

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS SJP • FEBRUARY 2012



## Before You Retire...

*Taking the plunge into retirement is a big decision – not one to be made on the spur of the moment. It's best to do a bit of pre-retirement planning before you turn in that resignation. No two retirees are the same, but there are a few steps that most retirees should consider taking before the big day.*

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### ESTABLISH A BUDGET

Have you created the wealth necessary to meet your retirement needs? To answer this question, create a retirement budget showing your estimated income and expenses.

**Start with expenses.** A good starting point is to review your current expenses – most of them will follow you into retirement. Some expenses may decrease during retirement and some may increase.

Review and research these expenses, especially the ones



#### EXPENSES THAT MAY DECREASE:

- **Housing** – Costs may decrease as mortgages are paid off.
- **Taxes** – Distributions from retirement plans are subject to State and Federal income taxes, but retirees with less income during retirement may fall into a lower tax bracket. FICA taxes (Social Security and Medicare) are only applied to earned income and not assessed to withdrawals from retirement accounts.



#### EXPENSES THAT MAY INCREASE:

- **Healthcare** – Health-related expenses, including insurance, prescription drug and out-of-pocket medical costs may go up.
- **Entertainment** – Retirees often dine out and attend movies, theater, or musical events to a greater degree.
- **Vacation** – Retirees may incur more travel expenses such as hotels, airfare, or gasoline.



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## 2012 LEGISLATION



The 102nd Legislature, second session, convened on January 4, 2012 for a 60-day session that will end on April 2. During the first session, senators elected members of the body to serve as committee chairpersons. Omaha Senator Jeremy Nordquist was elected as chair of the Nebraska Retirement Systems Committee and Senator LeRoy Louden the vice chair. Other committee members include Lavon Heidemann, Russ Karpisek, Heath Mello, and R. Paul Lambert.

During the first ten days allotted for introducing new legislation, four new bills addressing the School, Judges, and Patrol retirement plans were introduced. In addition, three “carryover” bills from 2011 will also be considered.

### LB 505 – PATROL

- Carryover bill. Allocates 1/4 of 1% of motor vehicle tax proceeds to the State Patrol retirement fund.

### LB 679 – JUDGES & PATROL

- Carryover bill. New judges and new members of the State Patrol would participate in the state Cash Balance retirement plan.

### LB 680 – SCHOOL

- Carryover bill. New School plan members would participate in a cash balance retirement plan similar to the plan for state and county employees.

### LB 916 – ALL PLANS

- Excludes per diem payments from the definition of compensation.

- Implements provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requiring a member's beneficiary be entitled to any additional death benefit that he or she would be entitled to had the member been employed during the period of qualified military service when the death occurred.

- Contains “clean up” language to clarify that it is the employer's responsibility to notify when a plan member terminates employment and clarifies language to conform to current IRS regulations regarding rollovers to another eligible retirement

plan or IRA.

### SCHOOL

- Effective 9/1/12, employees under 18 are not eligible to join the plan.
  - Clarifies that unpaid voluntary or substitute service during the first 180 calendar days after termination can only be provided on an intermittent basis.
- LB 919 – JUDGES**
- The \$6 court fee remitted to the Judges' retirement fund scheduled to drop to \$5 as of 7/1/2014 would remain at \$6.

### LB 973 – ALL PLANS

- Provides for garnishment of retirement benefits when a plan member is convicted of or pleads no contest

to a felony that is defined as assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and is subsequently found liable for civil damages. Exempts from garnishment any benefits or annuity payments “reasonably necessary for the support of the employee or appointee or any of his or her beneficiaries.”

### LB 1022 – PATROL

- An “open ended” bill that would raise contribution rates to an unspecified amount. Intended to be a “place-holder bill” in the event of a future contribution adjustment.

### PUBLIC EMPLOYEES RETIREMENT BOARD

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that may increase. There are multiple books and websites that can help you identify and list common expenses during retirement. Health and medical costs will be the biggest factor for most retirees. Will you need to obtain private coverage, or be eligible for Medicare? When should you apply for Medicare and what will be your out of pocket expenses?

Now, **review your retirement income**. Estimate how much you will receive monthly from each source. Some sources will be fairly stable and some will fluctuate.

