

RETIREMENT NEWS

FOR NEBRASKA STATE AND COUNTY EMPLOYEES | APRIL 2018 | NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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Dennis Leonard
Vice Chair

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State Member

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School Member

Judge J Russell Derr
Judges Member

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County Member

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Member-At-Large

Michael Walden-Newman
State Investment Officer

Director: Randy Gerke

RETIREMENT NEWS

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NPERS NEW DIRECTOR

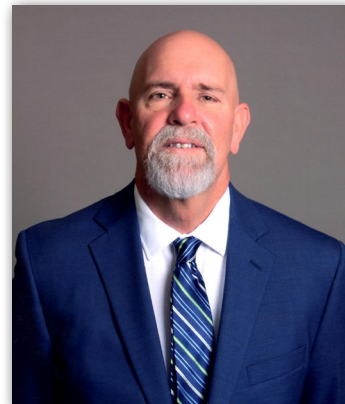
We are happy to report Randy Gerke has been confirmed as the new Director of the Nebraska Public Employees Retirement System! After a national search, Randy was unanimously selected by the Public Employees Retirement Board (PERB) at the August 14, 2017, meeting. Randy was subsequently appointed to the position by Governor Ricketts on August 28, 2017, and received final confirmation from the Nebraska Unicameral on January 25, 2018.

Randy began his tenure with us as the NPERS Accounting Manager in 2003. In September 2006, he was appointed as Interim Director during which time he managed the agency while the PERB conducted their search for a new director. Following the selection of Phyllis

Chambers as Director in 2006, Randy was promoted to the Deputy Director position which he has held since January 2007.

Prior to working for NPERS, Randy was the Controller/Human Resources Director at Midland Lutheran College in Fremont, Nebraska. Before his tenure at Midland Lutheran College, he was the Financial Accounting Supervisor at the Fremont Department of Utilities. Randy's education includes a Master of Science in Computer Information Systems, and a Bachelor of Science in Accounting and Information Management.

Randy is a current member of the Government Finance Officers Association. He has served as President of the Association of Governmental Accountants, President of the John C. Fremont Days



Randy Gerke

Board of Directors, a board member of the Community Services Fund of Nebraska, and was named a Fremont Area Chamber Diplomat.

NPERS staff and the PERB would like to congratulate Randy on his nomination and confirmation. His years of service at NPERS and knowledge of retirement issues in Nebraska will make him a great leader for our agency and plan members.

RETIREMENT BOARD NEWS

At the January 22nd meeting, the Nebraska Public Employees Retirement Board (PERB) elected their Chair and Vice-Chair for 2018. By unanimous vote, the PERB retained Janis Elliott as the Chair and Dennis Leonard as Vice-Chair of the board.

We are sad to report that Elaine Stuhr has elected to retire from the PERB at the end of her current term. Elaine was originally nominated to the Board in 2008 as a public or "at-large" member and re-appointed for a second five-year term in 2013.

Prior to her nomination to the PERB, in 1994, Elaine was elected to the Unicameral as the representative for District 24. She was reelected in 1998 and 2002. During her tenure, she served on the Education Committee and the Rules Committee, represented Nebraska on the Education Commission of the States, served as Vice Chair of the Natural Resources Committee, and was the Vice Chair and Chair of the Nebraska Retirement Systems Committee.

We would like to thank Elaine for all her years of service



Elaine Stuhr

on the Board. Her wealth of knowledge has been a tremendous asset to the PERB.

THE *DEFERRED* *COMPENSATION* SAVINGS PLAN

{ Adding Peace of Mind
to Your Retirement }

*SAVE MORE
WITH DCP*

*ENROLLING
IN DCP*

*DCP DEFERRAL
OF UNUSED
LEAVE*

*WATCH YOUR
NEST EGG GROW
WITH DCP*

*DCP
INVESTMENT
ASSISTANCE*

*DON'T DELAY!
START SAVING
NOW*



Save **MORE** with **DCP**

Have you considered joining the State of Nebraska Deferred Compensation Plan (DCP)? If not... **YOU SHOULD!** DCP is designed to provide you the ability to save additional funds for retirement. Somewhat similar to a Traditional IRA, DCP allows you to make pretax contributions from your paycheck into your DCP account. After termination, you may take distributions from the account as desired.

