

RETIREMENT NEWS

FOR NEBRASKA SCHOOL, JUDGES, AND PATROL MEMBERS | SEPT 2019 | NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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RETIREMENT BOARD NEWS

With deepest appreciation and regard, we would like to announce, after 18 years of dedicated service; Denis Blank has resigned from the PERB. As an employee of the Nebraska Department of Agriculture, he was originally nominated to the Board in 2001 as the State plan representative. In 2006, Denis was elected Vice-Chair of the PERB and was subsequently elected to serve as Chair from 2007 to 2016. Denis' experience and knowledge will be missed, and we would like to thank him for his many years of service. We wish him a long and happy retirement!



Denis Blank

Governor Ricketts has appointed, and the Legislature has approved, two new members to the PERB. Allen Simpson will serve as the new State plan representative, and Major Mike Jahnke will serve as the new State Patrol plan representative.

Major Jahnke is a 25-year veteran of the Nebraska State Patrol who has held positions within Operations, Investigations and Administrative Services. He is a graduate of Doane University and holds a degree in Public Administration. Mr. Jahnke is a 2010 graduate of the FBI National Academy, and served in the United



Major Mike Jahnke

States Air Force. His military commitment included duties overseas and service in support of Desert Shield/Desert Storm.

Allen Simpson received a Bachelor degree in Office Administration / Secondary Education from Northwest Missouri State University, Maryville, Missouri in December 1987. In 1986 he enlisted in the Missouri Air National Guard and joined the Nebraska Air National Guard in the summer of 1992. He served as the 155th Air Refueling Wing Budget Officer from 1992 through 1996, when he was selected as the unit's Comptroller. In 2006, he was selected as the first Commander of the 155th Comptroller Flight where he was responsible for formulating, developing and executing financial budgets for more than 976 Guard members in the Air Refueling Wing. He retired after a 30-year military career on January 3, 2017.



Allen Simpson

Mr. Simpson was selected in March of 2019 to serve as the State Risk Manager. As the Risk Manager, he has oversight of the Risk Management Program for the State of Nebraska which includes negotiating and contracting for the state's insurance and risk management services, and the responsibility for the statewide safety program.

NPERS would like to welcome Mr. Jahnke and Mr. Simpson to the PERB!

REQUIRED MINIMUM DISTRIBUTIONS

Each year, *terminated* plan members who are age 70½ and older are required by federal law to take a taxable Required Minimum Distribution (RMD) amount from their retirement accounts.

Failure to take RMDs can result in serious tax penalties, forfeiture of the option for a lifetime monthly benefit, and the eventual transfer of retirement assets to unclaimed property!

REQUIRED MINIMUM DISTRIBUTIONS (contd.)

This article will examine when distributions should be taken and provide guidance on how plan members can comply with these regulations.

NOTE: These regulations do NOT apply to members who are still actively working at a participating employer.

RMD Deadlines

Distributions can be broken down into two separate deadlines – the initial RMD and subsequent RMDs. Due to the design of the School, Judges, and Patrol plans, members need to focus primarily on the initial RMD deadline.

The initial RMD is due:

- The calendar year the terminated member turns age 70½, OR:
- If the member works beyond 70½ (at a participating employer) then the initial RMD is due the calendar year of termination.

The federal tax code allows individuals to delay taking their initial RMD to April 1 of the following year. For example, if a terminated member turns 70½ during 2020, the initial RMD amount must be taken by April 1, 2021. If that same individual were still actively working past age 70½ then the initial RMD would be due by April 1, following their year of termination.

The April 1 “grace period” provides individuals who terminate late in the year additional time to apply for and begin taking benefits prior to the initial RMD deadline. Even with the additional time, it’s still very important for members to be aware of this deadline.

If the member fails to apply for and begin receiving their lifetime monthly (pension) benefit prior to the April 1 deadline, their benefit option is restricted to a refund of their account minus the RMD amount. They are no longer eligible for the lifetime pension which could result in a significant loss of retirement benefits. If the member continues to defer applying for a distribution, NPERS will transfer their account to Unclaimed Property on or about November 1.

Application Deadlines

NPERS recommends members contact our office three to six months prior to termination to apply for retirement benefits. Applying well in advance takes on even more significance for terminated members who need to meet an April 1 RMD deadline. Those members should preferably contact NPERS three to six months prior to termination, but no later

than November 1. After they contact us, we will create and mail a retirement packet containing the paperwork they need to complete and return to our office.

- **The completed Application for Retirement form must be received in our office by the last working day in February in order to meet the April 1 deadline. This deadline cannot be waived!**
- **All additional required paperwork such as birth certificates, marriage licenses, etc. should be submitted with the application. These documents must be received by NPERS in time to process the application and issue the first monthly benefit prior to the April 1 RMD deadline.**
- **Failure to meet these deadlines may result in the loss of the lifetime benefit!**

Members who terminate on or after age 70 ½ should be aware of these deadlines and apply for benefits in a timely manner.

How We Help

Clearly this can be a complicated process, but NPERS does provide assistance.

NPERS includes annual RMD notifications in all statements (both active and terminated plan members) when members reach age 65. This notice is designed to inform them of the potential for a future RMD at age 70½.

Once a terminated member reaches the year they will turn 70½, or if we receive notification of termination for a member who is 70½ or older, NPERS will mail correspondence advising of the initial RMD due date and distribution options.

