



RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
MARCH 2023

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RETIREMENT NEWS

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REQUIRED MINIMUM DISTRIBUTIONS



Each year terminated plan members who who have reached a specific age are required by federal law to take a taxable Required Minimum Distribution (RMD) amount from their retirement accounts.

What is Your RMD Age?

Legislation changes over the past few years have created different RMD ages depending on when you were born.

If you were born:

Prior to 7/1/1949
your RMD age is **70½**

On or after 7/1/1949 but before 1/1/1951
your RMD age is **72**

On or after 1/1/1951
your RMD age is **73**

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!

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.

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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 attains RMD age OR;
- If the member works beyond their RMD age (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 attains RMD age in 2023, the initial RMD amount must be taken by April 1, 2024. If that same individual were still actively working past their RMD age 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 their RMD age 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.

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 RMD age, apply for benefits three to six months prior to termination.

2023 LEGISLATION

The 108th Legislature has begun and the bills impacting NPERS' plans and Nebraska retirees are listed below.

Bills may be amended during the legislative session. Some bills may not become law. Please refer to the [Legislation page of the NPERS website](#) for updates & progress as the session continues. The results of the 2023 session will be reported in the Fall newsletter.

LB 103 *Technical Amdt. to Codify Practice*

When LB 700 was drafted, there was a category of employees that work for the State that are required to hold a certificate for their position and are participating in the School plan but are not covered by the State Code Agency Teacher Association (SCATA) labor contract. LB 700 did not specifically cover this group. LB 103 adds this category into the law codifying the rules regarding working for the State following retirement from the School plan.

LB 104 *Technical Amdt. to Comply w/SECURE 2.0 Act*

LB 104 amends the definitional sections of each of the plans to change the required beginning date to conform with the federal law changes (SECURE 2.0 Act). The biggest change was to increase the required minimum distribution (RMD) age.

Effective 1/1/2023 the RMD age increases to:

- 73 for members who attain age 72 after 12/31/2022 and attains 73 prior to 1/1/2033, and
- 75 for members who attain age 74 after 12/31/2032.

LB 105 *Technical Amdt. to Comply with USERRA Changes*

For many years, the Uniformed Services Employment and Reemployment Rights Act (USERRA) only covered federal military service. USERRA was recently amended to also cover servicemembers when they perform military service under state law (commonly called "State Active Duty"). LB 105 amends the military service sections of the plans to cover State Active Duty. This means that employers will have to make up both the missed employee and employer contributions for members who entered periods of leave without pay related to military service if the member timely reemploys and files their requests.

LB 196 *Amdt. to Change Patrol Plan Contributions & Benefits*

Troopers are seeking to amend the amount of member and employer contributions to the Patrol plan, increase death benefits, and increase COLAs, as follows:

- Reduces the member contributions for all tiers to 8% (down from 16% or 17%)
- Increases the employer matching contribution for all tiers to 25%
- Increases the death benefit percentage from 75% to 100%
- Changes the Tier 1 COLA from the **lesser of** the percentage change in the CPI or 2.5% to the **greater of** the two
- Changes the Tier 2 COLA from the **lesser of** the percentage change in the CPI or 1% to the **greater of** the two
- Makes these changes immediately upon passage of the law, rather than at the start of a plan year.

LB 198 *Amend the School Plan Return-To-Work Rules*

LB 198 seeks to clarify certain points from last sessions LB 147, which has generated some confusion over the return-to-work rules. Clarifications are as follows:

A member who **does not apply for or take** a distribution from NPERS may work as a temporary employee (temp), substitute employee (sub), and/or volunteer as much as they want, even during the 180 days after the alleged termination date. Such a member working as a temp, sub, or volunteer:

- Is not eligible to contribute to the plan,
- Is not eligible to accrue service credit in the plan,
- Is not eligible to make a purchase of service,
- Cannot take a distribution until they have a bona fide termination of employment, and
- If such employee becomes a regular employee for an employer participating in the School plan, the member and employer must immediately begin making contributions and earning service credit on all service as a regular employee, temp, and substitute (assuming all other eligibility criteria were previously or are now satisfied).