DCP BASICS:

- ◆ Participation is voluntary.
- ◆ You choose the amount your employer will deduct from each paycheck and divert into your DCP account.
- ◆ Contributions are pre-tax and will not be reported as income for the current tax year, thereby lowering your taxes and allowing you to contribute more. Depending on your tax rate, a \$100 contribution to DCP may only reduce your paycheck by \$75 - \$90.
- ◆ You decide how to invest your account. Your account balance will fluctuate depending on market performance. For more information on investing, please refer to the companion article in this newsletter.
- ◆ The administrative, record keeping, and investment fees assessed to DCP accounts are extremely competitive.
- ◆ There is no waiting period to enroll. Eligible employees can sign up to participate at any time. For more information on DCP enrollment please



refer to the companion article in this newsletter.

- ◆ Lower income employees may qualify for additional tax breaks under the Saver's Tax Credit. Refer to the January newsletter for additional details.
- ◆ You may submit requests to change, stop, or re-start your contributions as desired.
- ◆ You can get started by contributing as little as \$25 each month.
- ◆ DCP contribution limits are much higher than the amounts allowed for an IRA. \$18,500 is the maximum contribution amount for 2018. Individuals age 50 or older can contribute up to \$24,500.
- ◆ You may defer a sick or vacation leave payout (please refer to the companion article in this newsletter).
- ◆ Distributions are subject to state and federal income tax.

DCP is offered to all Nebraska State employees including Judges and Patrol Plan members. For members participating in the County plan, most counties offer a Deferred Compensation plan via the private sector. There are a few counties who have elected to participate in the State plan. County plan members should contact their Payroll/HR department for more information.

As with other tax sheltered retirement plans, there are restrictions on withdrawals. In most instances, you cannot take distributions until you have terminated employment. As such, participation should be considered a long-term investment for retirement and not a short-term savings account.

For more information, please refer to the DCP handbook on our website or contact your HR or payroll department.

DON'T DELAY! START SAVING NOW

There are two issues that can drastically impact the amount of funds DCP participants will have at termination. **Failure to begin participation at an early age and making poor investment choices.**

Get Started!

The sooner you start, the easier it will be to amass a sizable nest egg. Individuals who fail to begin saving at an early age will lose out on the power of compounding interest. An individual who puts off saving until age 40 will need to save significantly more each month to obtain the same nest egg as someone who begins at 25. Remember, even if you can't set aside a sizable amount to contribute to DCP at this stage, saving a little now is much better than saving nothing at all.

It's amazingly easy to convince yourself you don't have enough "extra" income to contribute to DCP, but that might not be the case. Sit down and review your checking and credit card accounts to determine where your dollars are getting spent. Are all of these *essential* expenses? For many individuals, there may be items that could be cut back or eliminated.

For more information on debt and spending habits, please refer to the [Where Did Your Money Go?](#) article on the NPERS Financial Facts page.

Once you have started contributing, try to save a little more each year. Did you receive a bump in pay due to a raise or change in the payroll taxes? Try to annually increase the amount you contribute – even if it's only \$10 or \$20 a month more. In the long run, it will make a difference.

A Couple Investment "Issues"

Two common investment issues that can reduce your account balance are *attempting to time the market* and *choosing overly conservative investment options*.

It's been often repeated, "It's not timing the market, but TIME IN the market." Individuals who react to market fluctuations are greatly increasing their risk of reduced returns. In contrast, a knowledgeable investor will develop a long-term investment strategy and stay the course during market turmoil.

