Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Retirement Systems — Vol. 16, No. 3, Summer 2001

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The "Perfect Storm"

It sounds corny, but we all feel your pain. Investing recently has been no more pleasant than being on the receiving end of a daily root canal from the dentist. This isn't fun for anyone. Especially for those of you who had just started to make some progress in achieving your investment goals. To see all that money wiped out hurts. Rest assured that you have not been personally singled out. Employees in every state, at every company across America, are finding they have lost value in their retirement accounts. Hindsight is always 20/20 and while we can all wish we had made some different decisions, we can't go back. Timing the market has proved futile for even full time investors. We can all bemoan the market carnage but as a long time investor stated last week, **"Are you going to Cry? Or are you going to Buy?"** I am convinced that we will look back on this time period as one of this century's outstanding buying opportunities.

A little explanation of what has happened. The markets have encountered what could only be called a "perfect storm." As those who read the book or saw the movie know, the **"perfect storm"** resulted from the unusual combination of three separate disturbances. The same could be said of the volatile equity markets when an unusual confluence of events produced a dramatic shift in sentiment.

First, the full effect of the Federal Reserve's 11 months of interest rate tightening finally hit, giving Greenspan and gang the "engineered economic slowdown" they desired and deflating America's market exuberance. The result

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Time for a Change?

Would you like to alter your current investment strategy for your retirement funds? Would you like to transfer existing funds from one investment fund to another? Would you like to redirect to which funds your future contributions will go? If you have wanted to make changes, but weren't sure how to go about it, the following options explain how to accomplish your goals:

On-line: Access your retirement account information online at Ameritas' (our record keeper) web site, which is linked to our own web site at www.nol.org/home/pers. You'll need your Social Security number and Personal Identification Number (PIN) to access your account information. Directions are provided to guide you through the transaction.

By Phone: Dial the Pension Access Line (402-467-6925 or 1-800-449-2696) and follow the voice response commands to make a change to new or existing investments. Have a Nebraska Pension Access Line brochure handy while making this call as it maps the steps you'll follow and lists the fund name codes needed to complete the process. To speak with a Member Services representative at any time during this process, just press "0." But please note, while our staff are available to answer questions and help you with the steps involved, they MAY NOT physically make changes to your account over the telephone. If you prefer the Retirement Systems staff make changes for you, the following option provides the steps to do so.

Mail or Fax: Fill out a Change Form and mail or fax the form to our office. (Copies of the form are available from either your employer

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2001 Legislative Wrap-up

The legislative session for 2001 is finished. Several bills passed that were expected to pass, and one surprise bill came up during the last week of legislative debate. The following bills were passed during the 2001 session and became law:

LB 186 – County Plan

This bill was signed by the Governor on March 14, 2001, and makes two changes to the County Employees Retirement Act. First, it raises the contribution rate for county employees from 4.0% of pay to 4.5% of pay. This increase means more money will be set aside in retirement accounts for county plan members. Second, the bill creates a supplemental contribution for certified law enforcement personnel (i.e. sheriffs) employed by counties with populations of 85,000 or less – meaning all Nebraska's counties except Lancaster, Douglas and Sarpy Counties. This new supplemental plan consists of an additional 1% of pay being placed in the members' employee accounts, and with county matching funds of 1% being added to the employer accounts. LB 186 has *a delayed effective date;* this means the new contributions rates will not begin until January 1, 2003.

LB 408 – NPERS Technical Bill

The Governor signed this bill on April 17, with the emergency clause attached. It therefore became law on April 18, 2001.

With respect to the State and County Plans, the changes include giving the PERB the ability to set percentage increments for investments (currently, NPERS allows allocations in 5% increments, which will continue under the new law). Other provisions of the statutes are made consistent, with respect to disability retirement provisions. There are other technical administrative matters addressed in the bill. If you want further information, NPERS will provide it upon your request.

LB 75 – Increased 457 Deferred Compensation Benefits for Long-Term Legislative Employees

The Legislature acted quickly on the last day of the session to create new provisions within the State's 457 deferred compensation plan. The Legislative Council is now able to put money directly into the deferred compensation accounts of long-term legislative employees or may purchase annuities at the time these long-term employees retire.

In addition, the bill indicates that the Legislature is planning to create a separate and new retirement plan for legislative employees. Over the summer of 2001, the exact shape of this new retirement system for legislative employees will take shape. The new retirement plan will be debated during the 2002 Legislature.

Further Information

If you want more information on any of these laws, contact our office at 1-800-245-5712. You may also contact the Clerk of the Legislature at 402-471-2271, or use the Legislature's web site: www.unicam.state.ne.us.

Change *(Cont. from page 1)*

or our office or may be downloaded from our web site.) Our staff will make all changes received before 3:00 p.m. Central Time on the date we receive the form, with the change processing that night. If you elect to use the Change Form, please read instructions carefully to avoid making errors which would delay processing your request.

Following these guidelines can help you avoid common mistakes:

- Make investment selections in 5% increments for both transfers of existing funds and future elections.
- Future election choices must total 100% of your account.
- Circle "$" or "%" when making a transfer request.
- Use current fund names and identify by either the full name or the investment fund code numbers listed in parenthesis after each fund.
- Be certain you actually have funds invested in a particular fund before electing to move out of it.
- Transfers out of a fund and back into that fund on the same day are not allowed.
- Direct transfers between the Stable fund and the competing funds of the Money Market or the Conservative Pre-mix funds are not allowed. You may move from the Stable to either of those competing funds, but you must first elect a transfer to another fund where it must remain for a period of three months. After that time, you may move to the competing fund.
- Funds may not be moved between the employer and employee accounts. The choices for each category are clearly divided on your change form.

