

# RETIREMENT NEWS

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

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## RETIREMENT NEWS

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# STATE & COUNTY CASH BALANCE DIVIDEND

Good news everyone! The Nebraska Public Employees Retirement System is pleased to announce a dividend has been approved for eligible members of the **State and County Cash Balance** retirement plans.

Each year an actuarial study is conducted to ascertain the funded status of the Cash Balance plans. The 2018 actuarial reports for the plans were presented at the May 21 meeting of the Public Employees Retirement Board (PERB).

These reports found both plans sufficiently funded to allow the PERB to grant a dividend. After reviewing the actuarial reports and recommendations from the plan actuary, the PERB voted to grant the maximum amounts recommended – a **5.46% dividend for State Cash Balance members**, and an **8.42% dividend for County Cash Balance members**.

To be eligible, you must be a participant in the Cash Balance plan and have had an account balance on December 31, 2017. Dividends will be based on your account balance as of that date and credited to your account by September 1, or as soon as administratively possible.

*Why are the dividends different between the two plans? How is the amount of the dividend determined?* We get these questions every time a dividend is issued and it can be

somewhat difficult to explain.

The dividend amount is recommended by the plan actuary in their annual report. The primary factor used by the actuary to determine the amount is the **funded status** of the plan be-



fore and after the dividend is issued. Simply put... the plan can only pay out "surplus" amounts and must remain adequately funded after the dividend is issued.

When determining funded status, the actuary is looking not only at the money coming into the plan (investment returns), **but also the funding necessary to pay out current and future benefits** including the guaranteed rate of return, and the "enhanced" monthly annuity payments to retirees. The plan is obligated to pay these benefits to participants – even during a market downturn.

While the investment returns for both plans are the same, determining the funded status is a bit more complicated.

**Funded status is impact-**

**ed by plan member demographics.** The number of members in each plan, the age of the members, their account balances, and the percentage of members who purchase an annuity at retirement... these all affect funded status. These factors change

each year as members retire and new members join the plan. As a result, the funded status and amount available for a dividend will fluctuate.

In addition, the State and County Cash Balance Plans are separate plans with different membership demographics, and separate trust funds. This can create different funded ratios and subsequently, different amounts available for a dividend. Per the current actuarial report, the County plan had \$34,058,428 available for a dividend, and the State \$63,632,381. While the County amount was smaller, there are significantly less members in the County plan. As a result, the maximum dividend recommended by the actuary for the County was 8.42%, and the maximum for the State was 5.46%. FYI, last year the State plan had a better-funded status and paid out a higher dividend (3.07%) than the County (0.51%).

The actuarial reports are published on our website if members would like to review the content. The dividend synopsis in both State and County reports is on page 31.

# STATE & COUNTY FEES

State and County plan members have three separate fees assessed to their accounts. A record keeping fee, NPERS' administrative fee, and an investment management fee.

## **RECORD KEEPING FEE**

Every five years a formal Request For Proposal (RFP) is published to request bids for record keeping services. Currently Ameritas provides these services for State, County, and Deferred Compensation (DCP) accounts. Under the terms of the current contract, the monthly record keeping fee for Defined Contribution participants is \$2.30, Cash Balance members are assessed a fee of \$2.05, and DCP participants pay a monthly fee of \$1.95.

In addition to the monthly fees, charges are assessed when a member takes a distribution from their account. Full (final) distributions of account balances greater than \$250 are charged \$75, final distributions of \$100 up to \$250 are charged \$35, and final distributions less than \$100 are not assessed a final distribution fee. Partial distributions or systematic withdrawals are charged a fee of \$5 per distribution.

There is also a quarterly fee of \$0.50 for delivery of statements or documents mailed to plan participants. Members can avoid this mailing fee by signing up for electronic distribution of correspondence.

Record keeping fees are assessed on a monthly basis and subtracted directly from member accounts. They are reported in the "Fee Detail" section on quarterly statements.

## **ADMINISTRATIVE FEE**

A portion of NPERS' operational costs are reimbursed from forfeitures. These occur when a plan member

ceases employment prior to vesting their account and forfeits the employer matching contributions. These forfeitures are used to offset NPERS' administrative expenses. Any remaining expenses are covered by administrative fees assessed to member accounts.

Administrative fees are reported in the "Fee Detail" section on quarterly statements. Please refer to the companion article in this newsletter for the current administrative fees.

## **INVESTMENT MANAGEMENT FEE**

Investment management expenses include the operational costs of the Nebraska Investment Council, the custodial bank fee to handle the plan accounting, and the fee charged by each fund manager. These fees are not directly assessed to member accounts, but instead reduce the rate of return for each investment fund.

The investment fee assessed to Cash Balance accounts is currently 0.28%. Investment fees for Defined Contribution and DCP accounts vary depending on the investment funds selected by the participant. Fees for each fund are listed in NPERS' Annual Investment Report available on the NPERS website.

