Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Retirement Systems Vol. 16, No. 7, Fall 2001

In this issue...

Now Showing at a Web Site Near You!

The Benefit Estimator

No, the "Benefit Estimator" is not the name of the latest action/adventure film. It is one of the many technology improvements underway in our office. We are pleased to announce the "Benefit Estimator" is available for use by the State and County plan members, via our web site, as of September 1!

This new feature will allow you to calculate your own estimate of a monthly annuity. The "Benefit Estimator" will provide you with a tool to compare a monthly lifetime annuity payment with taking a lump sum payment or a systematic withdrawal.

To obtain an estimate you must enter key information related to your individual and spouse birth dates, estimated date of retirement and estimated value of your account at retirement.

It is important to remember that the "Benefit Estimator" provides **estimates only.** Estimates are not binding on the Nebraska Public Employees Retirement Systems. Your actual benefit at the time of your retirement may be higher or lower than your estimated benefit. Benefits estimated by you will <u>not</u> be captured or saved in the "Benefit Estimator" program. Upon exiting the program the information will be cleared. No one will have physical access to your estimated benefit unless you, the user, print it! Please visit our web site at: **http.//www.nol.org/home/pers**. ❑

Introducing…"PIONEER"

For the past year we've been telling you about "our new technology plan." We've kept you informed on our progress toward installing a state-of-the-art, automated system that will significantly improve our ability to manage member accounts. We've told you about our "phased approach" (right now we're in Phase II), and of course we've mentioned that this project will integrate into one unified system most of the data management and processing systems currently in use by this office. We've told you we would award a contract for an experienced, reputable outside vendor to help us develop this system and put it into place.

Well, we've told you all **that**, but we haven't told you **this**: We conducted a contest among our creative and dedicated staff and arrived at a name for our "technology project." May we introduce

PIONEER

Pension **I**nformation **o**f **N**ebraska for **E**fficient, **E**ffective **R**etirement

This should help explain references to our new system made in this newsletter. Our technology project now has an identity and a face. We look forward to sharing PIONEER successes with you as we progress through the next phases and reach completion in 2004. ❑

Retirement Worries

by Mary H. Jochim

Recently, I received this e-mail from a concerned member:

"Hope I'm talking to the right people. I'm one of many, believe me. Just a strong note here about retirement worry. I'm certainly happy I was able to move my monies to a stable fund a long time ago! Why aren't we given that privilege in our employer fund? I truly hate to see that go bye bye! I've listened to your comments and agreed for a lot of years, but even I had enough sense to get out while the markets were too high. Surely you don't believe they're coming back anytime soon or for that matter many years. If you do, I'd like to sell you a bridge I have that spans the bay out at San Francisco... I have several people relying on me for survival down the road and that retirement fund is a very big part of it. I need stable growth from that employer fund as well. I don't care if it's only 1%, at least it's positive! Or are you guys part of the big ripoff as well???"

My Reply:

Congratulations on your successful timing of the market! It does happen that individuals pull out near the top. (It gets tricky on deciding when to get back in before the next market move up, which will happen.) It may not be necessary on your part, but most people will need to get back in because their account balance isn't large enough to fund their retirement without the better returns the market gives over time. As long as our system of government is capitalism, the market will recover and eventually set new highs ... it will take longer for the NASDAQ to do so, but it will happen there as well.

For someone who is risk averse, it is possible to get "almost all" of the account in a "stable" mode. If that is the goal, obviously 100% of the employee account can be moved to the stable fund. On the employer side, the conservative employer option will get 75% of that account in "guaranteed" mode (it uses cash, GICs and bonds) and the remaining 25% would be in the S&P 500. If I do the math using 60% employer and 40% employee funds, that would enable someone to get their allocation to 85% fixed and only 15% in the market. That's pretty conservative. The argument is made by professionals that, even going into retirement, individuals need to have some amount allocated to stocks.

