

# Retirement Roundup

"Providing Information to Judges, State Patrol and School Employees"

Nebraska Retirement Systems

Vol. 20, No. 7, Fall 2005

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## In this issue...

Purchasing Service ....	2
Medicare .....	2
Congratulations .....	3
Seminar Calendar ...	3
Verified Service .....	3
New Tax Law .....	4
School Handbook ...	4

## Important Reminders

*The accuracy and efficiency of your retirement account starts with you.*

Fall is here and the holidays are quickly approaching. The Nebraska Public Employees Retirement Systems (NPERS) would like to remind all **School, Judges and State Patrol Plan** members about these important items:

**Current Addresses** – The amount of mail returned to NPERS (all postage due!) is staggering when benefit statements and other items are mailed. Please help avoid unnecessary waste of administrative funds by remembering to **inform your employer** when your address, name or other information changes. Your employer submits your personal information to us electronically when reporting your payroll and retirement contribution information. If NPERS doesn't have your current address, you won't receive your annual benefit statement and other important information. (Members not currently employed must send *written* address changes to NPERS.)

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returned to NPERS  
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staggering ...*

**Beneficiary Designations** — **School and Judges' Plan** members should complete a new Beneficiary Designation form (the **State Patrol** process is different) and send to our office when anything significant happens in your life, such as a recent marriage (or divorce), the birth or adoption of a child, the death of a parent, etc. Or, if you designated your beneficiary(ies) so long ago *you can't remember* who you listed, obtain a Beneficiary Designation form from your employer or print it from our web site at [www.npers.ne.gov](http://www.npers.ne.gov), complete the form, have your signature notarized and send to NPERS. Any new form we

receive will automatically replace a previous beneficiary designation.

**Benefit Estimator** – To help plan for retirement, plan members may log onto NPERS' web site at [www.npers.ne.gov](http://www.npers.ne.gov) and calculate estimates using the benefit estimator. By entering your approximate years of creditable service, three highest 12-month periods of salary, and targeted retirement date, the benefit estimator will produce estimates of projected monthly benefits for all the retirement payment options.

This handy tool can aid your decision in setting a retirement date and choosing an option. And, it's available 24 hours a day.

**Schedule an Appointment** — While you may complete the retirement process entirely through the mail, some plan

members feel more comfortable discussing their choices in person. Call NPERS to make an appointment for a one-on-one consultation with one of our Member Services staff. Set your appointment at least one month in advance to beat the "seasonal rush" i.e. state sports tournaments, this will ensure adequate time for our staff to research your information, contact your employer(s) for clarification, if needed, and prepare your individualized benefit estimates.

NPERS can be reached at **800-245-5712** or **402-471-2053**.



## Thinking About Purchasing Service?

Are you considering purchasing additional years of service credit in the **School Plan** to help you reach your retirement goals? Perhaps you're hoping to retire sooner or, if you already qualify for retirement, to increase your monthly benefit amount by adding additional years of service. In either case, purchasing service credit may be an option for you.

Although service credit can be purchased at any time in a member's career (except Twelve-Month Pretirement Service), often members do not think seriously about it until fairly close to their retirement date. NPERS makes every effort to process requests for purchase of service as quickly as possible; however, because there are several steps in the process, and you must be employed at the time you make payment for your service credit, *it is vital to allow extra time* for our staff to process the necessary paperwork. For this reason, NPERS requires that you make application to purchase service credit *no later than 45 days prior to your last day of work before retirement.*

The School Plan offers four types of service purchase which are outlined below.

**Refunded Service Credit** — If you previously worked for a Nebraska public school and received a refund of your contributions and interest from the Plan, you may purchase up to as many years as were refunded to you. Refunded service must be purchased in order from oldest years to newest years. It is the most economical type of service to buy because the matching contributions made by your employer have remained invested with the Plan assets. You are, therefore, repaying only your refunded amount and its cumulative investment return, on the plan assets. (Note: While you may repay a refund at any time in your career, if you repay within three years of your return to work, you will pay less. The repayment criteria in this case is the original amount of the refund plus the interest credit rate which would have accrued on your account.)

