

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Retirement Systems

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It's Not Your Brother-In-Law's Retirement Plan

by Mary Jochim

This is how life works. Your brother-in-law (BIL) will nine out of ten times have last year's top performing mutual fund in his retirement plan. If Antarctic hammock manufacturing was the top-performing sector that's what your BIL will have over-weighted. If a cure for poor spell checking was discovered by a company in Ogallala, you guessed it, BIL bought the stock at \$1 a share (now trading at \$50 adjusted for the 14 stock splits he has enjoyed). Life isn't fair. As Scott Peck writes in his best selling book, A Road Less Traveled, once you accept the fact that life is difficult you are well on your way to living a happier life.

From time to time, people ask the question: "Why don't we have 'Shoot the Lights Out Top Performing Mutual Fund' or 'So and So Hot Money Manager' as one of the investment choices in the State and County plans?" It is surprising how often these choices came because of a tip heard from BIL, or from a golfing buddy, or from a magazine. Dig a little deeper and it turns out that people themselves often haven't invested in the funds, they just heard that "they did really well last year." In other words, we want to get in on the good times that happened last year.

Driving a car using your rear view mirror for guidance will get you an air bag in your face or a vacation in a cozy 8 x 8 room with bars (not the kind that serves beer) or maybe both. Directing your retirement portfolio using recent performance, last year's top performers or the hot sector in the market as your guide is equally dangerous.

Ibbotson Associates, a company famous for its

analysis of investment returns, has produced a fascinating chart titled "Do Stock Winners Repeat?" The study takes the top ten performing stocks for a three-year period and compares their returns in the subsequent three years. Not pretty. The winners from 1980 – 1999 had a 130.9% average return for the first three years. These winners then went on to produce a paltry 6.6% return for the next three years.

"Driving a car using your rear-view mirror for guidance will get you an air bag in your face . . ."

Another company, Morningstar, actually specializes in the analysis of thousands of publicly traded mutual funds and has built quite a reputation for itself through the awarding of up to five coveted "stars" for the top funds. Now certainly Morningstar would have the inside track

in picking the top performing funds for its own employee's retirement plan right?

Evidently it's not easy. The headline in August at Ignites.com read "Morningstar's Own 401(k) Plan Picks Have Mixed Record". If you study the performance record of the professionals at Morningstar it's a lot like the record of the Nebraska Investment Council who makes the manager selections for your plan. Both groups are working to give their employees a reasonable variety of investment options, at a reasonable cost that will satisfy most prudent retirement investment strategies. Not all of the choices are shooting the lights out. Right now neither the employees of Morningstar or Nebraska Public Employees are making money hand over fist in this difficult market but no one is headed for the poorhouse either.

What should you do? First, have your BIL or

Continued on page 4

Answers to Your Questions

With our new Call Center up-and-running, and receiving over 750 calls a week, we thought that maybe we could help you save some time and trouble by answering some of your most commonly asked questions.

Q. How do I change my investment allocations?

A. If you know your PIN number, you may call the pension access line at 1-800-449-2696 or 467-6725 (in Lincoln.) Or you may access your account on our web site at www.nol.org/home/pers. If you don't know your PIN number, mail or fax the PIN Change Form on the back of your latest quarterly statement or you may get a PIN Change Form by contacting our office.

Q. Whom do I have listed as my beneficiary?

A. You may write to our office and we will mail your beneficiary listing to you or you may request a Beneficiary Form, which you can fill out, have notarized and return to our office.

Q. What do I need to do to update my address?

A. You may change your address through your agency/county personnel contact.

If you are receiving a benefit or refund, you must mail or bring to our office, a signed and dated address change.

Q. Can I borrow from my retirement account?

A. You cannot borrow from or against your retirement account for any reason. Your account is not accessible until you quit working for the state/county.

Q. How do I know when I am vested?

A. You are vested after five years of plan participation or when you are at least 55 years old.

Q. What are my options when I cease employment?

A. A lot of your options will depend on your particular circumstances but to put it briefly; you may; 1) Receive a lump sum payment directly to you/rollover, 2) Request a systematic withdrawal, 3) Receive a monthly annuity, 4) Defer payment until a later date, or a combination of any of the above. If you are vested at the time you retire/terminate, you will receive the state/county matching funds. If you are not vested, you are entitled only to your contributions plus earnings.