Stable sources include Social Security and pension benefits. How much will you receive each month from your School, Judges, or State Patrol pension? The NPERS website has a handy benefit estimate to help answer this question. What age will be best for you to start drawing Social Security? Benefits can be calculated using the estimator available on the Social Security website and additional assistance is available via your local office. Your pension and Social Security provide a stable monthly income, taking much of the guesswork out of future income calculations.

You'll also need access to liquid capital during retirement in the form of withdrawals from savings or retirement accounts. Income from personal retirement accounts can fluctuate depending on investment choices and market conditions. Most financial planners recommend limiting annual withdrawals to 4% or 5% of your total account. So a \$100,000 account would create \$4,000-\$5,000 of annual income. A down market that reduced the account value would result in less income and positive market returns would increase it. There is no way

### POTENTIAL SOURCES OF INCOME:

- \$ \_\_\_\_\_ Social Security
- \$ \_\_\_\_\_ Employer sponsored retirement plans like your State and County account.
- \$ \_\_\_\_\_ Voluntary retirement accounts like an IRA, 403(b), or 457 Deferred Compensation Plan. (Note: If you don't have a voluntary retirement account, you should consider starting one. The sooner the better so you can build it for retirement.)
- \$ \_\_\_\_\_ Other: \_\_\_\_\_

to predict future investment income, but looking at your current account balance and assuming a 4% to 5% rate will give you an estimate to work with.

Now compare your estimated expenses to your income. If you are coming up short on funds, it's time to consider what changes can be made to close the gap.

### GET RID OF DEBT!

Pay off those bills, starting with the highest interest rate obligations first. Mortgages with lower rates can be carried into retirement, but credit card debt is a deal breaker. Review mortgage rates and consider a shorter term, lower rate mortgage in an effort to pay off prior to retirement.

### REVIEW INSURANCE COVERAGE

Are you currently paying life insurance premiums? How much are you paying and is this coverage still necessary? Coverage that made sense 20 years ago may not be appropriate during retirement. Consider long term care insurance. It may or may not be appropriate, but take the time to research the pros and cons. Review and update beneficiaries.

### REVIEW YOUR INVESTMENTS & CREATE A SAFETY NEST EGG

Investments during retirement should be more conservative, but most retirees will still need some exposure to stocks in order to offset inflation and maintain their standard of living. To offset the risk, create a separate "safety net" fund that can be tapped during market downturns. This fund should be large enough to cover at least two years of expenses and should not be exposed to investments that may decrease in value.

### ESTATE PLANNING

Create or update your will, power of attorney, advanced medical directives, and beneficiaries. Review and update every five years.

### CAN YOU MAKE THE TOUGH CALL?

When facing a budget shortfall during retirement, it may be easy to cut back on items like cable TV or dining out. What about more emotional expenses like needy relatives (that includes your kids) or charitable donations? These may well be worthwhile recipients of your money, but your financial needs must come first. Consider donating more *time* than *money* to causes you deem worthwhile.

### COMING UP SHORT?

If your estimated income will not cover your expenses, you may need to consider the following options:

#### Continue Working

*Delay retirement to a later age.*

#### Partial Retirement

*Continue to work part-time.*

#### Cut Costs

*Make changes to reduce your expenses.*

A combination of these tactics can be employed in order to balance out income vs. expenses. If your retirement budget depends heavily on reduced expenses, it's wise to do a trial run before you retire. See if you can live within your new budget for *at least* two or three months. If you can't, then you may have to consider delaying retirement or working part time. Be cautious when reducing your budget. Cutting expenses to the bare bone leaves no room for error during retirement.



# NPERS Congratulates 2011 Employee and Manager of the Year

The Nebraska Public Employees Retirement Systems is pleased to announce our recipients for Manager and Employee of the year for 2011.



**SCOTT SINGLETON**  
Employee of the Year

Scott works for the “Specialties” division in the Member Services department and has been with NPERS for over six years. Scott processes retirements for the Judges and State Patrol plans. He also handles purchase of service requests for the School plan and helps out in various capacities as needed. Comments made by co-workers as part of the nomination process included:

*“Scott is a team player and is willing to take on a task when asked.”*

*“He is easy to talk to and does not shrink from a challenge.”*

*“He is a workhorse in the very best sense of the word.”*



**TERESA ZULAUF**  
Manager of the Year

Teresa is the manager of the Internal Auditing department. She has been with NPERS for nine years and supervises the NPERS internal auditing staff. Under her leadership, the auditing department has been significantly revamped resulting in greater efficiency and fewer new and outstanding audit points found by the State auditors. Comments made on her nominations include:

