NEW POLICY:

**Inaccurate Member Information Can Lead To Suspension of Benefits**

It is essential that NPERS maintain accurate demographic information for retirees or beneficiaries receiving a retirement benefit. We periodically send correspondence by mail regarding Cost of Living Adjustments (COLA), annual tax documents, or other benefit information. Retirees who move and forget to update their address with NPERS run the risk of missing this important correspondence. In addition, returned mail may indicate benefits are no longer reaching the appropriate destination due to a change in bank accounts and/or member status.

To ensure benefit payments and correspondence are reaching the proper recipients, the Public Employees Retirement Board has revised Board Policy 12 regarding Electronic Disbursements. The policy now includes a provision to suspend electronic benefit payments, such as Direct Deposits or ReliaCard, when NPERS does not have an accurate and up to date address, and/or bank account data, for a retired member.

**Retired members or beneficiaries who are receiving a monthly benefit should notify us in writing when they have a change of address.** If correspondence is designated as undeliverable and returned to our office, we will attempt to contact the benefit recipient. After 60 days, if we are unable to reach them and have not received written confirmation of the new address, NPERS will place a hold on benefit payments. Benefits will be resumed as soon as administratively possible upon receipt of written documentation confirming their address.

**Retired members or beneficiaries who are receiving benefits via direct deposit should notify our office if they close out or switch bank accounts.** If we are alerted a direct deposit has been sent to an inactive account, we will attempt to contact the benefit recipient. If we are unable to reach them and have not received a new direct deposit form, NPERS will place a hold on deposits to the account. Benefits will be resumed as soon as administratively possible upon receipt of a properly completed NPERS Direct Deposit form.

NPERS does not wish to suspend anyone’s benefit; however, it is our responsibility to ensure accurate delivery of correspondence and benefit payments. Promptly informing us of any address changes during retirement will prevent disruption of benefit payments.

New Law Impacts School Plan Purchase of Refunded Service

One of the major changes of the recently passed LB 1042 was the repayment of refunds for School plan members.

**OLD RULES**

Under prior statute, the price to repay a refund was calculated at the amount of the refund plus interest or the amount of the refund plus the actuarial assumed rate of return. Members who repaid a refund within three years of reemployment could repay at the lower cost plus interest rate. The amount to repay a refund for members who waited beyond the three-year timeframe was...
calculated at the higher cost plus actuarial assumed rate.

LB1042 removed the cost plus interest based price and established a limited timeframe during which a member may apply for and repay a refund.

**NEW RULES**

Under the new legislation, all refund repayments are now calculated using the refund plus the actuarial assumed rate of return. The timeframes established to apply for and repay a refund vary depending on member employment status at the time the legislation went into effect on April 17.

Members hired or rehired on or after April 17, 2014, must submit requests and repay a refund within five years after returning to employment.

Members who were actively employed and participating in the School plan as of the effective date of the bill have until April 16, 2020, to submit a request and repay a refund.

Requests to repay a refund will be allowed on a one-time basis. Members must be actively employed and participating in the plan in order to repay a refund. All refund repayments must be completed within the time frames established in statute (as noted above) or prior to termination, whichever is earlier.

**LB 759**

**DROP & Deferred Compensation**

Removes the requirement the Stable Value fund be invested only in guaranteed investment contracts and allows the inclusion of investment options that will provide “capital preservation and consistent, steady returns.” This change in statute provides the Investment Council greater flexibility when selecting appropriate investment options for the Stable Value fund.

This language was originally proposed in LB 918 and subsequently amended into LB 759.

**LB 1042**

**School**  
(See companion article)

This bill made multiple changes to the school plan. Language from LB1041 was amended into this bill.

Under prior statute, the price to repay a refund of member contributions was calculated at cost plus interest or cost plus the actuarial assumed rate of return. LB1042 removed the cost plus interest based purchase and established time frame limits for repayment. **Please refer to the companion article in this newsletter for more details on how this legislation affects refund repayments.**

The bill also clarifies members reemployed on or after July 1, 2013, who were previously participating under Tier 1 provisions and took a refund, will return to plan participation under Tier 2 status. These members may resume Tier 1 status by repaying the refund. They must be actively employed and participating in the plan and repay all prior Tier One refunds in full.

The bill also requires plan participants who initially joined the plan on or after July 1, 2014, must acquire a minimum of ten years of service credit prior to being eligible to purchase additional years of service under the 12-month preretirement service purchase.

