Retirement News

Nebraska Public Employees Retirement Systems Vol. 22, No. 5, Fall 2007

Providing Information to Judges, Patrol and School Employees

In this issue...

NPERS
Nebraska Public Employees
Retirement Systems

Meet Your Investment Council

This is the first in a series of articles about the Nebraska Investment Council.

Dave Bomberger, State Investment Officer

The Nebraska Investment Council doesn't get much recognition or pats on the back for a job well done, but the assets for which they are responsible netted nearly $1.5 billion in investment earnings during 2006. The Council manages the investments of 30 different entities with total assets of $13.8 billion. This includes the funds of the **State and County Retirement Plans**, the 457 **Deferred Compensation Plan**, and the **School, Judges and State Patrol Plans,** all administered by NPERS.

Dave Bomberger is the State Investment Officer. He directs the Council activities, makes recommendations and implements their decisions, and manages the agency of three investment analysts and three administrative staff. The five Council members are appointed by the Governor, with the State Treasurer and the NPERS Director serving in ex officio (non-voting) positions.

Mr. Bomberger was appointed the State Investment Officer effective July 1, 2006, after the resignation of Carol Kontor. A native Nebraskan, Dave was born and raised in Lincoln and received a Bachelors degree from the University of Nebraska-Lincoln and a Masters of Business Administration from the University of Nebraska-Omaha. He has been a Chartered Financial Analyst since 1981.

"Throughout my career, I have been involved in investing money for others," Dave responded when asked what credentials he brings to his position. "In my 21 years with Guarantee Mutual Life Company of Omaha, part of those as Chief Investment Officer, I worked with clients, through their agents, to make investments that helped achieve their goals. In my seven years with Caterpillar Investment Management Ltd. in Peoria, IL, before returning to Nebraska, I worked with our clients' employees to provide investments and allocation tools that helped them build portfolios that met their needs. My roles included selecting, hiring and firing "best in class" investment managers based on investment process and long-term performance."

(Continued on pg. 2)

Your Annual Statement is Your Link to NPERS

An undetected error on your annual statement could affect your future

As a member of the **School, Judges** or **State Patrol Plans**, one of the most important documents you receive from NPERS is your annual Account Statement. You should ***look your statement over carefully*** before you file it away with your other important papers.

Statements are mailed to members' home addresses every year in August. Remember to ***notify your employer*** whenever your address changes since your current personal information is submitted to us by them. (Members not currently working or who are receiving a retirement benefit should send a written, signed notice of address change directly to NPERS.)

(Continued on pg. 2)

Your Statement *(Cont. from page 1)*

Your statement contains many important pieces of information and it explains why NPERS keeps compensation and service records. Your statement is meant to verify records collected on your account, including amounts needed to calculate your retirement benefit. *NPERS reports fiscal year (7/1 - 6/30) salary information, so amounts listed will not match your contracted yearly salary*.

Make certain your personal information reported at the top of the statement is correct: your name, address and date of birth. Notify *your employer* right away of any changes or errors, because your employer reports your information to NPERS along with contribution amounts.

Your estimated total years of creditable service are another important factor in determining your benefit.

NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM
ACCOUNT STATEMENT - As of June 30, 2007

HERMAN MUNSTER		Retirement No.	100001
ADDRESS		Date of Birth	12/15/1953
ADDRESS			
CITY, STATE, ZIP			

COMPENSATION AND YEARS OF CREDITABLE SERVICE

Your compensation is used for two reasons: (1) your retirement benefit will be based on your three highest 12-month periods of compensation (Final Monthly Average Compensation), and (2) your member contribution of 7.83% (Neb Rev Stat § 79-958) will be calculated using your compensation. According to NPERS records, your compensation for retirement plan purposes for the past fiscal year (contributions posted from July 1 – June 30) was:

July 1, 2006 – June 30, 2007 $XXX,XXX.XX

(Zeros will appear in the above dollar fields if you were inactive and did not contribute to the plan during the fiscal year listed.)