The account is also much more flexible than it used to be for getting money out once you retire. It used to be that when you retired you either cashed out (no matter what the market was doing) and rolled it over to an IRA or your account balance was cashed out and used to buy an annuity. Now you have the option of a "systematic withdrawal" plan where you can call the shots about how much and when you take withdrawals. This gives the guy close to retirement the option to leave the money invested if it happens to be a poor time to be moving money out of the S&P or small company fund, etc.

Glad to continue this discussion more. So feel free to e-mail me with more comments, suggestions, etc.

P.S. If you can produce the title for that bridge in San Francisco, I do have someone who will write you a check for it.

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Is DCP For You?

Ladies and Gentlemen! Will you be dining on oatmeal or steak during your retirement years? Good question, but how can you be certain you will have financial security during your retirement years? Previously, retirement savings were built on a three-legged stool of Social Security, Pensions and Personal Savings. The future of Social Security hints at the possibility of benefit reductions. As a result, personal savings have moved from the third leg to become the pillar of retirement planning. With this in mind, many members have realized the need to increase personal savings and have enrolled in the Deferred Compensation Plan.

Let us tell you about the wonders of this magnificent opportunity! The Deferred Compensation Plan (DCP) is a voluntary plan whereby you authorize your employer to reduce your current salary. The deferred portion is set up in an account and invested. Upon retirement or termination, you may withdraw the savings in a lump sum, purchase an annuity, remove funds on a systematic basis, or defer withdrawal to a later date.

The benefits of DCP are many. Contributions are pre-tax which lessens the "hit" to your paycheck and lowers the salary reported to the IRS, thereby reducing your income taxes. Once your savings are returned to you they are taxed as ordinary income, but most participants are retired by that time and typically fall into a lower tax bracket.

State employees may choose from the same 11 investment options offered for your regular retirement plan, and may defer as little as $25.00 a month. You may transfer your savings and future contributions from one investment option to another. You can increase, decrease, or stop contributions at any time. Account statements are mailed on a quarterly basis.

Sounds pretty swell….. but wait, there's more! Effective January 1, 2002, new changes in federal laws will make DCP even more attractive. Currently, contributions are limited to 1/3 of your salary up to a maximum of $8,500. On January 1 the maximum will increase to $11,000 and the 1/3 cap is eliminated. Any dollars you contribute to your State/County retirement plan will no longer count toward the maximum.

Currently, when you retire or terminate employment, you must make a decision within 90 days on how the money is to be disbursed. On January 1 this restriction is lifted and you may leave the

(Continued on page 4)

Change in Fall Seminar Calendar

After receiving a few calls requesting more Personal Planning Seminars in Western Nebraska, we have rearranged our schedule to add a meeting in Scottsbluff this fall!

One of the factors we consider when planning the seminar calendar is past attendance numbers. If attendance has been high in a particular area, we consider adding meetings to accommodate more members. When attendance is very low and we are repeatedly forced to cancel meetings in certain areas, we have to consider eliminating that site from our schedule.

Make yourself heard! By attending the seminars, you are sending a message that you and members in your area are interested in planning for your future!

We welcome your comments or suggestions regarding the seminars and we encourage you to attend a seminar in your area this fall! ❑

2001 Seminar Calendar State & County Members

Preretirement
Age 50 and over

September 20	-	Grand Island
October 3	-	Scottsbluff
October 4	-	Ogallala
October 18	-	Norfolk
October 23	-	Omaha
November 1	-	Lincoln
November 14	-	Beatrice
December 5	-	Lincoln

Personal Planning
Under age 50

September 19	-	Kearney
October 2	-	Scottsbluff
October 17	-	Norfolk
October 25	-	North Platte
October 31	-	Lincoln
November 15	-	Omaha
December 6	-	Lincoln

Registration brochures will be sent to all eligible members at their home address approximately 4 weeks prior to meetings in your area.

Legal Corner

by NPERS Legal Counsel, Shawn Nowlan

Who participates in the State & County Retirement Plans?

This Legal Corner column outlines who participates in the State and County Retirement Plans.

Who contributes to the State Plan?

