Glenn Elwell Resigns; PERB Appoints New Vice-Chair

Effective October 31, 2012, Sergeant Glenn Elwell has resigned from his position on the Public Employees Retirement Board (PERB). Mr. Elwell was appointed to the PERB in 2005 to serve as a representative of State Patrol Retirement Plan. He was elected as Vice-Chair of the PERB in January, 2008. All of us at NPERS would like to thank Sgt. Elwell for his dedication and years of service to the PERB. We wish him the best with his future endeavors.

At the November 19th board meeting, Richard Wassinger was elected as the new Vice-Chair of the PERB.

Rhonda Lahm was appointed to replace Sgt. Elwell as the State Patrol representative on the PERB. Ms. Lahm has a Bachelor of Science Degree from Nebraska Wesleyan University, and a Master’s Degree in Management and Leadership from Doane College. She was commissioned as an officer with the Nebraska State Patrol in June of 1983.

Rhonda has since been appointed Director of the Nebraska Department of Motor Vehicles. A new appointment for the State Patrol vacancy on the PERB is pending.

NPERS Congratulates 2012 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 2012. Our Employee of the Year is Ann Hille, and our Manager of the Year is John Winkelman.

**ANN HILLE**

Employee of the Year

Ann works for the Data Services department and has been with NPERS for over 6 years and was with the Department of Labor for 7 years before then. Her main duty is to scan all documentation that comes into our agency. She also scans all historical documentation from each department in the agency such as reports or documentation from outside sources. This involves preparing the documentation for scanning and then indexing (identifying) the documents in NPRIS. She also audits all documentation coded by the mail area.

In addition, Ann handles converting archived images and documentation into electronic images to input into our computer system for members and employers individual files. She also handles storing or destroying all scanned files according to our agency’s retention schedule. She maintains the scanning equipment and the log of scanned files according to our retention guidelines, and tracks the number of documents scanned.

**JOHN WINKELMAN**

Manager of the Year

John is the manager of the Education Services department. He has been with NPERS for nearly 12 years. The Education Services department is responsible for creation of agency publications and conducting the annual retirement and financial planning seminars across the state. In addition, John helps maintain our agency website and creates and edits the NPERS educational videos.

Thanks to Ann and John for their many years of hard work and dedication to our members. Congratulations!
**NEW SALARY CAPS**

The passage of LB509 in 2012 created new caps on salaries used when calculating retirement benefits for School plan members. These caps apply to members whose effective dates of retirement fall within the time frames listed below.

For members retiring from July 1, 2012 up to July 1, 2013, increases in compensation for plan members (with the same employer) will be capped at 9% per year for the five years prior to termination when calculating retirement benefits. Exemptions to the 9% cap are no longer allowed.

Beginning with retirements on or after July 1, 2013, increases in compensation for plan members will be capped at 8% per year for the five years prior to termination when calculating retirement benefits. Exemptions to the 8% cap are no longer allowed.

Members impacted by these caps should be aware of these limitations when using the benefit estimator on the NPERS website. Individuals who have salary increases less than the above caps will not be affected by this legislation.

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**2013 Saver’s Tax Credit**

Did you know contributing to either a 403(b) or 457 Deferred Compensation Plan (DCP) may 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. 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 2013

<table>
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<tr>
<th>CREDIT RATE</th>
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<td>50% of $2,000</td>
<td>$0 to $35,500</td>
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For example, a couple filing a joint return with an AGI of $35,500 or less is eligible for the 50% rate. If both 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 $36,000, 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 DCP plan reduce your AGI and may help you qualify for a higher Saver’s Tax Credit.

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**Member Handbooks**

Do you have an outdated retirement plan handbook? Our Education Services department updates all our member handbooks as needed to reflect retirement plan changes made to Nebraska statutes or our NPERS Rules and Regulations. In an ideal world each member would be mailed a new handbook each time a new revision is completed. Unfortunately the printing and mailing costs associated with this would rapidly add up—costs that would be passed on to plan members in the form of higher administrative fees.