Your benefit is also based on the years of creditable service you have accumulated in the School System. NPERS records show that you have 12.3456 **estimated** years of service through 06/30/07 which are **subject to verification by your employer.**

If you received a refund of your account, you must repay the refund in order to receive credit for those years (§ 79-921). *Refunded years currently in repayment status* ***will not*** *be reflected in this statement until the payment is completed.*

MEMBER CONTRIBUTIONS

If you decide to take a refund instead of a monthly lifetime retirement benefit, NPERS will return your contributions plus a statutorily-set rate of interest (§ 79-902(9)). Interest is credited monthly, currently at a compounded annual rate of 5.26% for the 2006-07 fiscal year.

Your contributions, plus interest posted as of June 30, 2007, are as follows:

CONTRIBUTIONS (Before tax - 1986 or after)	$	7,440.94		
CONTRIBUTIONS (After tax - before 1986)		2,568.86		
TOTAL CONTRIBUTIONS			$	10,009.80
INTEREST				14,672.13
LATE ENROLLMENT PENALTY				
TOTAL CONTRIBUTIONS PLUS INTEREST			$	**24,681.93**

The employer contributions and investment earnings on plan assets are used for funding the monthly lifetime retirement benefits, but are **not** included in your account balance. *Your monthly lifetime retirement benefit is not based on your account balance.*

BENEFICIARY DESIGNATION

You may make changes to your current beneficiaries by completing a Beneficiary Designation form. If you have not updated your beneficiaries with NPERS within the last five years, we recommend that you complete and return the enclosed Beneficiary Designation form to our office.

OTHER INFORMATION

Upon termination, you have the options of a monthly lifetime benefit (if eligible) at retirement or a refund of your accumulated contributions, plus interest. You may refer to your plan booklet or visit our website at *www.npers.ne.gov* for additional information on these options.

If you are an active employee, your address should be kept current through your employer; inactive members must contact NPERS in writing to implement address changes. Beneficiary forms, as well as plan booklets and other information, are available from your employer, our office, or our website.

IF YOU BELIEVE THIS ACCOUNT STATEMENT IS IN ERROR, PLEASE CONTACT NPERS FOR PROTEST AND APPEAL PROCEDURES.

Your contributions are separated into: those reported to NPERS after taxes were already taken out (before 1985 for Judges and State Patrol Plans; before 1986 for School Plan) and those which are not yet taxed. Also shown is the interest earned, any penalties, and a total of the accumulated contributions plus interest credited to your account as of the end of the 2007 fiscal year.

Contact NPERS if you believe there is an error on your statement. No matter how minor the error appears, we encourage you to *write* to NPERS stating the discrepancy.

All **School**, **Judges** and **State Patrol Plan** members should read your new statement carefully. If you have questions, contact NPERS at **800-245-5712** or **471-2053**. ❑

NOTE: *The statement at the left is an example of a School member's statement. The Judges and State Patrol members' statements will vary slightly.*

Investment Council *(Cont. from page 1)*

"The Council works closely with NPERS and Ennis Knupp & Associates, the Council's investment consultant, to identify the investment needs of all of the retirement plans we manage."

"For the Defined Benefit plans (**School, Judges and State Patrol**), we construct an asset allocation that is expected to produce solid returns. The 2006 return was 15.2% which exceeded the policy benchmark and added $899 million in investment earnings to the Plans. The annualized rate of return for the Plans since 1983 is 10.6%, which compares very favorably to the actuarial assumption of 8%. These earnings help reduce the long-term cost of operating the Plans."

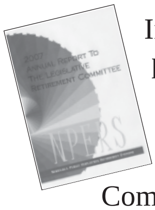
"The asset allocation for the State and County **Cash Balance** benefit is designed to mirror the returns of the Defined Benefit plans. In 2006, the Cash Balance assets earned 15.0%. Since its implementation in 2003, the average annualized rate of return is 13.1%. With the interest credit rate paid to participants averaging 5.5% over this four-year period, the surplus resulted in dividends to members for the third year in a row."

