



# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS  
APRIL 2023

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# BASIS POINT BREAK 2023!



Observing and understanding fees and how they are assessed on your accounts can help you avoid participating in accounts that charge fees you consider too high or frivolous. Not understanding the fee structure of a financial tool may lead to loss of precious capital without even being aware it is happening.

NPERS is a non-profit agency so our fees are low, and we are very transparent regarding what we assess fees on and why, so you can feel confident your retirement is safe and sound.

**Effective March 25<sup>th</sup>, 2023 administrative fees will be reduced for:**

- State Defined Contribution Plan*  
Decrease from 2.0 to 1.0 basis point

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- County Defined Contribution Plan*  
Decrease from 4.5 to 3.0 basis points

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- Deferred Compensation Plan*  
Decrease from 6.0 to 1.0 basis points

The fees NPERS assesses cover a portion of our operating expenses. Plan expenses are evaluated periodically by the Public Employees Retirement Board. The PERB makes every effort to keep fees low and reasonable for plan members. Lowered fees mean more of your money stays in your account to help it grow!

If you wish to review the fees assessed on your account, they are always listed in the **“Fee Detail”** section of your quarterly account statement. We keep fees low to keep hopes high!

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## RETIREMENT NEWS

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# REQUIRED MINIMUM DISTRIBUTIONS

Each year terminated plan members who have reached a specific age are required by federal law to take a taxable Required Minimum Distribution (RMD) amount from their retirement accounts.

## What is Your RMD Age?

Legislation changes over the past few years have created different RMD ages depending on when you were born.

### If you were born:

**Prior to 7/1/1949**

your RMD age is **70½**

**On or after 7/1/1949  
but before 1/1/1951**

your RMD age is **72**

**On or after 1/1/1951**

your RMD age is **73**

**Failure to take RMDs can result in serious tax penalties and the eventual transfer of retirement assets to unclaimed property!**

This article will examine when distributions should be taken and provide guidance on how plan members can comply with these regulations.

### **NOTE:**

These regulations do NOT apply to members who are still actively working at a participating employer.

The April 1 “grace period” provides individuals who terminate late in the year additional time to apply for and begin taking benefits prior to the initial RMD deadline. Even with the additional time, it’s still very important for members to be aware of this deadline.

If the member fails to apply for AND begin receiving a monthly benefit, or account distribution, prior to the April 1 deadline, they may incur an IRS penalty. If the member continues to defer applying for a distribution, NPERS will transfer their account to Unclaimed Property on or about November 1.

## Application Deadlines

NPERS recommends members contact our office *three to six months prior to termination* to apply for retirement benefits. Applying well in advance takes on even more significance for terminated members who need to meet an April 1 RMD deadline. Those members should preferably contact NPERS three to six months prior to termination, but *no later than November 1*. After they contact us, we will create and mail a retirement packet containing the paperwork they need to complete and return to our office.

- The completed Application for Retirement form must be received in our office by the last working day in February in order to meet the April 1 deadline. This deadline cannot be waived!
- All additional required paperwork such as birth certificates, marriage licenses, etc. should be submitted with the application. These documents must be received by NPERS in time to process the application and issue the first monthly benefit prior to the April 1 RMD deadline.
- Failure to meet these deadlines may result in the loss of the lifetime benefit!

**Members who terminate on or after their RMD age should be aware of these deadlines and apply for benefits in a timely manner.**

## How We Help

Clearly this can be a complicated process, but NPERS does provide assistance.

NPERS includes annual RMD notifications in all statements (both active and terminated plan members) when members reach age 65. This notice is designed to inform them of the potential for a future RMD.

## Your Responsibilities

NPERS will make every effort to provide RMD notifications to plan participants, **but it is the member who is ultimately responsible to apply for benefits in a timely manner.** We recommend these steps:

1. Keep your address up to date with NPERS. We can't provide RMD warnings if we don't have a valid address.
2. File a timely request for benefits if you receive an RMD notification from our office.

## Defined Contribution vs. Cash Balance

For Defined Contribution members, this will mean taking a withdrawal of at least the minimum distribution amount, deferring the remainder of the account if you wish, but taking subsequent RMDs on that balance. For Cash Balance members, this will mean initiating the one-time distribution event, meaning all the money from the account must be distributed in some way (annuity, lump sum, or partial rollover of the non-RMD amount).