In an ongoing effort to keep our costs and fees as low as possible, NPERS provides the current version of our handbooks via the Publications page on our website at npers.ne.gov. The online versions will always represent the most up-to-date revision. Members who do not have access to our website can request a paper copy from their agency HR representative, or contact our office.

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**What’s in the handbook?**

- Member Benefits
- Beneficiary Designations/Death Benefits
- Vesting
- Payment Options
- Taxation of Benefits
- Fees
- Reemployment

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**Member Benefits**

- Beneficiary Designations/Death Benefits
- Vesting

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** Beneficiary Designations/Death Benefits**

- Member Benefits
- Beneficiary Designations/Death Benefits
- Vesting
- Payment Options
- Taxation of Benefits
- Fees
- Reemployment
403(b) & 457 Contribution Limits

The IRS recently announced the 2013 contribution limits for 403(b) and 457 (Deferred Compensation) retirement plans. For both plans, the standard yearly maximum contribution increased from $17,000 to $17,500. Individuals age 50 or older may contribute an additional $5,500 using the Age 50 Catch-up provision, increasing their total limit to $23,000.

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.

**FOR TAX YEAR 2013**

- Standard maximum contribution .................. $17,500
- If you qualify for the $3,000 Lifetime Catch-up ...... $20,500
- If you qualify for the $5,500 Age 50 Catch-up ...... $23,000
- If you qualify for BOTH the Age 50 and the Lifetime Catch-up* ................ $26,000

*The first $3,000 of contributions in excess of the standard $17,500 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 $35,000. 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 or during the calendar year the member elects to retire.

**FOR TAX YEAR 2013**

- If you’re under age 50 .................................. $17,500
- If you qualify for the Age 50 Catch-up ............. $23,000
- If you qualify for the Three-Year Catch-up ........ $35,000

State Patrol and Judges who would like to participate in the State DCP can access the enrollment 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 calendar month following receipt 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.

It is time, once again, for the Retirement Planning seminars for Nebraska School Plan members. Seminars for 2013 will take place across the state from February 27 to June 26.

Registration brochures were mailed at the beginning of the year. These registration forms are also available on the NPERS website, npers.ne.gov. Click on the “Retirement Seminars” link on the left side of the homepage and then scroll down to the “School Schedules” link. The online enrollment form can be completed using your keyboard, then printed off and mailed along with the appropriate registration fee(s) to NPERS.

School plan members age 50 and over are entitled to receive leave with pay to attend up to two retirement planning seminars. The fee to attend is $20 per person. Members may bring one guest (for a total of $40). Non-members or an additional guest may attend for $30 per person.

Registration on the day of the seminar begins at 8am—please, no early arrivals.---NPERS staff will be busy setting up the room. Seminars begin promptly at 8:30. Seminars may fill up, so get your registration in early and reserve a spot!

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Save on That Mortgage

The August 2012 newsletter contained an article titled, “Where Did Your Money Go?” That article reviewed the three main sources of fixed debt—mortgages, car loans, and school loans—and how to calculate a “Debt to Income” ratio (DTI). This companion article will examine mortgages and provide tips on how to save during the home-buying process.

Don’t buy more home than you can afford.

How do you know what you can afford? An often quoted rule of thumb is 2½ times your annual salary. This calculation fails to take into consideration your current debt load and could end up creating an excessively high “Debt to Income” ratio (DTI). Review your current debt, and try to estimate future debt. As explained in the previous article, before signing on the dotted line, calculate the monthly payments for all fixed debts and try to keep your DTI ratio at or below 36%.

Remember the monthly mortgage is only one of the expenses associated with owning a home. When will you need a new roof or paint? Will you need assistance with lawn maintenance or snow removal? Are there large trees that will require trimming? You'll need enough money to cover these costs. It may be prudent to mentally add in an additional amount to the monthly mortgage to cover maintenance and “surprises.” At all costs, resist the urge to look at houses outside your budget.

Start saving now for that down payment.

Ideally, you will have saved enough for a 20% down payment. You may be able to obtain a loan with less, but 20% down will get you better rates and avoid the additional cost of mortgage insurance.