The State plan has a provision (§ 84-1307) which controls who may begin contributing to the retirement plan. All permanent full-time employees who have twenty-four (24) months (i.e. two years) of continuous state service and that are thirty (30) years old *must* begin contributing to the retirement plan. Any permanent employee (full-time or part-time) who has twelve (12) months of service within a five-year period and is at least twenty (20) *can choose* to begin contributing in the retirement system. According to § 84-1326, those who have begun participation in the retirement plan can not cease contributing until they have terminated all employment with the State. Thus, if an employee who is contributing to the retirement system changes from a permanent employee to a temporary employee, retirement contributions continue until all employment is terminated. (Temporary employees do not otherwise have the right to begin contributing to the retirement plan.)

There are a few State employees who have the right to participate in other retirement plans. Some employees in the Department of Education participate in the School Employees plan. Judges participate in the Judges plan. Sworn State Patrol Officers participate in the Patrol plan. Employees of the University of Nebraska, the State Colleges, the community colleges and the Coordinating Commission for Postsecondary Education all have their own retirement plan. There are a few other miscellaneous employees outside the State plan, but all other State employees participate in the State plan.

Who contributes to the County Plan?

In the County plan, § 23-2306 governs who begins contributing to the County plan. All permanent full-time employees of counties having a population under 150,000 (i.e. all counties except Douglas and Lancaster) who have twelve (12) months of continuous service *must* begin contributing to the County plan. All permanent full-time or permanent part time employees who are at least twenty-five (25) and have twelve (12) months of service within a five-year period *can choose* to begin contributing to the County plan. All employees who begin contributing to the plan may not cease contributing until they leave employment with counties that participate in the retirement plan. (As with the State plan, temporary employees do not otherwise have the right to begin contributing to the retirement plan.)

New Forms

As a result of PIONEER, our technology project, we are currently in the process of updating and revising all forms generated by our office. Some forms are being completely revised and others will just be getting a "new look." We have devised a new numbering system that will help us to identify forms more easily. All forms will be given a number and then will be put on a standard template, with bar codes to be added at a later date. Since there are hundreds of forms to be revised, this will be a long process.

As new forms are approved, we will make these forms available to agency contacts and County Clerks. The most important thing to remember is to always check the revision date printed on the lower left corner of each form, to be sure you are using the most current version.

The recently revised forms include:

- Enrollment Form
- Non-Contributing Member Form
- All DCP Forms
- Beneficiary Designation Form

There may be additional changes to these forms as our project advances. Be sure to check the revision date of the form you are using.

If you have any questions about forms, please call us. ❑

New Brochure for Account Access

Did you know that you can access your retirement account through Ameritas via the internet and telephone? Even though both of these services have been available for quite some time, not everyone is aware of their existence. To use the Pension Access Line via your touch-tone phone, call **1-800-449-2696**. You can use the Pension Access On-Line through a link from our web site at **http://www.nol.org/home/pers**.

In the past, Ameritas has provided informational brochures explaining these services. An updated brochure, giving details of functions available through both services and explaining how to use them, will be available this fall. It will be distributed to each Agency Contact and County Clerk. ❑

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DCP

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money invested in the DCP account until age 70 ½. Lastly, plan participants currently may not roll over accumulated savings into an IRA. Effective January 1 you may roll over your DCP savings (upon retirement or termination) into a qualified IRA.

You say you can't keep your hands out of the cookie jar? Your pain is real. You know how important it is to save for retirement, but you NEED that new big screen TV now! DCP has "built in" willpower. Federal regulations stipulate that you cannot withdraw benefits until you retire or terminate employment. That does not mean the money is completely locked away. In cases of a severe and unforeseen emergency, all or a portion of the money can be withdrawn (no, big screen TV's do not count as a "severe and unforeseen" emergency…). DCP should *always* be considered a **long-term investment plan**, *not a short-term savings plan*.

Now, let's get you signed up! It's easy to enroll and there is no waiting period. So what are you waiting for! State employees may contact the Retirement Office or your employer and request an enrollment packet. County employees should ask your County Clerk if your county offers a DCP plan. When you hit retirement age, you'll be glad you did! ❑

RETIREMENT ROUNDUP
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