Your Responsibilities

NPERS will make every effort to provide RMD notifications to plan participants, but **it is the member who is ultimately responsible to apply for benefits in a timely manner.** We recommend these steps:

1. Keep your address up to date with NPERS. We can't provide RMD warnings if we don't have a valid address.
2. File a timely request for benefits if you receive an RMD notification from our office.
3. If you are eligible for an unreduced pension or have reached age 70½, apply for benefits three to six months prior to termination.

2019 SJP LEGISLATION

During this session of the 106th legislature, the following bills impacting the School, Judges, and State Patrol retirement plans were passed. **The descriptions in this newsletter only cover provisions affecting these plans.** Please refer to NPERS website for a full description of the 2019 retirement legislation.

LB 31 – Retirement Board

LB 31 asks the Public Employees Retirement Board (PERB) to create and submit a report examining the process and costs to transfer administration of the Omaha School Employee's Retirement System (OSERS) to the Nebraska Public Employees Retirement System (NPERS).

The report shall include:

- A detailed analysis and recommendations regarding management, administration, actuarial service, information technology, computer infrastructure, accounting, member data and record transfer.
- Necessary statutory changes to achieve the transfer of management and actuarial services.
- Staff training and assessment of staffing needs. Educational and communication plans to fully inform all system stakeholders and affected governmental entities regarding management changes.
- Sufficient timeframes for an orderly transition and implementation of management and actuary changes.
- Cost estimates associated with the tasks necessary to carry out the management transition.
- A comparison of the current annual cost to administer OSERS with an estimate of the annual cost for the PERB and NPERS to administer OSERS after a transfer occurs.

The cost of the report shall be funded by Omaha Public Schools (OPS) and provided to the Clerk of the Legislature no later than June 30, 2020.

LB 32 – DCP & DROP

LB 32 allowed the Nebraska Investment Council (NIC) to modify the 13 investment options currently provided to participants in the State and County Defined Contribution plan.

This will also result in a change to the investment options in the voluntary State Deferred Compensation Plan (DCP), and the State Patrol DROP program.

On or after January 1, 2021, investment options shall include, but not be limited to:

- An investor select account which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy substantially similar to the investment allocations made by the state investment officer for the defined benefit plans. These investments shall most likely include domestic and international equities, fixed income investments, and real estate, as well as potentially additional asset classes.
- A stable return account which shall be invested by or under the direction of the state investment officer in a stable value strategy that provides capital preservation and consistent, steady returns.
- An equities account which shall be invested by or under the direction of the state investment officer in equities.
- A fixed income account which shall be invested by or under the direction of the state investment officer in fixed income instruments.
- A life-cycle fund which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy that adjusts from a position of higher risk to one of lower risk as the member ages.

DCP and DROP participants shall be given a detailed current description of each new investment option. Participants who fail to make an investment election from the new funds shall have their account invested in the life-cycle fund.

LB 33 – Retirement Board

LB 33 increased the PERB per diem from \$50 to \$75. In addition, the bill changed the actuary contract limits to allow for two 3-year options, and removed the requirement for a competitive, formal, sealed bidding process for the legal compliance audit. Finally, the bill changed the due date of the Annual Legislative Report from March 31 to April 10, effective 2020.

LB 34 – School & DCP

Provisions of LB 36 and LB 565 were amended into LB 34.

The language amended from LB 36 removed the separate service credit definitions for Tier Four School plan participants. Service credit provisions for Tier Four are now the same as the first three tiers.

Under current statute, school plan members who were actively employed and participating in the plan on April 17, 2014, have until April 16, 2020, to apply for and repay a refund. Repayment must be completed no later than April 16, 2020, or termination, whichever is earlier. The amend-

ed provisions from LB 36 maintain the application deadline of April 16, 2020 but extend the repayment date to April 16, 2021, or termination, whichever is earlier.

For all refund repayments, members who submit an application within one year of termination or within one year of the repayment deadlines outlined in statute cannot utilize the payroll deduction option to repay the refund.

The language amended from LB 565 creates a default beneficiary for School and DCP participants who pass away with no eligible beneficiary on file. In this event, a refund of the member account will be paid to the spouse married to the member on the member's date of death. If there is no eligible spouse, benefits will be issued to the member's estate. Please be aware members still need to submit beneficiary forms to NPERS! Failure to designate beneficiaries can result in a serious reduction in potential death benefits.



SCHOOL TERMINATING MEMBER HANDOUT

Several years ago, NPERS created a New Member packet. This handout provides a brief description of the School retirement plan and notifies new members of the plan handbook, the Application for Vesting Credit form, and the Beneficiary form. At our annual training workshops for reporting agents/HR representatives, we recommend all new plan members be provided this packet.

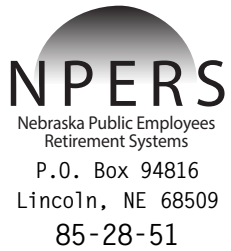
Now we have created a new document to provide terminating members with important information regarding their retirement benefits and options. This handout explains the vesting provisions and outlines what steps both vested and unvested members should take after ceasing employment.

For vested members it explains when you are eligible for full or reduced benefits and what ages you can apply. It also explains the deferral option for members who have terminated prior to reaching retirement age and encourages them to apply for benefits when they reach eligibility. For unvested members it explains the deferral and refund options, and warns terminated members cannot defer taking a refund past age 70½.

Both the new and terminating member handouts can be found on the "School Plan Info" page on the NPERS website.

SCHOOL PLAN HANDBOOK UPDATED

The School plan handbook has been revised to reflect the 2019 legislation. Members may access the current version on the "School Plan Info" or "Publications/Videos" pages of the NPERS website.



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