Mortgages that are not insured by FHA, VA, the Department of Housing and Urban Development (HUD) or any other government agency are considered “conventional loans.” These loans often require a down payment of 20%. You may be able to obtain a conventional loan with less than 20% down, but generally these loans have higher interest rates.

There may be options if you cannot afford 20% down. FHA may be able to provide a mortgage with as little as 3.5% down. To qualify you must be a first time homebuyer with an acceptable credit rating. Military personnel may qualify for VA loans. VA loans do not require a down payment, but will add a “funding fee” to the cost of the loan. This fee will vary, but will usually run just over 2% for first time buyers.

Conventional and FHA loans require mortgage insurance for individuals who cannot afford the 20% down payment. This insurance will increase your monthly payments and is not tax deductible. VA loans do not require mortgage insurance.

Check your credit, compare rates, and get pre-approved.

Before you start searching for a mortgage lender, make sure your credit history has no surprises. You cannot erase prior damage, but you can clean up any errors on your credit report. The August 2010 newsletter has a handy article on how to obtain a credit report and dispute any inaccuracies.

Buyers with good credit will have greater luck securing lower interest rates and obtaining loans with limited funds for down payment. If your credit rating is poor, you may need to temporarily put off purchasing a home and focus on rebuilding your credit.

Once you have determined how much you can afford and checked your credit, it’s time to select a mortgage lender. There are a multitude of different types of mortgages and lenders. Many buyers simply go with a lender recommended by their real estate agent. This lender may indeed have a competitive rate, but how would you know? Interest rates and closing costs can vary significantly from lender to lender. Taking the time to compare can lead to significant savings. Contact your local banks for rates. Go online and obtain quotes. Don’t jump on the first plan offered and walk away from lenders who use “high pressure” tactics.

Now it’s time to get your loan pre-approved. Don’t confuse this with pre-qualification, which provides no guarantee of actually obtaining a loan. Pre-approval limits your chances of having your loan denied once you have found your dream home.
Get help.
Once your finances are in order it’s time to begin hunting for and purchasing your new home. Many individuals may need assistance with this process and enlist the services of a realtor. You may be tempted to rely on the listing agent, but the listing agent works for the seller, not you. You need to enlist the aid of your own “buyer’s” agent.

Do your research before selecting an agent. Like any profession, some real estate agents are better than others. Ask family, co-workers, friends, and other associates for recommendations. Sit down and interview at least three agents from different firms before making a decision. Pick an agent you are comfortable with and don’t be afraid to replace them if they are not meeting your expectations.

Don’t buy the “wrong” home.
You may be living in this house for many decades. Purchasing a trendy two bedroom condo may be a poor choice if you are planning on starting a family in the near future. It may be tempting to buy a “fixer-upper” but only if you have the time, expertise, and finances to make repairs in a timely manner. That leaking roof or settling foundation may end up devouring more of your life and finances than you imagined.

You may be planning on living in your new home for years to come, but life is often full of unexpected surprises. What if your job requires a transfer to another State? Or worse, what if you fall on difficult financial times? If you have to sell, what about the future resale value? When looking at potential homes, consider the preferences of other typical buyers. A home in a “bad” neighborhood with less than desirable schools may not matter to you—but will have a negative effect on resale values. You don’t want to be ensnared with a home that will be difficult to sell.

Before buying, do some research on the neighborhood. Avoid buying in less desirable neighborhoods. Having the finest house in the neighborhood may not be a good thing. How does the crime rate compare to other areas? How well maintained are other properties on the block? Is there a chance your street will get widened and wipe out those trees in the front yard? Scrutinize the houses next door for warning signs of getting saddled with unpleasant neighbors. It might not be a bad idea to knock on a few doors before buying. This will give you a chance to meet some of the neighbors and ask them what they like or dislike about the neighborhood.

Research and negotiate.
You don’t want to pay too much. Before submitting a bid, review the prices recently paid for similar houses in the area. Be careful of letting your emotions get the better of you. No matter how much you may love a house, keep it to yourself and don’t let yourself spend more than you can afford.