For more details on the dangers of market timing, please refer to the [One Wild Week](#) article on the NPERS Financial Facts page.

The other issue is utilizing conservative investments that *over time* can create a lower rate of return. Historically, aggressive investments have far greater volatility but also provide a higher rate of return over extended time frames. Conservative investments have significantly less volatility, but on average provide lower rates of return. Investing your DCP dollars in the aggressive investment options can create higher returns, BUT you should carefully consider your tolerance for risk and your retirement timeline.

An aggressive portfolio will be a bumpy ride. You must be able to shrug off the temporary reductions in account value that occur during a down market, and resist the urge to panic – and sell. Selling during a down market will turn a temporary reduction into a *permanent loss*. Professional investors recommend buying rather than selling during these downturns as stock is essentially on sale.

Conversely, an overly conservative investment strategy can also affect your account. If you have a low risk tolerance, this may be the right choice for you, but the lower returns over time can significantly reduce your account balance.

Which approach is right for you? *Only you can answer that question.* Keep in mind how much time you have until retirement. If you have 10 or more years to go, you may want to be more aggressive with your investments, BUT a dealing with market downturn as you get closer to retirement can be very stressful. Aggressive investors should consider moving a portion of their account into conservative options as they approach retirement.

To illustrate these two points, let's compare two investors. We will use an \$80 a month contribution beginning at ages 25 and 40, and demonstrate the difference an investment strategy can make by comparing a hypothetical 2.5% "conservative" rate of return vs. a 6% "aggressive" rate of return*.

It's important to note that due to the pre-tax feature, depending on your tax rate – an \$80 contribution to DCP may only reduce your take home pay by \$60 to \$70...

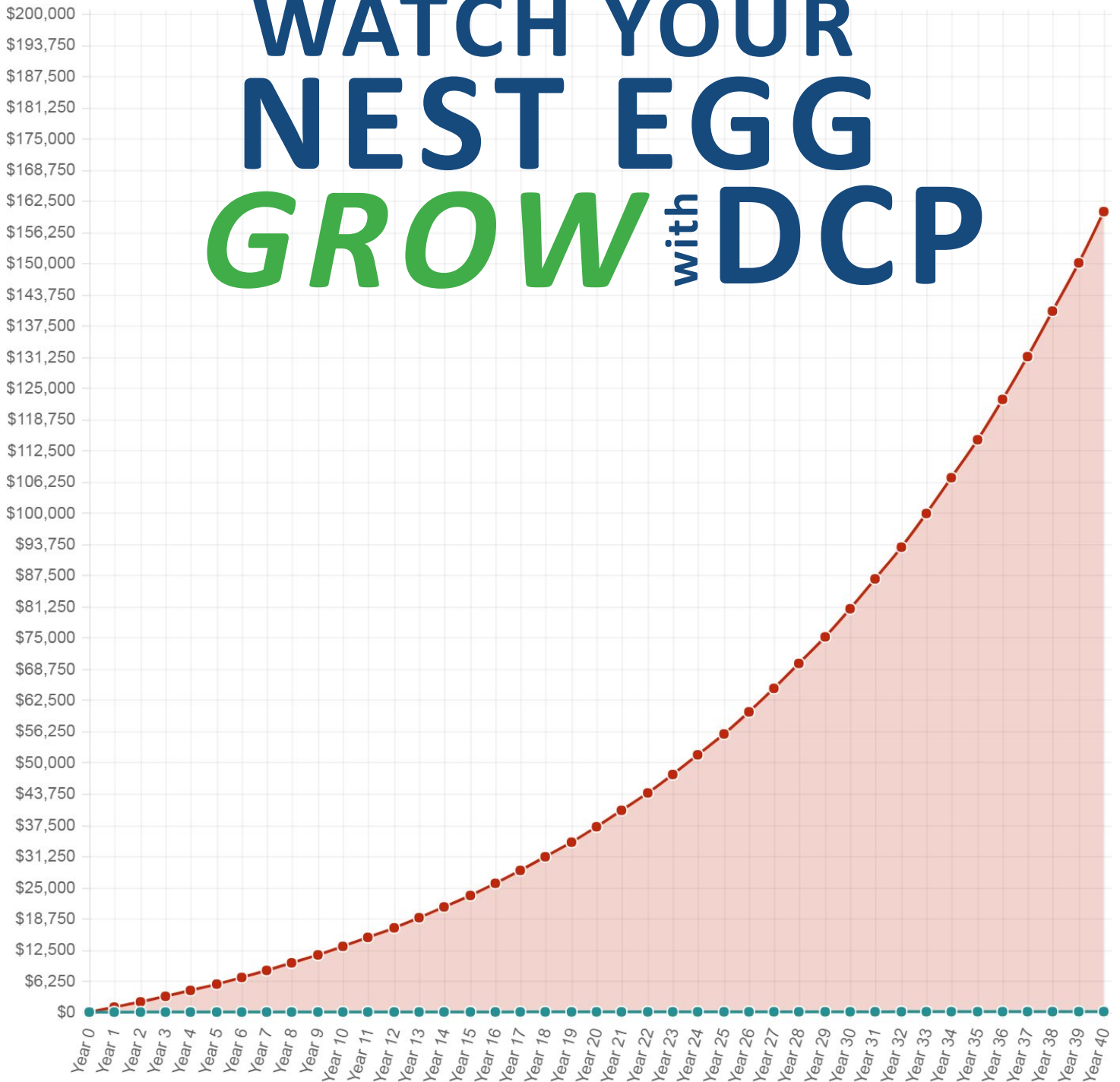
\$80 Monthly Starting at 25	
40 Years later at age 65...	
Conservative 2.5%	Aggressive 6.0%
\$65,978	\$160,336

