coordi-

nation, SharePoint Services management, and weekly file transfers from/to third party vendors.

Along with her IT duties, Iryna spearheaded a successful State Campaign Against Hunger food drive for the NPERS agency and coordinated the State Charitable Giving and Lincoln Food Bank Drive campaigns. She also participates on the NPERS Safety Committee.



**Sheila Linder**  
MANAGER OF THE YEAR

Sheila is the NPERS Administrative Assistant II/HR Manager and has been with NPERS for nearly 14 years. As our Administrative Secretary, Sheila handles the HR and personnel duties for our agency. She reviews our time sheets and leave status. She posts open job positions and assists with the interviewing and hiring of new employees. She also assists our staff during open enrollment and trains/supervises our

front desk and Administrative Assistant I position.

*Thanks to Iryna and Sheila for their many years of hard work and dedication to our members. Congratulations!*

## Administrative Fee Changes

At the October 21st meeting, the Public Employees Retirement Board approved three changes to NPERS' administrative fees. As of October 25th, administrative fees for *County Defined Contribution* participants will increase from zero basis points to 6 basis points. Participants in *State Defined Contribution* will see a reduction of the administrative fee from 5 to 3 basis points and individuals participating in the voluntary *Deferred Compensation* plan will see the fee decrease from 6.5 to 3.5 basis points.

One basis point is equivalent to 0.01% or 0.0001 in decimal form. For a \$10,000 account, 6 basis points would result in a \$6.00 annual fee. A breakdown of the administrative fees may be found in the "Fee Detail" section on member statements.

This fee is charged to cover a portion of NPERS operating expenses. NPERS strives to keep these fees reasonable and affordable. Plan expenses are evaluated periodically and fees are subject to adjustment as needed. By law, these fees may only be used to pay for the expenses incurred in the plan from which the fees were collected.

Administrative fees for State and County members participating in Cash Balance remain unchanged.



### Cash Balance Rate

For the quarter beginning January 1, 2014, 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.

## 2014 DCP Contribution Limits

2014 maximum contribution limits for voluntary Deferred Compensation Plans (DCP) have been announced by the IRS for section §457, tax sheltered retirement plans.

The standard yearly maximum contribution for 2014 is \$17,500 for members under age 50. The additional contribution amount for members age 50 or older is \$5,500, increasing the total limit to \$23,000. The limit for individuals taking advantage of the Three-Year Catch-up Provision (for members who did not defer the maximum amount in previous years) is \$35,000.

FORMULA: CONTRIBUTION LIMITS							
 EXAMPLE	Normal Limitation Deferral	+	Age 50 Additional Catch-Up	=	Age 50 Max Deferral	OR	3-Year Catch-Up
2014 Formula	\$17,500	+	\$5,500	=	\$23,000	OR	\$35,000

DCP is a tax-sheltered retirement plan somewhat similar to a Traditional IRA. It is a long-term investment plan and not intended as a short-term savings account. All state employees are eligible to participate, as are county employees whose employer doesn't offer a section §457 plan.

## NPERS HAS MOVED!



Our new location is 1526 K St., Suite #400.  
Our phone numbers and P.O. Box remain the same.  
Our new mailing address is:

**Nebraska Public Employees Retirement Systems**  
1526 K St., Suite 400  
PO Box 94816  
Lincoln, NE 68509-4816

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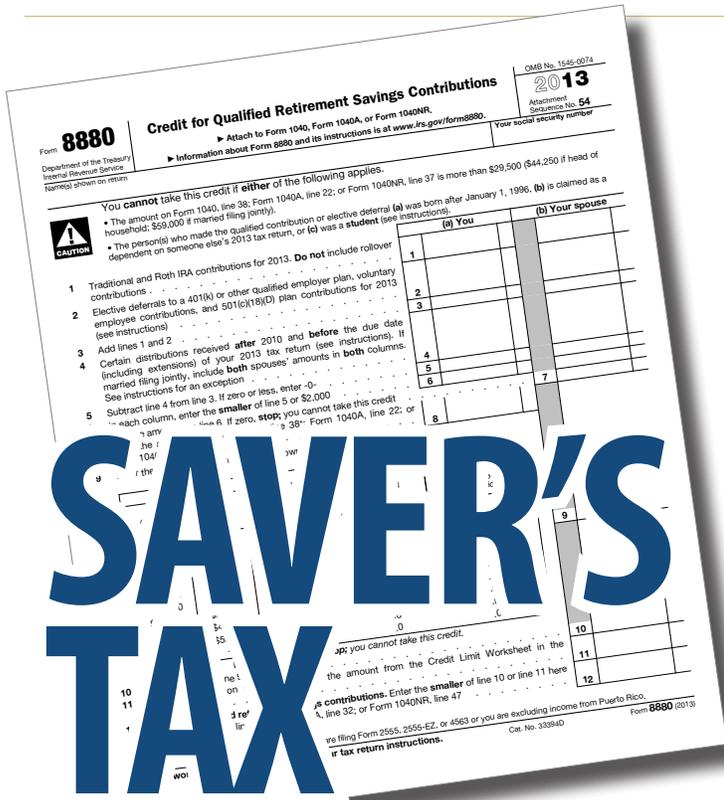
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# SAVER'S TAX CREDIT

## FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2014

CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50%	\$0 to \$36,000	\$0 to \$27,000	\$0 to \$18,000
20%	\$36,001 to \$39,000	\$27,001 to \$29,250	\$18,001 to \$19,500
10%	\$39,001 to \$60,000	\$29,251 to \$45,000	\$19,501 to \$30,000

Did you know contributing to the voluntary Deferred Compensation Plan (DCP) may reduce your taxes? **Low and moderate income employees** may be able to significantly reduce their taxes by qualifying for the Federal Saver's Tax Credit. By making *voluntary* contributions to an employer sponsored retirement plan (DCP) or individual retirement arrangement (IRA), you *may* qualify for a maximum credit of up to \$1,000 per individual (\$2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

For example, a couple filing a joint return with an AGI of \$36,000 or less is eligible for the 50% rate. If both contributed \$2,000 (or more) to a qualified plan, both would receive the maximum \$1,000 Saver's Credit. If their AGI was a bit higher at \$37,000, they move to the 20% bracket and both would receive a \$400 credit.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of your taxable income and you pay taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes you owe dollar for dollar and provides *significantly* better savings. Even better, contributions made to DCP reduce your AGI and may help you qualify for a higher Saver's Tax Credit.