

Retiree Update

Nebraska Retirement Systems

December 2002

Review Your Tax Withholding

Once each year federal law requires the Nebraska Public Employees Retirement Systems (NPERS) to remind you, as a benefit recipient, of your ongoing right to start, stop or change the tax withholding from your retirement benefit.

You are not required to have income tax withheld from your monthly benefit. However, if your estimated tax payments or withholding amounts fall short of your tax liability, the Internal Revenue Service may assess interest or penalty charges. **No action is necessary if your present tax authorization still fits your needs.**

If you want to make a change, complete the "request form" below to obtain withholding forms and instructions from NPERS. If you have questions, please call **402-471-2053** or toll-free **800-245-5712**.

Notice: The federal income tax withholding tables for 2003 have changed. Therefore, if you have withholding based on the tax tables - your net payment may change beginning with your January payment. ☐

2003 Benefit Payment Schedule

If you have your monthly payment deposited directly with your bank, the following is a month by month schedule of the date payment will be made to the bank in the year 2003:

January 31	July 31
February 28	August 29
March 31	September 30
April 30	October 31
May 30	November 28
June 30	December 31

For those of you who receive your check by mail, your payment will be mailed by the last business day of the month.



Are You Moving?

If your address changes, please notify NPERS as soon as possible so your benefit information can reach you quickly.

COLA Set at .74%

Did you notice a cost of living adjustment (COLA) in your benefit check this year? Retirees of the **School, Judges and State Patrol Plans** who have received benefits at least one full fiscal year (July 1-June 30) are granted a COLA increase. This increase is based on the consumer price index (CPI) and capped at a maximum percentage. By law, the COLA percentage is either capped at 2.5%, or the increase in the CPI, whichever is less. Late in July the Department of Labor revealed a 1.3 point increase in the CPI for the year ending June 30, 2002, which represents a .74% increase. As a result, the majority of school, judges and state patrol retirees saw a .74% increase in their July benefits, an amount less than last year's COLA of 2.5%.

By law, a minimum or "floor" is set to a retiree's purchasing power. For the **School and Judges Plans**, the floor is 75% of the purchasing power of the initial benefit. For the **State Patrol Plan**, the floor is 60% of the initial benefit. If your retirement benefit would erode to an amount below the minimum floor purchasing power, your benefit adjustment would reflect the amount necessary to return to the minimum purchasing power.

NPERS issued correspondence to all affected retirees at the end of July 2002. If you were eligible for the COLA increase, this letter explained the percentage and actual dollar amount of your increase. If you have questions about the COLA, please contact NPERS. ☐

Direct Deposit – It's Money in the Bank!



If sent through the mail, your benefit check takes one to four days to get to your mailbox. That's 12-48 days a year your money could be in the bank earning interest...but isn't. With direct deposit, your check is in your bank **instantly!**

Here's why today's retirees choose direct deposit:

- It's immediate
- It's safer
- It's timely
- It's more economical
- It's convenient

Use the attached "Request Form" to request a Direct Deposit Agreement or contact NPERS for details.

Address Change/Request Form

To notify NPERS of a change of address OR to request a form, you may call or use the form below.



Please print information below.

Check here if this is a change of address.

Account Number (shown on address label)

Social Security Number

Name

Address

City, State, Zip

If you need additional information, please check the appropriate box(es) below:

- Federal Tax Withholding Form W-4P
- Nebraska State Tax Withholding Form
- Direct Deposit Agreement
- Beneficiary Designation Form
- Other _____

Signature _____

1099-R Tax Statements Coming Soon

Watch your mail in mid to late January for an envelope marked **Important Tax Return Document Enclosed**, which will include benefit information to be filed with your 2002 income tax returns. Each box on the 1099-R is defined on the back of the form. Make sure NPERS has your current address so you receive your 1099-R in a timely fashion.

Questions about individual tax liability should be directed to your accountant, the Internal Revenue Service or your state Department of Revenue.



Can School Plan Retirees Work as Subs?

This question has been on everyone's mind due to the law requiring a complete 180-day break before a **School Plan** retiree can perform services in a public school on a regular basis. With the passage of LB 407 in 2002, NPERS is also concerned about retirees performing "regular" substitute work under the new law.

A retiree who is asked to "sub" a day here and a day there should not have a problem, but if that substitute work is for an employee who will be absent over a long period of time, a retiree could jeopardize his/her retirement benefits. An example would be if a retiree worked as a substitute for someone on a medical leave or military call-up. These situations can turn into long-term work arrangements and turn a substitute into a regular employee.

NPERS cannot give a hard and fast ruling on this. We must review the details on a case-by-case basis. So, if you are a new retiree on a "sub list," be cautious about the work you do, especially if the work could lead to something long-term (more than a couple of weeks).

NPERS urges you to contact the office with the details of any such situation and we will be happy to provide you guidance. If in doubt, check with our office! ☐

The following is a brief explanation of your 1099-R form:

- Box 1 shows everything we paid to you in 2002.
- Box 2a is the amount that is taxable to you.
- Box 5 is the amount that is not taxable.

Form 1099-R		CORRECTED (if checked)		OMB No. 1545-0119	2002
1 Gross distribution		2a Taxable amount		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
2b Taxable amount not determined		Total distribution			
PAYER'S name, street address, city, state, and ZIP code					
PAYER'S Federal identification number			RECIPIENT'S identification number		
3 Capital gain (included in box 2a)	4 Federal income tax withheld	5 Employee contributions or insurance premiums			
6 Net unrealized appreciation in employer's securities	7 Distribution code	IRA/SEP/SIMPLE	8 Other	%	
9a Your percentage of total distribution		9b Total employee contributions			
RECIPIENT'S name and street address (incl. apt. no.), city, state and ZIP code					
Account number (optional)			10 State tax withheld		
11 State/Payer's state no.			12 State distribution		
13 Local tax withheld	14 Name of locality	15 Local distribution			
<small>16-0331690</small> Report this income on your Federal tax return. If this form shows Federal income tax withheld in Box 4, attach this copy to your return. This information is being furnished to the Internal Revenue Service.					

RETIREE UPDATE

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