Hire an inspector.
The final step in the process is having the home inspected. Your mortgage lender will require a basic inspection, but it’s a good idea to pay for a second inspector. A second more thorough inspection can potentially save you thousands of dollars in future repairs. When submitting your bid, make sure your offer states the bid is contingent on the home passing an inspection performed by an inspector of your choosing.

Before selecting an inspector, ask family, co-workers, friends, and other associates for recommendations. Your real estate agent should also be able to provide recommendations. Check each recommendation with the Better Business Bureau for complaints. Ask them to list their prior training and work experience. Preferably, an inspector will have experience as a general contractor or construction engineer. Do they have the required licenses for your area? Ask each candidate for a sample inspection report and compare for thoroughness. Confirm in advance the inspector will check the overall foundation and structural features of the house, plumbing, electrical/wiring, the presence of mold or pest infestations, and the heating and air conditioning systems.

2013 LEGISLATION
The 103rd Legislature, first session, convened on January 9, 2013 for a 90-day session that will end on June 5. Omaha Senator Jeremy Nordquist was elected the chair of the Nebraska Retirement Systems Committee and Senator Al Davis the vice chair. Other committee members include Danielle Conrad, Russ Karpisek, Heath Mello, and Rick Kolowski.

During the first ten days allotted for introducing new legislation, multiple new bills addressing the School, Judges, and Patrol retirement plans were introduced. NPERS legal staff is currently reviewing this new legislation. A list these bills and a description of their content will be available on the Legislation page of the NPERS website as soon as we have completed the review process.

INVESTMENT ALLOCATIONS
State Patrol DROP participants and Judge’s Plan members contributing to the voluntary Deferred Compensation Plan are responsible for determining how funds in these accounts are invested. These DROP and DCP participants have 13 different investment options to choose from and investment changes can be made via the Ameritas online account access or by submitting an Investment Election form.

How long does it take when a member makes a change to their investments for the transaction to occur? That depends on the method utilized. The fastest turn-around time is when the change is made using the Ameritas online account access. These changes are automatically processed at the end of the market day.

Requests submitted using the Investment Election forms may take up to 3 days to process once received in our office. For the fastest processing, we encourage members to make allocation changes and transfers on the Ameritas website. Members are welcome to make changes using our approved forms, but should be aware of the longer processing timeframe.

Members who have not established an online account with Ameritas will find step-by-step instructions on creating a new account on our website.
Military Service Credit

School, Judge, and Patrol members who incur a break in service due to military service may be eligible for military service credit. Eligibility is determined by the date of reemployment.

**SCHOOL MEMBERS**
Members reemployed on or after December 12, 1994

Any school employee who is reemployed by a covered school employer within 90 days after honorable discharge or honorable separation from active duty shall be treated as not having incurred a break in service due to a period of qualified military service.

A school employee who is reemployed after 90 days but no later than the beginning of the school year following the school employee’s honorable discharge or honorable separation from active duty will also be considered eligible for military service credit.

The military service credit will apply for both vesting and benefit calculation.

When a military leave begins, the employer should notify NPERS that retirement contributions will cease by filing a School Non-Contributing Member Form—Military (NPERS2410). When the member returns to work, he/she may request military service credit by submitting a written request to NPERS within one year from the date of reemployment.

NPERS will require a copy of the member’s DD Form 214 or other documentation in order to verify the member’s discharge status and beginning and ending dates of qualified military service.

The member’s employer will be responsible for funding any obligation of the plan to provide benefits based upon such period of military service.

When a military leave begins, the employer should notify NPERS that retirement contributions will cease by filing a Patrol Non-Contributing Member Form (NPERS 2420). When the member returns to work, he/she may request military service credit by submitting a written request to NPERS within one year from the date of reemployment.

The member’s employer is liable for funding any obligation of the plan to provide benefits based upon such period of military service.

**HEART ACT**

Any School, Judge, or Patrol member whose death occurs on or after January 1, 2007, while performing qualified military service, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requires that beneficiary(s) be entitled to any additional death benefit he or she would have received had the member been employed during the period of military service when the death occurred.

For additional assistance, or questions regarding service prior to 1994 or eligibility for Judge plan members, please contact NPERS.