Q. When will I receive my refund/disbursement/payment?

A. You are eligible for payment approximately 30-45 days from the date of final pay from the agency/county, provided all contributions have ceased, all transactions affecting your account have been completed, notification of your last day of work and other information have been received by us from your employer. If you return to employment with a Nebraska state agency/county within 120 days of ceasing employment, you will be required to repay your refund, regardless of status or position. □

Fall 2000 Seminar Calendar State & County Members

Preretirement (age 50 and over)

September 19	-	Scottsbluff
September 20	-	Ogallala
October 5	-	Grand Island
October 12	-	Norfolk
October 24	-	Omaha
October 31	-	Lincoln
November 29	-	Beatrice
December 13	-	Lincoln
December 14	-	Lincoln

Personal Planning (under age 50)

October 4	-	Kearney
October 11	-	Norfolk
October 26	-	North Platte
November 1	-	Lincoln
November 15	-	Lincoln
November 16	-	Lincoln
November 28	-	Omaha

Registration forms will be sent to eligible members approximately 4 weeks prior to meetings in your area.

Thoughts to Consider

If you want to leave your footprints in the sands of time, wear your work shoes.

Work is the yeast that raises the dough.

Too many people itch for what they want, without scratching for it.

The bee that gets the honey doesn't hang around the hive.



Source: [Time Out For News](#), Preretirement Education Report - Coeur D'Alene, Idaho

News Flash! 457 Plan Change

Have high backend sales charges been the pain preventing your from transferring your old 457 Hartford balances to the new Deferred Comp plan?

Good News my friend! Hartford has agreed to drop all remaining backend sales charges for participants who still carry a balance in the old Hartford plan. You can get a transfer form to move your old Hartford balances without penalty by contacting the Retirement Office.

One of the major reasons the Retirement Board and the State Investment Council decided to discontinue new contributions to Hartford back in 1997 was due to high fees. As we told you in 1997, besides the backend (deferred) sales charge mentioned above, Hartford has expense charges on each investment fund that in some cases exceeds 2.5%. The average expense charge on a typical Hartford fund is 1.5% (150 basis points).

To illustrate how the expense charges work, if you have an account of \$50,000 with Hartford at an average fee of 1.5% you are paying \$750.00 per year out of your account to keep your money invested with Hartford. You can check on these fees in the details of your reports from Hartford. To compare fees, we charge an average of 50 basis points (.5%) or less per fund in our new DCP plan.

Nevertheless, the Retirement Board and the Investment Council will NOT be canceling the Hartford contract. If we cancelled the entire contract the backend charges would still apply to every member with less than 12 years of DCP participation. Hartford has not waived the charge on the full contract. On the other hand, if you, as an individual elect to transfer your funds from Hartford to the new DCP plan the backend charge is waived.

For more information or to request a transfer form, please contact the Retirement Office at 1-800-245-5712, or in Lincoln at 471-2053. □

LEGAL CORNER

by NPERS Legal Counsel,
Shawn Nowlan

People often want to know: “what exactly have I been promised by my retirement plan?” In the State Retirement System, and in the Retirement System for Nebraska Counties, the answer to that question is as follows:

“We (state/county) promise to set aside a (tax-deferred) portion of your paycheck each pay period, to match those contributions at a specific rate, to provide several options for you to invest that money, and to give you access to the balance of your account when you quit or retire, whatever that balance might be.”

The pension-industry name for such a system is a “defined contribution pension plan.” Another way of describing such a pension plan is by saying: “We know how much money will be contributed, but we don’t know how much will be in the account when you retire.”

It can be surprising if, when you get an account statement from the Nebraska Public Employees’ Retirement Systems (NPERS), you see a decline in its value, you must remember that the State of Nebraska does not promise that account balances won’t sometimes shrink. So long as the deductions come out of members’ paychecks each month and the State matches the contributions (i.e. makes the employer contributions), the State has fulfilled its promise. It is up to you to work to preserve and increase your account balance through wise investment choices. And sometimes (because no investment is 100% guaranteed) you may experience declines in the value of your account.