"For the employee directed plans (**Defined Contribution** for the State and County Plans, and 457 **Deferred Compensation Plan**), we seek to provide employees access to many of the same investment managers who manage for the Defined Benefit plans. An individual's investment objectives and risk tolerance can differ considerably, so we provide them a range of options. A member's individual rate of return depends upon the portfolio mix he/she selects from the 13 funds offered."

"We start from a philosophy that it is difficult for active investment managers to outperform passive funds, after expenses, over the long term. As a result, many of the investment choices available to employees are low-cost, index funds. We do provide employees access to

(Continued on pg. 3)

Annual Report to the Legislature



In March NPERS prepared its Annual Report to the Legislature and submitted it to the Legislative Retirement Committee who oversees pension legislation.

The report summarizes NPERS' 2006 accomplishments and improvements in services to our plan members. It also outlines our goals for 2007 in the work we do as fiduciaries for Nebraska's Retirement Plans.

To view the report, visit NPERS' web site at **www.npers.ne.gov**, or call the office for a copy at **800-245-5712** or **402-471-2053**.

Investment Council

(Cont. from page 2)

some actively managed funds whose managers we have high confidence in."

As the State Investment officer, Dave Bomberger has a few things he'd like all plan members to know. "The Council reviews the risk adjusted performance of each investment choice on a quarterly basis and replaces underperforming managers when it loses confidence in a manager's ability to outperform. We are faithful stewards of the assets entrusted to our care and seek to understand each portfolio's objectives, invest accordingly, and focus on long-term results rather than short-term volatility. We are committed to fulfilling our duties with integrity, prudence, and hard work."

For more information about the Nebraska Investment Council, visit their website at **www.nic.ne.gov**. ❑

Legal Corner

by NPERS Legal Counsel,
Joe Schaefer

One Hundredth Legislature Summary

Three bills enacted by the 2007 Legislature make changes to the **School**, **Judges**' or **State Patrol Retirement Systems**. (A list of retirement bills introduced in the 100th Legislature can be found on NPERS' web site at **www.npers.ne.gov**. Click on "Legislation" at the upper left of the page.)

State Patrol Plan – LB 324 continues the **State Patrol** contribution rates as they currently exist (13% of monthly compensation by the member; 15% of monthly compensation by the employer). Without the bill, the rates would have dropped to 12%, employee; and 13%, employer, on July 1, 2007. The bill also includes provisions from **LB 303** which adds a Deferred Retirement Option Plan (DROP) to the **State Patrol** retirement plan. Under the DROP, a member who is at least age 50 and who has 25 years of service will be allowed to enter the program. Upon entry, both the member and the employer (State) will cease making the monthly contributions to the patrol retirement plan (currently 13%, employee, and 15%, employer). The member's retirement benefits will be calculated as of the DROP entry date, but the member will continue to work, and the member's monthly retirement benefits will be deposited in one or more investment accounts chosen by the member and maintained by the Investment Council. The monthly benefit checks continue to accumulate in the account(s) for up to 5 years, at which time the member will be required to retire. (Patrol members currently have a mandatory age 60 retirement provision.) Upon retirement, the monthly benefits will commence being paid to the member, and the member will have access to the DROP account(s) which have accumulated up to that date, together with the investment earnings on them. The current COLA for patrol plan retirees would not apply to the member during the time the member is participating in the DROP. Thus, after the DROP participation, the member will have a slightly smaller monthly retirement benefit, but will have kept the employee retirement contributions (13% of pay) which were not made during the period. In addition, the member will have up to five years of accumulated monthly benefits plus investment income to take as a distribution, rollover, or annuity. The DROP will begin **September 1, 2008**, or, if an IRS determination letter is received before then, when the letter is received.