\$80 Monthly Starting at 40	
25 years later at age 65...	
Conservative 2.5%	Aggressive 6.0%
\$33,339	\$55,698

Our "Aggressive" investor who waited until age 40 contributed a total of \$24,000, and ended up with a \$55,698 nest egg at age 65. The "Aggressive" investor who began participation at age 25 contributed \$38,400 to their account, creating a \$160,336 nest egg at 65. Our investor who started early only contributed \$14,400 more, but the longer time frame netted them an additional \$104,638 to spend during retirement!

There is no way to know the rate of return an investment strategy will obtain in the future. In addition, you will never see a fixed rate of return due to market fluctuations – and historical returns are not a guarantee of future performance. *The point is... starting early and the investment strategy you select will both have a significant impact on your account balance at retirement.* Each individual is different. It is *your* responsibility to determine *your* retirement goal and select an investment strategy/saving rate that will work *for you*.

WATCH YOUR NEST EGG GROW with DCP



\$80 A MONTH STARTING AT AGE 25 WITH A 6% RATE OF RETURN

**There is no set formula that defines an aggressive or conservative investment strategy. Rates of return are for illustrative purposes only, and your rates of return will vary. To calculate account balances, we utilized the savings calculator found on the Investor.gov website using a daily rate of compounding and a starting balance of \$0.01.*

DCP INVESTMENT ASSISTANCE

Individuals participating in DCP must make their own investment decisions. Participants who do not make an investment election will have their contributions invested “by default” in the Stable Value Fund. Be aware the 13 different investment options available do not provide a guaranteed minimum rate of return as found in the mandatory Cash Balance plan. DCP accounts will *increase or decrease* in value depending on the investment options selected and market performance.

Clearly, making sound investment decisions is very important when participating in DCP. Plan members who take the time to educate themselves on the basic principles of investing and the investment options offered, have a much better chance of avoiding the mistakes often made by amateur investors.