Please refer to the Legislation page of the NPERS website for a full list of the legislation considered during the 2014 session.
Do you know who you currently have listed for your retirement plan beneficiaries? What are the chances someone needs to be added or removed from the current form on file? Keeping your beneficiary designation at NPERS up to date will ensure benefits are paid promptly and properly upon your death.

Maintaining accurate beneficiary information for current and retired School plan members is an ongoing task for NPERS staff. Our Data Services department issues correspondence when we need additional beneficiary information from our plan members. We appreciate your cooperation to help us ensure your beneficiaries are up to date!

**We recommend reviewing your beneficiary designation when:**

- You or a beneficiary marries or becomes divorced.
- You return to employment after retirement, or taking a refund.
- A beneficiary passes away.
- You have a child.

Be aware that beneficiaries you have designated for other work-related benefits such as life insurance will not apply to your retirement plan. You must complete and submit an NPERS Beneficiary Designation form in order to update retirement plan beneficiaries.

If you are unsure who you have listed, you can review named beneficiaries by creating an NPERS online account. Please be aware beneficiary information may not display for members who have beneficiary forms on file that are more than ten years old. Submitting a new form to our office will enable online review.

Due to confidentiality issues, beneficiaries cannot be identified over the phone. Our call center staff can advise you the date of the current form on file. You may request beneficiary information in writing, or simply submit a properly completed and notarized form to our office. All new forms will supersede prior designations. Beneficiary forms are available for download on the “Forms” page of the NPERS website.
The August 2012 School, Judges, and Patrol Retirement News 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 car payments and provide tips on how to navigate the process of purchasing an automobile.

**Don’t Spend Too Much**

Everyone loves a shiny new car, but unlike a house or higher education, they should not be considered an investment. The vast majority of vehicles will decrease in value over their lifetime. Unfortunately, we often spend more than we should on them, thereby reducing funds that could have been allocated to down payments for a home or saving for retirement.

Many auto industry “experts” recommend car payments consume no more than 20% of monthly income. This is too much to allocate on an asset that will depreciate in value. A better rule of thumb is to limit the total purchase price to one-third or less of your annual gross income. An individual making $30,000 a year (pre-tax) should spend no more than $10,000.

Set your budget and stick with it! Once you are on the lot you may be tempted by that nicer vehicle that is just a bit out of your price range. Don’t be lured into long term financing that would lower your monthly payment. Depending on the financing, one extra year of payments can add thousands to the overall cost of the vehicle. In addition, when finally paid in full it will be one year older with a lower resale value. Focus on the overall price of the vehicle, not the monthly payment.

Once you have a price range and a good understanding of your requirements, now you can begin the process of researching makes and models. Try to narrow your search to vehicles that meet these needs. There are many online sources of automotive information that can assist with this process providing reviews and pricing. Make sure you are knowledgeable of the make/model/year of the vehicles you have selected and the fair market prices for your area of the country.

**Patience is a Virtue**

Never make an “impulse” purchase. Individuals who wander onto a car lot, look at the inventory, test drive one or two cars, and then “sign on the dotted line” are running the risk of buying the wrong vehicle—at the wrong price.

Do your research prior to kicking tires. After you have calculated the maximum amount you can spend, then determine the features you need. Consider seating, fuel economy, and operating costs including insurance and yearly taxes. Avoid the temptation to purchase a vehicle based on emotional, rather than real world needs.

**New or Used?**

There is no denying the joy of ordering and owning a brand new car. A vehicle custom built for you with no potential history of poor maintenance or abuse is a beautiful thing. You might find a dealer offering rebates and financing that will drop the price of a new car into your budget. The downside is most new cars will depreciate significantly in the first two or three years of ownership. Buying a three or four year old vehicle will generally save you as much as 30% to 40% and allow you to purchase a make or model that would otherwise be outside your price range.

Most manufacturers have made improvements in design and build
quality in recent years and newer model used cars generally last longer and have fewer maintenance issues. The problem with buying a pre-owned vehicle is the potential for ending up owning someone else's “lemon.” There are steps you can take to reduce this risk.

**Test drive and inspect.**
During daylight, inspect the vehicle making sure to note any damage to the body, tire wear, and cleanliness of the engine compartment. Make sure all electrical devices function correctly including the wipers, radio, door locks, power windows, etc. During the test drive, turn off the radio and listen carefully for noises that may indicate mechanical issues. Does the vehicle start promptly and accelerate and stop smoothly? Is the seat comfortable? Does the air conditioner and heater work properly? Create a checklist prior to the inspection. If you need help, there are online resources that can recommend a list of items to review. Lastly, always have a final inspection done by your mechanic. If the seller refuses to allow this—then walk away.