NPERS strives to keep all account fees as low as possible. Our economies of scale and the state's negotiating power help us keep these fees reasonable. In comparison, private sector accounts may often have higher fees and assess additional sales charges.

By law, these fees may only be used to pay for the expenses incurred in the plan from which the fees were collected. Plan expenses are evaluated periodically and fees are subject to adjustment as needed.

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# CHANGE TO ADMINISTRATIVE FEE

At the June 18 meeting, the Public Employees Retirement Board approved one change to NPERS' administrative fees. Effective June 25, the administrative fee for participants in the *State Defined Contribution plan* decreased from 4.0 to 2.0 basis points.

This change does not affect the administrative fees assessed to the other State and County plans. *County Defined Contribution* fees remain at 4.5 basis points and the voluntary *Deferred Compensation* plan fees remain at 6.0 basis points. No administration fees are currently assessed to *State and County Cash Balance* accounts.

One basis point is equivalent to 0.01% or 0.0001 in decimal form. For a \$10,000 account, 5.0 basis points would result in a \$5.00 annual fee. A breakdown of the administrative fees may be found in the "Fee Detail" section on member statements.

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# 2018 STATE & COUNTY SEMINARS



The 2018 State & County seminar schedules and enrollment brochures are now available on the NPERS website.

**Members must enroll in advance if they wish to attend a seminar!** We strongly encourage early enrollment to reserve a spot for your desired date and location. Individuals who delay mailing their enrollment form run the risk of not getting into their preferred session, and as the seminar season draws to a close, the final sessions may reach capacity. Once a seminar is full, no additional enrollments will be accepted.

The cost to attend is \$25 and you may bring your spouse (or one guest) for an additional \$25. Please be aware, in order to receive a refund of registration fees, you must notify NPERS of any cancellations **at least three business days** prior to the seminar.

NPERS offers two separate seminars. A Financial Management program for members under age 50 and a Retirement Planning program for individuals age 50 and above. Eligible State and County employees are entitled to receive paid leave to attend up to two Financial Management *and* two Retirement Planning seminars. Members who wish to attend more than twice may do so at the current fee, but will not be eligible to receive paid leave time.

## **FINANCIAL MANAGEMENT – UNDER AGE 50**

The Financial Management seminar provides a basic overview of the mandatory and voluntary retirement plans offered to State and County members, and an hour-long presentation

from an estate-planning attorney. The main focus of this full-day seminar is dedicated to “The Complete Financial Management Workshop,” presented by a licensed financial planner. This segment provides a wealth of information designed to assist individuals in assessing their personal financial situation, set goals, and map out the proper course of action to help achieve financial security.

## **RETIREMENT PLANNING – OVER AGE 50**

Retirement Planning seminars are provided for State and County members age 50 and over. These full-day seminars provide participants with comprehensive information regarding their State and County retirement plans and the distribution options available at retirement. In addition, the program includes Medicare, Financial, and Estate Planning presentations.

A confirmation postcard will be mailed to you upon receipt of your registration. Please contact our office if you do not receive a confirmation postcard within two weeks. Due to mailing time frames, confirmation cards will not be mailed for registrations received one week prior to the seminar - late enrollees should contact our office to confirm registration as the session may be full. Members who submit a registration for a full session will be given the option of attending a different session (if available) or provided a refund.

Seminars start at 8:30 and check-in for **registered attendees** begins at 8 AM. No early check-ins please. Seminar materials will be provided to plan members at check-in. Complimentary food & refreshments are offered at the sessions.


	<i>Retirement Seminar Dates</i>	<i>Financial Management Seminars Dates</i>
COLUMBUS	SEPTEMBER 13	N/A
GRAND ISLAND	SEPTEMBER 26, NOVEMBER 14	NOVEMBER 15
GERING	SEPTEMBER 19	SEPTEMBER 20
LA VISTA	SEPTEMBER 5, OCTOBER 17	SEPTEMBER 6
LINCOLN	AUGUST 29, 30; SEPTEMBER 27, OCTOBER 10, 31; NOVEMBER 1, 28	OCTOBER 11, NOVEMBER 27
NORFOLK	SEPTEMBER 12	SEPTEMBER 11
NORTH PLATTE	NOVEMBER 7	NOVEMBER 8
VALENTINE	SEPTEMBER 18	N/A



# 2018 ANNUAL INVESTMENT REPORT

The 2018 NPERS Annual Investment Report is now available on our website. This report provides investment assistance for individuals participating in the Defined Contribution and Deferred Compensation plans, and provides an overview of the 13 investment options.

This report, and other helpful information, can be found on the Financial Facts section of our website. In addition, members may visit the Publications page of our website to access other NPERS publications, including the Annual Report to the Legislature, member newsletters, and plan handbooks.

  
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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

## **RETIREMENT NEWS**

FOR NEBRASKA STATE AND COUNTY EMPLOYEES | JULY 2018



### **QUARTERLY CASH BALANCE RATE**

For the quarter beginning July 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.