

Retiree Update

Providing Information to Retirees of the Judges, State Patrol and School Plans

Nebraska Retirement Systems

December 2005

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 federal 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.**

Beginning with retirement benefit payments made to Nebraska residents **on or after January 1, 2006**, by law NPERS is required to withhold *state* income tax whenever a plan member has *federal* income tax withheld. Under prior law, having Nebraska state income tax withheld from your retirement benefit payments had been voluntary.

In the past, a federal W-4P form and a Nebraska state withholding form were needed to elect tax withholding. These forms have now been combined in the Withholding

Certificate for Pension or Annuity Payments. This form is used to designate the number of allowances you want to claim and your marital status for both state and federal withholding. Your allowances determine the amount of tax NPERS withholds from your benefit payment. *If you are a Nebraska resident*, beginning in 2006, NPERS is required to withhold Nebraska taxes using the allowances and marital status you claimed for federal withholding. You may also elect additional amounts of withholding over and above the marital status and allowances you elected on your federal and/or state withholding; these amounts are not required to match. *You may change your withholding at any time.* To obtain the form, complete the "request form" below, visit our website at www.npers.ne.gov, or call our office at the numbers listed below.

Nebraska residents choosing *not* to have federal tax withheld from their retirement benefit payment are not required to have Nebraska state income tax withheld.

For tax *advice*, we suggest you contact a tax professional about your individual situation. If you have questions about information contained *in this article*, please contact NPERS at **800-245-5712** or **402-471-2053**. □

What Are You Waiting For?

One of the best ways to simplify retirement is Direct Deposit. Direct Deposit will electronically transfer your retirement benefit directly into your checking or savings. It's easy to set up and doesn't cost a penny. There are still thousands of NPERS retirees who **wait** by the mailbox each month for their retirement checks, then drive to the bank and **wait** in line.

What are you **waiting** for? Simplify your life and try Direct Deposit. Use the "Request Form" below to obtain a Direct Deposit Agreement form. You may also contact us by phone or visit our website at www.npers.ne.gov. Completing the form is simple and you'll never have to **wait** again!

2006 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 your account in the year 2006:

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

For those of you who receive your check by mail, your payment will be mailed by the above dates.

Keep Us Up-To-Date

If you have a change of address or any other demographic changes, please be sure to let NPERS know. You can use the form below or send us a note with your signature. If you don't keep us up-to-date, we can't keep you up-to-date!

Address Change/Request Form

Please use the form below to notify NPERS of a change of address OR to request an NPERS form. **(Please print)**

Check here if this is a change of address. Your signature is required for a change of address.

Signature _____

Account Number (shown on address label) _____

Social Security Number _____

Name _____

Address _____

City, State, Zip _____

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

- Withholding Certificate for Pension or Annuity Payments Form
- Direct Deposit Agreement Form
- Beneficiary Designation Form
- Other _____

1099-R Tax Statements Coming

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 2005 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.

COLA Set at 2.5%

Did you notice a cost of living adjustment (COLA) in your benefit check in 2005? 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 last July the U. S. Department of Labor revealed a CPI of 190.1 for the year ending June 30, 2004, compared to the prior year's CPI of 185.3. As a result, the majority of School, Judges and State Patrol retirees saw a 2.5% increase in their July benefits, the same amount as the prior 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 2005. If you were eligible for the COLA increase, this letter explained the type of COLA and actual dollar amount of your increase. If you have questions about the COLA, please contact NPERS. □


The Following is a Brief Explanation of the 1099-R Form:

- Box 1 shows everything NPERS paid to you in 2005.
- Box 2a is the amount that is taxable to you.
- Box 4 is the amount that was withheld for federal taxes.
- Box 5 is the amount that is not taxable.
- Box 10 is the amount that was withheld for state taxes.

PAYER'S name, street address, city, state, and ZIP code		CORRECTED IF SHOWN		OMB No. 1545-0047		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S Federal identification number		RECIPIENT'S identification number		2005 Form 1099-R		Copy B 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.	
RECIPIENT'S name		Street address (including apt. no.)		City, state, and ZIP code		Account number (see instructions)	
1. Gross distribution		2a. Taxable amount		2b. Taxable amount not determined		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(s)	
8. Your percentage of total distribution		9. Total employee contributions		10. State tax withheld		11. State/Player's state no.	
12. State distribution		13. Local tax withheld		14. Name of locality		15. Local distribution	

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Happy New Year!



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