NPERS cannot provide specific investment advice, but we do offer a variety of investment “tools” to help participants make their own investment decisions. We encourage DCP members to begin the journey with a visit to the “Financial Facts” page on the NPERS website. This page is designed as a “one-stop” access to all the various retirement and financial planning educational materials created by NPERS. This page contains our Investment Education video, various publications, and notification of our Financial Management seminars.

[Financial Management Seminars](#)

Each year NPERS conducts statewide Financial Management seminars for State and County plan members under age 50. The majority of classroom time in these sessions is allocated to the Financial Management Workshop. This workshop includes basic informa-

NPERS	Financial Facts
Create Your Account	
About Us	
Retirement Board	
Investment Council	
Organization Structure	
Legislation	
Plan Info	Seminars
School	NPERS's one-day seminars are an excellent way to begin planning for an important time in your life. Seminars are presented across the state for School, State, and County employees. Information is provided on your pension plan, financial planning, social security benefits, adjusting to retirement and estate planning. Enrollment brochures are mailed to all eligible members four weeks prior to the seminar. Seminar Info & Schedules
State	Videos
County	Investment Education Video - State, County, DROP & DCP
Patrol	To further help Defined Contribution, Deferred Compensation, and State Patrol DROP Plan members make informed investment decisions, NPERS offers an Investment Education video. This video covers the investment options and provides an outline on the basics of investing. Members may contact our office to “check out” this video in a DVD format or watch it on our website: Investment Education Video
Judge's	
Deferred Compensation	
Member Info	NPERS Publications
Publications/Videos	Annual Investment Report (pdf)
Forms	How Large Should My Nestegg Be? (pdf)
Financial Facts	Wild Week - The Perils of Market Timing (pdf)
Call Center	Where Did Your Money Go? (pdf)
Retirement Seminars	Tips for the First Time Homebuyer (pdf)

tion on best investment practices and an overview of the 13 investment options offered to DCP participants.

As an FYI, NPERS also offers “Preretirement” seminars for plan members at and over age 50. These seminars do not include the Financial Management Workshop, but instead cover comprehensive information regarding the State and County retirement plans and the distribution options available at retirement.

Nebraska statutes allow eligible State and County plan members paid leave to attend two Financial Management sessions and two Preretirement sessions!

[Investment Education Video](#)

NPERS offers an Investment Education video on the Financial Facts page. This video covers much of the same material presented in the Financial Management seminars including the 13 investment options and an overview on the basics of investing.

[Publications](#)

The NPERS Education Services department has created several publications

designed to educate plan participants on a wide variety of financial issues. Topics include investment education, tips for buying a home or automobile, managing assets after retirement, and rolling retirement assets into the private sector. In addition, NPERS publishes an Annual Investment report which provides data on the various investments utilized in the Nebraska State and County retirement plans.

[Making Investment Changes](#)

The quickest way to make investment changes for DCP accounts is via the Ameritas Online account access. Changes may be submitted using the DCP Change form, but be aware these forms 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 processed at the end of the market day. In addition, the online access provides a wealth of information on your account, including investment performance for specific time frames using the Online Statements link found in the Plan Documents drop down.

ENROLLING IN DCP

You can request to enroll at any time by submitting a DCP Enrollment form to your agency payroll department. The enrollment form must be submitted to them first in order set to up your payroll deduction. After your payroll department has completed this process, they will forward the form to NPERS for final processing. The calendar month after NPERS receives the completed form is when your participation and contributions to DCP will begin.

Please remember to complete a Beneficiary Designation form when enrolling in DCP. The beneficiary form you filled out for your mandatory retirement plan does not transfer to your voluntary DCP account. You must submit a new form to designate beneficiaries for your new DCP account. When completing the beneficiary form, please note the six boxes in the upper right corner of the form. If you wish to designate the same beneficiaries for your mandatory and DCP account, you can check both boxes.