**Ensure the vehicle has a clean title.**
There are multiple firms that can research the history of a used vehicle by its Vehicle Identification Number (VIN). Look for a history of prior accidents or other damage. Make sure the mileage reported in the past makes sense for the current odometer reading. If the car has a salvage title, it’s best to walk away. You may get a lower price, but you will also have a lower resale value when the time comes to sell or trade-in.

**Is there “life” left in the original warranty?**
Most manufacturers limit basic warranty coverage to three years or 36,000 miles. A few may offer up to four or five years with higher mileage limits, and many will extend the coverage for the powertrain up to five or six years and 100,000 miles. A vehicle with remaining coverage is worth more, but make sure the warranty will transfer if you purchase the vehicle.

**Buy a certified pre-owned vehicle.**
Many dealers now offer factory certified pre-owned vehicles. While slightly higher in price, these cars have been inspected and repaired as needed by the dealer and are sold with a new warranty. When buying a certified vehicle, make sure the manufacturer—not the local dealer—stands behind the certification and warranty. A factory certified warranty will be honored at other dealerships nationwide. Be sure to carefully read the warranty and review the certification checklist to ensure you understand what is covered and all major components of the vehicle were inspected.

**Financing Matters**
Get a pre-approved loan in advance. This opens up the ability to purchase from a private party and allows you to shop around for the best rates. Credit unions generally provide the lowest rates and a motivated dealer may offer an even lower rate.

**Shop Around**
Once you’ve narrowed down your desired vehicle options, it’s time to start searching. Online websites such as AutoTrader or Cars.com allow you to peruse inventory and pricing for both local car lots/dealers and private sellers. Check the want ads in the local newspaper. Many areas of the country have third-party publications at the front of local stores with used car listings. Once you have identified all the potential purchase options/prices available, it’s finally time to grab your inspection checklist and go shopping.

**Negotiate!**
You have finally found the vehicle(s) that meets your needs and now it’s time to buy. Before starting the negotiations, be sure to mention you are aware of the book value of the car and indicate you are checking out multiple vehicles. Never lead the seller to believe this is your “dream” car.

Now it’s time to make your offer. You can start with an initial “low” offer and then begin the back and forth “haggle” or simply state the price you are willing to pay based on your research and stipulate that is your one and only offer. If negotiations are stalling, politely thank them for their time and walk away.

**Final Thoughts/Tips**
If you have a current vehicle it may be best to sell it yourself. In many circumstances you can get more from a private buyer than the trade-in amount offered by a dealer. If you prefer to trade-in your old car, first establish the purchase price for your new vehicle before discussing the trade-in. Make sure you have a solid idea of the value of your trade-in and be prepared to refuse to sell if you aren’t getting a reasonable offer.

It’s been said the best time to buy a new car is in late December when dealers are trying to reduce inventory. As for used, many recommend waiting until the end of the month. Salesmen may be trying to make quota and a used car that has been on the lot for more than 60 days is a deal waiting to happen. Shop during “low traffic” times when there are few other shoppers on the lot. Avoid weekend afternoons.

Watch out for additional “add-ons” increasing the price. Dealers may try to add items like rust-proofing, paint sealant, extended warranties, or “prepping” to inflate the negotiated price. Again, stick to your negotiated price and walk away if necessary.

Understand the contents of the sales contract. If there is any part of the paperwork you do not understand or if the numbers are not adding up, then be sure you resolve this before signing.

Remember, this is a major purchase. Don’t rush the process. It may take time to find the right car at the right price.
New Parking Spaces Make It Easier to Visit NPERS

We are pleased to announce the addition of nine new parking spaces at our 1526 K Street location. The city of Lincoln has added six new 2-hour metered spaces on 16th street along the east side of our building.

In addition, three new spaces including one handicapped space have been added to the south side of the building on K Street. To further aid handicapped access, a new ramp has also been installed on the south side of the building.

Read Your Retirement Plan Handbook Online

NPERS handbooks offer a wealth of information for plan members, including information on the following topics:

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

All handbooks are available in PDF format on the Publications/Videos page on the NPERS website.

npers.ne.gov

SCHOOL HANDBOOK REVISED

The member handbook for the School Retirement plan has been revised. The new revision date is 6/2014. You may access the current version on the “Publication” page on the NPERS website.