**Out-of-State Service Credit** – If you worked in a public school system in another state or earned service credit in the Omaha Public School system you are eligible to purchase this type of service credit. You may purchase service credit equal to your Nebraska service up to a limit of ten years. The cost of this service is based upon the full actuarial cost to the plan. If you request that NPERS provide cost estimates for this type of purchase, it will first be necessary for you to have your service with the other plan verified, and NPERS will provide you with the form to accomplish this. We have found the amount of time needed by other plans to verify your service varies. This is an important reason *to allow as much time as possible* when initiating a purchase of service.

**Leave-of-Absence Service Credit** – You are eligible to purchase leave-of-absence service credit if you were on a school board-approved leave and returned to work within one year after completing the leave. You are allowed to purchase up to four years of leave-of-absence service. The cost of this service is based upon the full actuarial cost to the Plan. You will be asked to provide documentation that your leave was board-approved before a payment can proceed.

**Twelve-Month Pretirement (Retirement Incentive) Service Credit** - You are eligible to purchase up to five years of retirement incentive service; however, you must retire and begin drawing your retirement benefit within twelve months of making the purchase. The cost of this service is based upon the full actuarial cost to the plan. Because actuarial costs can fluctuate a great deal over time based upon changes to a member's age, salary, and service credit, we require your estimate requests for this type of purchase be made *no more than fourteen months* prior to your last working day.

For more details on purchasing service credit, please contact NPERS at **800-245-5712** or **402-471-2053**.

## New School Handbook

The member handbook for the **School Plan** has been revised to include recent legislative changes and current staff services offered by NPERS. The "plan booklet" contains timely information on membership, creditable service, compensation, retirement eligibility, annuity payment options, taxation, death benefits, disability retirement, and reemployment.

You may access the handbook on NPERS' web site at [www.npers.ne.gov](http://www.npers.ne.gov) and also paper copies have been distributed to all school districts' human resource departments. In an effort to curb administrative expenses by reducing publication costs, we have *not* mailed a booklet to every plan member as in the past.

To view the booklet, we suggest you visit our web site. However, if you prefer a paper copy of the booklet, please request one from your human resource office, or call NPERS at **800-245-5712** or **402-471-2053** and we will gladly send one.

## Medicare Prescription Drug Program

Is someone you know on Medicare...a parent, an aunt, a friend? The Medicare program is facing some big changes and you can help those you care about make the necessary choices to take advantage of the changes.

Beginning January 1, 2006, Medicare will offer coverage for prescription drugs. Everyone with Medicare is eligible for the new prescription drug coverage, regardless of income level and resources, preexisting conditions, or current prescription expenses. The program will pay for both brand name and generic drugs and offer a choice of plans. The monthly premium and out-of-pocket costs will vary with different plans.

(Continued on page 4)

## Congratulations 2005 Team Players!

The Nebraska Retirement Systems is proud to name **Pam Williamson** as our 2005 Employee of the Year!

Pam has been with NPERS since 1988 when she began working as our receptionist. She is now part of Education Services where she designs the layout of the Retirement Roundup, member information handbooks and all other NPERS publications. Pam works on several committees in the office and is always looking for ways to boost the morale of her fellow coworkers. Her positive outlook, along with her abilities have made Pam an important part of our team.

We would also like to congratulate **Randy Gerke**, our 2005 Manager of the Year!

Randy was hired as the manager of our Accounting Department in 2003. He previously worked for the City of Fremont and Midland College before coming to NPERS. Since joining our agency, Randy has earned the trust and respect of his staff and coworkers by going above and beyond his required assignments. That and his ability to improve existing procedures are just a few of the reasons he deserves this recognition.

We are proud to have these special people represent our agency. Thank you Pam and Randy for your outstanding service and contributions to the NPERS team! □

## 2006 Preretirement Seminar Calendar

NPERS has finalized the dates for our 2006 School preretirement seminars – see the seminar calendar below. NPERS *strongly recommends* all **School Plan** members age 50 and older attend *at least one* “Preparing for Retirement” seminar. State statutes stipulate all eligible members are allowed leave *with pay* to attend up to two preretirement planning programs, no more than one per fiscal year.

**A registration brochure will be mailed to all eligible members in January.** The brochure will also be available – along with maps to the seminar locations – on NPERS’ website at [www.npers.ne.gov](http://www.npers.ne.gov). To be registered, you must mail or bring your completed registration form and

check to NPERS. We cannot accept your registration by phone

NPERS seminars are presented by our two Training Specialists, John Winkelman and Nadine Ault. They travel around the state each spring presenting the “Preparing for Retirement” seminars to not only School Plan members, but also participants in the State Patrol, and Judges’ Plans. These seminars provide a wealth of facts and information on your NPERS retirement plan and also include guest speakers for financial and estate planning.