*“Hard working, dedicated, knowledgeable.”*

*“...always helpful in making important decisions.”*

**NPERS is happy to recognize Scott and Teresa for their years of hard work and dedication to our members. Congratulations!**

# 2012 SAVER’S TAX CREDIT

Did you know contributing to either a 403(b) or 457 Deferred Compensation Plan (DCP) may help reduce your taxes? **Low and moderate income employees** may be able to significantly reduce their taxes by qualifying for the Federal Saver’s Tax Credit, formally known as the Retirement Savings Contribution Credit. By making *voluntary* contributions to an employer sponsored retirement plan or individual retirement arrangement (IRA), you *may* qualify for a maximum credit of up to \$1,000 per individual (\$2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

## FILING STATUS/ADJUSTED GROSS INCOME LIMITS FOR 2012

CREDIT RATE	JOINT	HEAD OF HOUSEHOLD	SINGLE
50% of \$2,000	\$0 to \$34,500	\$0 to \$25,875	\$0 to \$17,250
20% of \$2,000	\$34,501 to \$37,500	\$25,876 to \$28,125	\$17,251 to \$18,750
10% of \$2,000	\$37,501 to \$57,500	\$28,126 to \$43,125	\$18,751 to \$28,750

Per the 2012 limits, a couple filing a joint return with an AGI of \$34,500 or less is eligible for the 50% rate. If each one contributed \$2,000 (or more) to a qualified plan, both would receive the maximum \$1,000 Saver’s Credit. If their AGI was a bit higher at say \$35,000, they move to the 20% bracket and both would receive a \$400 credit.

Don’t confuse tax “credits” with “deductions.” A deduction reduces the amount of your taxable income and you pay taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes you owe dollar for dollar and provides *significantly* better savings. Even better, contributions made to a 403(b) or 457 (DCP) reduce your taxable income (AGI) and may help you qualify for a higher Saver’s Tax Credit.

For more information on the Saver’s Credit, review IRS Publication 590, Individual Retirement Arrangements (IRAs), Publication 4703, Retirement Savings Contributions Credit, and Form 8880. Publications and forms can be downloaded at IRS.gov or ordered by calling 800-TAX-FORM (800-829-3676).

# 2011 Actuarial Reports

The 2011 actuarial reports for the School, Judges, and State Patrol retirement plans were presented during the annual joint meeting of the Public Employees Retirement Board and the Nebraska Investment Council. For the third year in a row, the plans saw strong investment returns. For the fiscal year of 7/1/2010 to 6/30/2011, the investment return was 23.3%. Thanks to this positive rate of return, all three plans remain above the desired 80% actuarial funding threshold for sound retirement plans.

For the School plan, the funded status is 80.4%. The State Patrol funded status is 82.2%, and the Judges plan is 98%. Recent legislation increasing contributions from plan members, employers, and the State has helped maintain funding levels. Dave Slisinsky from Buck Consultants reported that “Nebraska’s results are better than the average across the country.”

For more information, the full actuarial reports for each plan are available on the Publications page of the NPERS website.

# 403(b) & 457 Contribution Limits

The IRS recently announced the 2012 contribution limits for 403(b) and 457 (Deferred Compensation) retirement plans. For both plans, the standard yearly maximum contribution for 2012 increased from \$16,500 to \$17,000. Individuals age 50 or older may contribute an additional \$5,500 using the *Age 50 Catch-up* provision, increasing their total limit to \$22,500.

*School* employees who have completed 15 or more years of service in the same school district and have contributed, on average, less than \$5,000 a year to their 403(b) may be able to contribute more under the *Lifetime* ("Long Service") Catch-up provision. This allows eligible 403(b) participants to contribute up to an additional \$3,000 per year up to a lifetime maximum of \$15,000.

## 403(b) FOR TAX YEAR 2012

- Standard maximum contribution ..... \$17,000
- If you qualify for the \$3,000 Lifetime Catch-up ..... \$20,000
- If you qualify for the \$5,500 Age 50 Catch-up ..... \$22,500
- If you qualify for BOTH the Age 50 and the Lifetime Catch-up\* ..... \$25,500

\*The first \$3,000 of contributions in excess of the standard \$17,000 limit will apply to the Lifetime Catch-up and reduce the \$15,000 Lifetime Catch-up limit. For more information on 403(b) limits, please refer to IRS publication 571.