Unlike the DCP Enrollment form which must go to your HR department, beneficiary forms can be sent directly to NPERS. DCP



participants who fail to submit a beneficiary form will have death benefits paid to their estate in a lump sum, which can create unwanted tax liabilities.

After you have started participation, you may change, stop, or re-start your payroll deductions to DCP by completing a DCP Plan Change form. Submit this form to your payroll department if you are making changes to contribution amounts or deferring unused leave. They will sign the form and forward it to NPERS for processing. If you are only making changes to investment elections or transfers, you may submit this form directly to NPERS.

Unless the DCP Change Form specifies a later effective date, all changes to DCP, including updating or ceasing contributions, will be effective the calendar month following NPERS' receipt of your DCP Change Form. Changes made to investment elections and transfers will be processed within three business days of receipt of the DCP Change Form.

To obtain DCP or Beneficiary forms, please contact your agency payroll/HR department, or access them via the NPERS website.

DCP DEFERRAL OF UNUSED LEAVE



At termination/retirement, you may be eligible for a payout of unused sick and vacation leave. It's nice to receive these payments, but they will count as income for that year and be subject to state and federal income taxes. If you are eligible for a fairly large payout, these dollars could push a portion of your income into a higher tax bracket, increasing the percentage of income tax due that year.

To help manage this tax liability, you may elect to contribute unused sick and vacation leave payments into your DCP account. Contributions to DCP are made on a "pre-tax" basis and not counted as income or subject to income taxes. Distributions from the account will be subject to State and Federal income taxes, but delaying them to a later date gives you the ability to spread out withdrawals over time. Distributions from DCP can be delayed up to age 70½ at which point the account will be subject to required minimum distributions per the federal tax code.

To defer unused leave:

1. Complete and submit the appropriate DCP Enrollment/Change Form to your payroll or HR representative. We recommend making a copy for your records.
2. Your payroll or HR representative must sign and forward your form to NPERS.
3. **NPERS must receive your DCP Enrollment/Change Form the calendar month prior to your date of termination!** We recommend consulting with your payroll/HR staff well in advance of your termination date in order to understand the process, and meet this deadline.

Sick or vacation leave deferrals are subject to annual contribution limits. If the exact dollar amount of your unused leave payout is not known at the time you complete the form, you may estimate the amount.

GO GREEN WITH ELECTRONIC STATEMENTS

Individuals who have created an Ameritas online account have the option to receive confirmation notices and quarterly account statement notifications via email. This is the quickest and most convenient way to get these documents, it allows you to avoid the quarterly mailing fees, and it's environmentally friendly!

To sign up for eDelivery, if you do not have Ameritas online access, the first step is creating an account. You may access step-by-step instructions by clicking on the blue "Ameritas Online Account Access" button found on the NPERS website homepage. Then click on the "New users" link for detailed instructions on creating a new account.

Once you have created an online account, login to your Ameritas access. Select the specific account you wish to open from the "Summary of Accounts" page. At the right side of the "Account Summary" page is the "I want to..." section. Click on the link

titled "Sign up for eDelivery."

This link will direct you to the page where you can add or edit your email and enable electronic delivery.

The screenshot shows a web interface for changing an email address. At the top right, there is a dropdown menu titled "I want to..." with four options: "Sign up for eDelivery", "View My Most Recent Statement", "View My Most Recent Confirmation", and "Transfer My Funds". Below this is a form titled "Change My Email Address". It has two input fields: "Email:" and "Confirm Email:", both containing the text "apriljudgate@parksandrec.gov". At the bottom of the form, there is a checkbox labeled "Deliver confirmations, statements, disclosures and notices electronically." which is checked.



Nebraska Public Employees
Retirement Systems

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

RETIREMENT NEWS

FOR NEBRASKA STATE AND COUNTY EMPLOYEES | APRIL 2018



QUARTERLY CASH BALANCE RATE

For the quarter beginning April 1st, 2018, 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.