Plan to attend!

### 2006 Preretirement Seminar Schedule

#### School Members age 50 and over

Lincoln	-	February 7
Omaha	-	February 8
Omaha	-	February 15
Lincoln	-	February 16
S. Sioux City	-	February 22
Norfolk	-	February 23
Omaha	-	March 8
Lincoln	-	March 9
Kearney	-	March 15
Grand Island	-	March 16
Lincoln	-	March 22
Omaha	-	March 23
Omaha	-	March 29
Columbus	-	March 30
Kearney	-	April 5
Grand Island	-	April 6
Valentine	-	April 12
Norfolk	-	April 13
Scottsbluff	-	April 25
Scottsbluff	-	April 26
North Platte	-	May 10
McCook	-	May 11
Omaha	-	May 17
Lincoln	-	May 18
Sidney	-	May 31
N.Platte	-	June 1
Lincoln	-	June 7
Lincoln	-	June 8
Norfolk	-	June 14
Omaha	-	June 15
Omaha	-	June 21
Lincoln	-	June 22
Kearney	-	June 28
Grand Island	-	June 29

## Have Your Years of Service Been Verified?

Did you know the years of service shown on your annual benefit statement are considered an “estimate” until reviewed and verified before you retire? NPERS conducts a “data purification” process on records of members to assure all service has been properly verified. We conduct the verification before a member begins receiving a retirement benefit. You do not need to request verification of your service since we complete it automatically. As a part of the verification process, NPERS will also contact employers in cases where further clarification is needed.

You should always review your annual benefit statement when you receive it, no matter how long you’ve worked in the school system. After reviewing your statement, if you believe your service credit or other information on the statement is in error, you should contact NPERS in writing. NPERS will review your records, provide you with a detailed breakdown of your service credit, and then work with you and your employer(s) to resolve any discrepancies.

## New Tax Withholding Law

Beginning with retirement benefit payments made to Nebraska residents **on or after January 1, 2006**, NPERS will be 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 has been voluntary. The new law on withholding requirements was enacted in LB 216 by the 2005 state Legislature.

As you know, retirement contributions are not taxed when withheld from your compensation and deposited to your retirement account administered by NPERS. When NPERS distributes those funds to you at retirement, either as a direct payment or in the form of a monthly benefit, the taxes are due. When you apply for retirement benefits, you must designate the number of allowances you want to claim and your marital status using a Federal Form W-4P, Withholding Certificate for Pension or Annuity Payments. Your allowances determine the amount of tax NPERS withholds from your benefit payment(s) and sends to the federal government for you. *If you are a Nebraska taxpayer* when this occurs, beginning in 2006 NPERS will be required to withhold Nebraska taxes using the allowances you claimed on the W-4P. You may change your W-4P at any time.

If you elect a refund of your account and choose to “roll over” into an Individual Retirement Account (IRA) or another qualified retirement plan, this amount is *not* subject to taxation *at the time of the rollover*. This amount will be taxed, however, when you take a distribution from the rollover account. NPERS is required by law to withhold **20%** for federal income tax for a refund paid directly to you that could have been rolled over. The new law, now requires NPERS to withhold **5%** for Nebraska income tax as well.

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

Don't be alarmed if you think this tax withholding information is complicated or that you will forget it by the time you retire. NPERS will provide you with the current tax *information* when it's time for you to make your withholding choices at retirement. We cannot offer *advice*, however, so don't hesitate to 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**. □

## Medicare (Cont. from page 2)

How does one sign up? In October 2005, those on Medicare will have received information about the plans available in their location, the amount of the premiums, which drugs are included in each plan's formulary, and which pharmacies the plan will be using. All these things are important to an individual in choosing a plan that meets their needs.

What are the next steps in picking a plan? Sign-up starts November 15, 2005, for coverage to begin January 1, 2006. If signup is later than the end of 2005, coverage will start the month after sign up. No matter what, May 15, 2006, is the last day to sign up for coverage in 2006 or one will have to wait until November 15 to join and may pay a penalty.

For more information, call **1-800-MEDICARE** or visit [www.medicare.gov](http://www.medicare.gov).

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