## RMD Deadlines

Distributions can be broken down into two separate deadlines – the initial RMD and subsequent RMDs.

### **The initial RMD is due:**

- The calendar year the terminated member attains RMD age OR;
- If the member works beyond their RMD age (at a participating employer) then the initial RMD is due the calendar year of termination.

The federal tax code allows individuals to delay taking their initial RMD to April 1 of the following year. For example, if a terminated member attains RMD age in 2023, the initial RMD amount must be taken by April 1, 2024. If that same individual were still actively working past their RMD age then the initial RMD would be due by April 1, following their year of termination.

# THE ABC'S OF BUDGETING FOR RETIREMENT

How do you determine what your needs are and how you are going to pay for them ***when you have never been retired before?***

One answer is to establish a budget. Simply put, a budget is a plan for spending your incoming money. Setting a budget for retirement is as easy as A, B, C.

## TO ESTABLISH A BUDGET, YOU MUST:

1. Anticipate your monthly expenses during retirement.
2. Be realistic about your income during retirement.
3. • Calculate whether you have enough income to cover expenses, and, if not:
  - Cut expenses until you have enough income to cover your expenses,
  - Correct how much you are saving now so you have enough income in retirement to cover your expenses, and/or
  - Consider working longer or obtaining part-time work during retirement to make up the difference.

## Anticipate your monthly expenses during retirement

A common question for many soon-to-be retirees is, "How do I predict my monthly expenses during retirement?" Below is a list of steps that may help you get on the right track.

1. List your current monthly expenses, including the amount of each expense.
2. Determine whether any of your expenses will be eliminated after you stop working.
3. Determine whether any of your expenses will be reduced after you stop working.
4. Determine whether any of your expenses will increase after you stop working. (Hint: Look at whether your insurance or medical expenses will increase once you no longer have employer-provided insurance, if applicable.)
5. Determine whether you will acquire any new expenses.
6. Set aside an additional amount each month for unanticipated, necessary expenses.
7. Set aside an additional amount each month for recreational activities and other "nice to haves."

This should give you a good, baseline estimate of your anticipated monthly expenses during retirement.

## Be realistic about your retirement income

Some soon-to-be retirees overestimate their retirement income. Once reality sets in, so does anxiety and stress over finances.

Below is a list of steps that may help you better estimate your retirement income.

1. List your sources of retirement income, including the monthly amount anticipated of each source. Both NPERS and Social Security have benefit estimators you can use to get an idea of what establishing a monthly income stream may look like for you. Financial planning takes numbers, get yours! [NPERS Benefit Estimator](#) or [Social Security Benefit Calculators](#).
2. Determine when each income source begins.
3. Determine whether any of the income sources will change

over time, and, if so, how. Some annuities or income streams may include Cost of Living Adjustments (COLAs), do yours?

4. Determine whether and when any of the income sources will end. You know a Social Security Benefit will pay for your lifetime, but did you know you may be able to choose an annuity option with NPERS that will do the same?
5. Determine whether each amount is subject to taxes, and the amount. If you are estimating the amount of taxes, estimate high to build in a cushion. Taxation estimates on most income streams can be estimated using the same "I'm in this bracket" strategy you use for your income currently. [AARP has a tax calculator](#) that may help, but many websites will allow you to do this.

Doing these 5 things should give you a good, baseline estimate of your anticipated monthly income during retirement.

## Calculate whether you have enough retirement income to cover expenses

- Total up your expenses.
- Total up your income.
- Subtract your expenses from your income.

If you have sufficient retirement income to cover expenses, GREAT! If you have money left-over, EVEN BETTER!

### **If not, consider:**

1. Cutting expenses until you have enough retirement income to cover your expenses,
2. Correct how much you are saving for retirement now, and/or
3. Consider working longer or obtaining part-time work during retirement to make up the difference.

Hopefully, with thoughtful planning and budgeting, both now and into the future, you will be able to have a comfortable retirement!