School Plan – LB 596 provides for an adjustment to the annuities of **School** and **Class V School** plan members so that the current annuity is not less than 85% of the original annuity amount as adjusted by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the period from the date of the original annuity until June 30, 2007. Retired members and beneficiaries who are receiving a benefit which is between 75% and 85% of the purchasing power of the original benefit will receive an increase to 85% effective July, 2007.

School and Judges Plan – LB 508 changed the period in which surviving spouses of members of the **Judges** plan and the **School** plan may make application for death benefits. Under prior law, the surviving spouse of a judge or a school employee had to make application for certain benefits within 120 days of the member's death. If an application was not filed with the time period, the surviving spouse would only be entitled to the member contributions and regular interest. The bill extends the application period to twelve months. Under the bill, applications that were received after January 1, 2006, and within one year of the date of death are to be considered timely filed.

2008 Preretirement Seminar Calendar

School Members age 50 and over

Lincoln	-	March 5
Omaha	-	March 6
Kearney	-	March 11
Grand Island	-	March 12
Lincoln	-	March 19
Omaha	-	March 20
S. Sioux City	-	March 26
Norfolk	-	March 27
Lincoln	-	April 2
G. Island	-	April 9
Kearney	-	April 10
Columbus	-	April 16
Omaha	-	April 17
Gering	-	April 22
Gering	-	April 23
N. Platte	-	May 7
Norfolk	-	May 8
Omaha	-	May 14
Lincoln	-	May 15
Sidney	-	May 28
N.Platte	-	May 29
Lincoln	-	June 4
Omaha	-	June 5
Norfolk	-	June 11
Grand Island	-	June 18
Kearney	-	June 19
Lincoln	-	June 25
Lincoln	-	June 26
Omaha	-	July 1

Pre-registration is required. Registration information will be mailed to all eligible members in January.

Who's Your Beneficiary?

If you are a member of the **School Plan** or **Judges Plan**, did you notice the Beneficiary Designation Form included with this newsletter and your Account Statement? (Forms were *not* included to **State Patrol Plan** members, as their beneficiary designation process is different.)

If you were to die unexpectedly before having a chance to retire, NPERS would distribute your retirement benefit according to who you have designated as beneficiary(s). If any of the following apply to you, it's time to complete a new Beneficiary Designation Form:

- it's been awhile since you updated your beneficiary designation(s) and address(es);
- you don't remember who you listed; or
- you've had a change in status (gotten married or "un"married, had a child, or a family member has moved or passed away).

Please read the instructions on the Beneficiary Designation Form *carefully* before completing it. Any new form we receive will automatically replace a previous designation. Even if you name the same person(s) as beneficiary(ies), we don't mind processing the paperwork knowing we have your *current* designations and their contact information. Be sure to have your signature notarized and then send the form to NPERS. The form may also be printed from our website at **www.npers.ne.gov** or obtained from your human resources department. Call NPERS if you have any questions.

Speakers Available

If your school or educational organization is planning a meeting, consider adding a speaker from NPERS to your agenda. Our retirement training specialists are available to visit your school to conduct an NPERS information meeting. Free of charge!

We'll explain how your plan works and talk about benefit payment options, planning for retirement, applying for benefits, purchasing service credit, and much more.

Call **Jan Fox** at **800-245-5712** or **402-471-2053** to request a speaker.

NPERS
Nebraska Public Employees
Retirement Systems

1221 N Street, Suite 325
P.O. Box 94816
Lincoln, NE 68509-4816
402-471-2053 or 800-245-5712
www.npers.ne.gov
Director: Phyllis Chambers
Editor: Jan E. Fox
Asst. Editor: Pam Williamson

PRSRT STD
U.S. POSTAGE
PAID
LINCOLN NE
PERMIT 212

NPERS
Nebraska Public Employees
Retirement Systems
P.O. Box 94816
Lincoln, NE 68509
85-28-51