At NPERS, we provide several services to help you manage your retirement investment wisely. Here are a few examples:

- The Nebraska Investment Council and NPERS work together to give you a set of understandable investment options among which you can divide your investments.
- NPERS provides financial planning and investment seminars (in cooperation with Sterling Financial Services), during which you can learn more about prudent investing.
- The Retirement Roundup has tips and articles (like this one) to help you better understand your ability (and duty) to invest.
- NPERS, through Sterling Financial Services, maintains a toll-free number that you may call for investment advice. (The number is 1-877-970-9300)
- You have online access linked through the NPERS Web site to check on your current retirement asset holdings and make investment changes.
- NPERS and Sterling Financial Services have also produced a videocassette on investment issues, available at the office of your county clerk or state agency contact person, or at the NPERS office.

Through the resources NPERS provides, you have the opportunity to gain an education in prudent investment and help plan for your own retirement. □

Manager of the Year

The Nebraska Public Employees Retirement System office has chosen Louise Weyer as Supervisor/Manager of the Year for 2000.

Louise has been the supervisor/manager of our agency's Member Education Department since August of 1998. She oversees a team of four whose duties include conducting Pre-retirement Planning and Personal Planning Seminars statewide, publishing the agency newsletter, and overseeing the publication of retirement plan booklets and other agency publications

Louise has fostered a great "team" environment in her department and encourages ongoing staff development. She has trained two new staff to conduct our planning seminars for members of all five major public retirement plans in record time.

During the past two years Louise took on the additional responsibility of managing four employees in our mail/microfilm area until recent office reorganization was completed and a separate manager was hired. This additional work required Louise to balance a wide variety of duties and still maintain a hectic travel schedule for the seminars. Louise handled the extra work without a complaint and provided needed guidance to this area.

Louise is a visionary and a leader. She is dedicated to our mission of assisting members in preparation for their retirement. She is professional and she sets an example for our agency by continuing her own education in many areas. In December of 1999 Louise received her Certified Retirement Counselor (CRC) through INFRE. We are proud of her many accomplishments and are especially proud to have her represent our agency! □

Brother-In-Law (Cont. from page 1)

your golfing buddy write down the name of next year's top performers. Then do your homework. Attend one of the Personal Planning seminars this fall. Read some books about investing. Your own personal savings is another very necessary leg to your financial survival in retirement, besides social security and the State and County Retirement Plan. Even though you may wish for some different choices in the your retirement plan there is nothing stopping you from investing money outside of the retirement plan in some hopeful future top performers.

Recognize that just as life is difficult – it is difficult to select next year's top performing money managers or investment funds. Do more homework and enjoy those family reunions because the market will humble even very bright brother-in-laws from time to time. □

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Employee of the Year

Congratulations Vicki Stoll, our 2000 Employee of the Year!

In July 1997, Vicki began working in the Accounting Department of the Retirement Systems. She soon accepted a position assisting the County Retirement plan members.

Due to her hard work and adaptability, Vicki was recently promoted to Lead Worker in Benefits Processing, where she is working with all five plans.

Thank you Vicki. Your dedication and positive attitude are truly an asset to our agency! □

Caught Napping?



Even if you never need this advice, we thought you could use a humor break. So if the boss finds you dozing, try one of these responses:

- ♦“**The people** at the blood bank told me this might happen.”
- ♦“**I was just** trying out that 15-minute power nap they recommended at that management seminar you sent me to.”
- ♦“**I realize** you think I was sleeping, but I was actually meditating on our mission statement.”
- ♦“**I read** that this yoga exercise is a great way to relieve stress so you can be more productive, but it won't work unless you close your eyes.”
- ♦“**It's too bad** you woke me. In my dream, I was just on the verge of solving the firm's thorniest problem.”
- ♦“**Someone must have** put decaf in the regular pot.”
- ♦“**Amen.**”

Source: www.superkids.com, cited in *Communication Briefings*, March 1999, Vol. 18, No. 5