*State Patrol employees and Judges* participating in Deferred Compensation (DCP) can contribute more using the *Three Year Catch-up* provision. This provision allows members who did not defer the maximum amount in prior years to contribute up to a maximum of \$34,000. The *Three Year Catch-up* is allowed once, within three years of anticipated retirement, and cannot be implemented at the same time as the *Age 50* provision.

## 457 FOR TAX YEAR 2012

- If you're under age 50 ..... \$17,000
- If you qualify for the Age 50 Catch-up ..... \$22,500
- If you qualify for the Three-Year Catch-up ..... \$34,000

*State Patrol and Judges* who would like to participate in the State DCP can access the enrollment and form on the NPERS website under "Forms." This form should be submitted to your agency payroll or HR rep so they can set up the payroll deduction. Enrollments are effective beginning the pay period following submission of the form.

NPERS does not administer 403(b) plans. *School* employees who wish to participate in a 403(b) should contact their HR department for plan and enrollment information.

### Are you on target for a secure retirement?



Learn About Your Pension Plan & How To Prepare for Your Retirement...

## SPRING 2012 SCHOOL RETIREMENT PLANNING SEMINARS

for Nebraska School Retirement Plan Members Age 50 & Over

### REGISTER NOW!

REGISTRATION IS REQUIRED AT LEAST ONE WEEK PRIOR TO THE SEMINAR. SEMINARS MAY FILL UP QUICKLY. The registration fee is \$20 for members and \$20 for a spouse or guest attending with a member.

## 2012 SCHOOL SEMINAR SCHEDULE

LINCOLN		OMAHA		GRAND ISLAND
SECC - Continuing Education Center 301 S. 68th St. Pl.		ESU #3 6949 S. 110th (La Vista)		Holiday Inn - Midtown 2503 S. Locust
<ul style="list-style-type: none"> <li>February 29</li> <li>March 1</li> <li>March 2</li> <li>April 25</li> </ul>	<ul style="list-style-type: none"> <li>May 9</li> <li>June 6</li> <li>June 14</li> <li>June 20</li> </ul>	<ul style="list-style-type: none"> <li>March 6</li> <li>March 7</li> <li>March 9</li> <li>April 24</li> </ul>	<ul style="list-style-type: none"> <li>May 22</li> <li>June 7</li> <li>June 21</li> </ul>	<ul style="list-style-type: none"> <li>March 14</li> <li>April 11</li> <li>June 27</li> </ul>
KEARNEY		NORFOLK		SO. SIOUX CITY
ESU #10 76 Plaza Blvd.		NECC - Lifelong Learning Center 801 E. Benjamin		Iowa-Nebraska State Bank 2021 Dakota Ave.
<ul style="list-style-type: none"> <li>March 15</li> <li>April 10</li> </ul>	<ul style="list-style-type: none"> <li>May 16</li> </ul>	<ul style="list-style-type: none"> <li>March 21</li> <li>May 2</li> </ul>	<ul style="list-style-type: none"> <li>May 17</li> </ul>	<ul style="list-style-type: none"> <li>March 22</li> </ul>
VALENTINE	NORTH PLATTE	SCOTTSBLUFF	COLUMBUS	
Valentine's Niobrara Lodge 803 E. Hwy 20	Holiday Inn Express 300 Holiday Frontage Rd	ESU #13 4215 Avenue I	ESU #7 2657 44th Ave.	
<ul style="list-style-type: none"> <li>March 28</li> </ul>	<ul style="list-style-type: none"> <li>March 29</li> <li>June 13</li> </ul>	<ul style="list-style-type: none"> <li>April 18</li> <li>April 19</li> </ul>	<ul style="list-style-type: none"> <li>May 3</li> </ul>	

To register, complete a registration form (available online at [npers.ne.gov](http://npers.ne.gov)) and return it with your check to: Nebraska Public Employees Retirement Systems (NPERS), Seminar Registrations, P.O. Box 94816, Lincoln, NE 68509-4816. For more information, contact NPERS at 402-471-2053 or toll free 1-800-245-5712.

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 AND STATE PATROL RETIREMENT  
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**NEWS**

**RETIREMENT**  
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