(Cont.)

Finally, it is very important you look for a confirmation letter from Ameritas documenting your actions (except PIN changes). If you do not receive a confirmation letter within two weeks of the day you made your changes, or if it does not correctly reflect the actions you requested, **contact the Retirement Office immediately**.

We hope this information helps make the transfer/election process go smoothly. As always, our Member Services unit is available by phone to answer your questions. Dial 402-471-2053 or 1-800-245-5712 and press "3" to speak to a Member Services Specialist. ▯

Jane Hansen
Member Services

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 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

Ceasing Work - Options in the State and County Retirement Plans

When we leave our employment, people around us often give advice on what we should do with our retirement accounts. However, not everyone understands or remembers all the options available to someone leaving State or county employment. This column contains a few often-forgotten facts that can help employees make prudent retirement account decisions.

Fact 1: You do not have to decide immediately what you should do with your retirement account.

When you retire or terminate employment, the only unavoidable change to your retirement account will be that your monthly employee and matching employer contributions will stop. The money remaining in your employee and employer accounts will continue to be invested as you had instructed. You can take your time in deciding what to do with the retirement account.

Fact 2: When you terminate or retire, you can mix and match four different ways to deal with your retirement account.

These are the four options:

(a) You can directly receive all or a part of your account as either a one-time lump-sum distribution or as a series of withdrawals (a systematic withdrawal) from your account. You will have to pay income tax on this money when you receive it.
(b) You can use all or a part of your account to purchase a monthly annuity (but you will have to provide NPERS with proof of age). You will pay taxes on the money when you receive the checks.
(c) You can leave all or a part of your money invested with NPERS. Such money will not be taxable as long as it stays at NPERS.
(d) You can roll over into an IRA or other tax-deferred account all or a part of your account. This means the money will not be counted as income.

Fact 3: Your investment choices at NPERS continue when you cease employment and leave the money with NPERS.

NPERS continues to hold the accounts of members who are no longer actively employed. These employees may continue or rebalance their investment choices, or, they may take advantage of new investment options added to the plan. No further changes are needed until age 70½ (see the next fact).

Fact 4: If you have not taken your money earlier, you must begin taking money when you turn 70½.

If you have retired or ceased employment and you are 70½, you must begin drawing down your retirement account. This means you can no longer put off beginning distribution of your money.

Remembering these four facts can help you plan the optimum way to receive your money. **You can mix and match any or all of these four options** so that the distributions best serve your individual needs.

Perfect Storm *(Cont. from page 1)*

was higher capital costs for businesses, competition for investor dollars from fixed income and pressure on price to earnings multiples for stocks. In the Fed's attempt to vanquish the illusive spectre of inflation, the Fed succeeded in deflating the stock market bubble and completely changed investor psychology towards earnings and valuations.

Subsequently, the rapidity of the economic slowdown caught most businesses and investors by surprise and generated more concern about the economy, especially in the technology sector. The third ingredient that occurred, an external shock (like Watergate in 1973 – 74 or Kuwait in 1990) came in the form of the long running election fiasco. The end result was the worst year for NASDAQ composite in its 29-year history and losses for most of the other major stock indexes as well.

The perfect storm carried over into year 2001. The surprise Fed move to an aggressive easing cycle in January offered a slight reprieve. Optimism soon faded as a continuing onslaught of weaker economic data and company forecasts for future revenue and earnings disappointments battered investors. The economy is paying the price for those earlier interest rate increases. It doesn't take too much imagination to see how a slow down once started can have a snowball effect.

The market hasn't had four successive down quarters for 17 years but in this "perfect storm," you've just endured that. I want you to think back over the history of your account. You've seen down quarters before, even quarters where investment returns hit the minus 20% mark. You've survived. The markets survived, only to go on and hit new highs. In these difficult times, we must realize we cannot control the markets, or media fanned sell-offs. We can't control corporate earnings or downsizings. We can control our own emotions and recognize the investment basics….diversification, a long term approach and discipline to buy low and sell high.

Most of us have seen difficult markets before. Your stomach may not agree, but you know intellectually that this is one of the buying opportunities of a lifetime! Based on what we see, I believe we are close to a bottom.

Is it too late to sell? Frankly I'd say yes. Remember that you are a long term investor and market downturns are big pluses as your monthly contributions are now buying shares at low prices and that's a good thing. Remember "buy low and sell high?"

This might be a good time to review your asset allocation. Risk and volatility are dampened if you invest across the board in different asset classes (value and growth stocks, bonds, money markets, and international and small companies stocks). If you find you are just not sleeping at night and wonder if you have too much exposure to the stock market, I'd like you to call or e-mail us at Sterling Financial so we can visit. We can make some suggestions for ways you can diversify overtime. Lastly, please sign up for a personal planning seminar this fall. Investing is serious business especially when it comes to your retirement dollars. You owe it to yourself to attend.

Keep the faith! Just as the October 1987 crash became a distant memory and only a small blip on the market's upward climb, the same will be said of today's painful market. As always, my staff and I are available to you.

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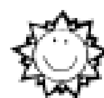

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