Everyone's financial needs are unique. This is especially true for those nearing retirement. Consider consulting a financial planner, tax professional, and/or estate planner for advice specific to your particular situation.

## JUST FOR THE RECORD(KEEPER)...

As you may or may not know, Ameritas is the Nebraska Public Employees Retirement Systems chosen recordkeeper. This may mean you get correspondence with Ameritas branding on it that is from us. They also have funds from State/County/DCP plans housed there, as their systems are equipped to handle investing elements such as allocations and transfers for plans that provide for member driven investment choices, such as our Defined Contribution benefit plan and the Deferred Compensation Plan.

When you are first hired by an employer that contributes to our plans, you receive a 'Welcome Letter' from Ameritas letting you know how to set up your Ameritas online account. The Ameritas online account gives you access to your retirement plan info, as well as great opportunities to track your investment performance, manage your transactions, view account statements and distribution histories (for employees who have ceased employment), and use educational resources to help ensure retirement readiness.

(Cont'd. on Page 4)

# NEW 2023 DEFERRED COMPENSATION PLAN LIMITS

2023 maximum contribution limits have been announced by the IRS for 457 Deferred Compensation (DCP) retirement plans. The standard yearly maximum contribution has been increased from \$20,500 to **\$22,500**. Individuals age 50 or older may contribute an additional \$7,500 using the *Age 50 Catch-up* provision, increasing their total limit to **\$30,000**.

The contribution limit for DCP is considerably higher than the current yearly contribution limit for either a traditional IRA or Roth IRA, which is \$6,500 if you are under 50 or \$7,500 if you are 50 or older.

**State Plan members** who would like to participate or are currently participating in the DCP can access the enrollment or make changes to their DCP contributions using the Workday system.

**Certain Counties and Health Districts** also participate in the State DCP plan. They are Hall, Dodge, Gage, Greeley, Johnson, Lincoln, McPherson, York, Richardson, Elkhorn Logan Valley Public Health Department, Northeast Nebraska Public Health Department, and Southwest Public Health Department. Members from these counties or health districts wishing to enroll or make changes, should contact their HR/payroll representative or may access the form on our website [NPERS.NE.GOV](https://npers.ne.gov)

## 2023 Limits for Deferred Compensation Plan

TAX YEAR	IF YOU'RE UNDER AGE 50	IF YOU QUALIFY FOR THE AGE 50 CATCH-UP
2023	\$22,500	\$30,000



P.O. Box 94816  
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85-28-51

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

## RETIREMENT NEWS

NEBRASKA STATE & COUNTY EMPLOYEES | APRIL 2023

### JUST FOR THE RECORD(KEEPER)... (cont'd.)

This Welcome Letter now also comes with a QR code to take you right where you need to be!

Plan Name: ACME INC RETIREMENT PLAN

Certificate Number: 00001AA56



- To register your account, use the QR code on the left, OR
1. Visit [accounts.ameritas.com](https://accounts.ameritas.com).
  2. Click 'Register' to set up your online account. You will need the last four digits of your Social Security Number, Date of Birth and the Certificate Number listed above.
  3. Once you've set up your account, enter your Email and Password, then click on 'View Account' for your Retirement Plan.
  4. Note that you will be required to provide an email address or telephone number for multi-factor authentication.

Additionally, this wonderful welcome letter is the only place we send you your unique Certificate Number

with Ameritas. Without this Certificate Number you cannot open an Ameritas online account. So what happens if the letter has become lost since you were hired, or you don't remember receiving yours? How do you get access to all this wealth of retirement information? Don't worry, if you call our Member Service Department, you can, not only, get your Certificate Number to start your Ameritas online account, but you also get to speak with one of NPERS' friendly representatives!

### NPERS Member Services Department

(402) 471-2053 or (800) 245-5712, option #1



## CASH BALANCE RATE

For the quarter beginning April 1st, 2023, the rate of return for Cash Balance participants is 5.65%. This is the second quarter that rates have been above the guaranteed 5%. First quarter they were 5.77%. This gives Cash Balance an average rate of return of 5.71% for 2023 so far.

The current and historical Cash Balance rates of return are available via the "Cash Balance Rates of Return & Dividends" link on our website.