A member who **applies for or takes** a distribution from NPERS must not work as a temp, sub, or volunteer for more than 8 days per calendar month during the 180 days following the **later of** the termination date or the date NPERS receives the application.

LB 378 *Amdt. to Address Eligibility based on Immigration Status*

There has been a question about what "qualified alien" means. NPERS sought a NE AG's Opinion. The Opinion agreed that the law was not as clear as desired, and recommended a change in the law, in addition to outlining a current multi-part test that NPERS must currently engage in to determine eligibility based on immigration status. NPERS, members, and reporting agents, wanted easier rules and processes to implement. Thus, NPERS proposed LB 378, which lists the documents that members must provide to their employers to demonstrate lawful presence in the US.

SWIMMING IN EDUCATION OPPORTUNITIES

The 2023 Retirement Planning seminar season has begun! The huge pool of education opportunities give you the access to springboard your retirement knowledge so you can dive into a fantastic retirement. Our season runs thru June 7th.

Brochures with enrollment forms for in-person seminars and webinar enrollment instructions have been mailed and are also available on our [website](#).

Webinars

All of our webinars are hosted via Webex. You can register for a webinar by sending an email to NPERS.seminars@nebraska.gov providing your **name, email address, date of birth,** and the **date of the webinar you wish to attend.** We will accept webinar registrations up until the day before the event.

½ Day Webinars (9AM-12:30PM)		
04/04/2023	04/25/2023	05/25/2023
04/05/2023	04/26/2023	06/07/2023

Our ½ day webinar, when viewed in conjunction with our Social Security, Medicare and Estate Planning videos on the NPERS website, provides an experience equal to our on-site seminars.

Evening Webinar (6PM-8PM)
06/06/2023

In our 2-hour evening webinar you will hear our Retirement 101 presentation, which outlines your school plan. You will then

have the opportunity to ask our presenters questions. (CONT'D. ON P4)

403(b) & 457 CONTRIBUTION LIMITS

2023 maximum contribution limits have been announced by the IRS for 403(b) and 457 Deferred Compensation (DCP) retirement plans. For both plans, the standard yearly maximum contribution has been increased from \$20,500 to \$22,500. Individuals age 50 or older may contribute an additional \$7,500 using the Age 50 Catch-up provision, increasing their total limit to \$30,000.

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.

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. 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.

2023 limits for School employees participating in a 403(b)

TAX YEAR	STANDARD MAXIMUM CONTRIBUTION	IF YOU QUALIFY FOR THE \$3,000 LIFETIME CATCH-UP	IF YOU QUALIFY FOR THE AGE 50 CATCH-UP	IF YOU QUALIFY FOR BOTH THE AGE 50 & LIFETIME CATCH-UP*
2023	\$22,500	\$25,500	\$30,000	\$30,000

*The first \$3,000 of contributions in excess of the standard \$22,500 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](#).

2023 limits for State Patrol employees & Judges participating in Deferred Compensation

TAX YEAR	IF YOU'RE UNDER AGE 50	IF YOU QUALIFY FOR THE AGE 50 CATCH-UP
2023	\$22,500	\$30,000



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SWIMMING IN EDUCATION OPPORTUNITIES *(cont'd.)*

In-Person Seminars

[See the Enrollment Brochure on our website for dates!](#)

Members must enroll in advance if they wish to attend one of our in-person seminars. These events fill up FAST. The completed enrollment form and seminar fee of \$25 per person must be received and processed to secure a spot. Once a session is full, no additional enrollments will be accepted. For a real-time listing of open/full seminars, visit our [School Retirement Seminar](#) webpage!

A confirmation card will be mailed upon receipt of the registration form. NPERS recommends members contact our office if they do not receive a confirmation card within two weeks of mailing their registration. Confirmation cards will not be mailed for registrations received within one week of the seminar - late enrollees should contact our office to confirm their registration was received and seats are still available.

No time for a seminar? We've got you covered!

Currently ALL of our day-long seminar presentations are available online as videos at [NPERS.NE.GOV](#)

SAVINGS HEROES!

For the past eleven years, members of our Patrol Plan have increased their participation in the Deferred Compensation Plan and they show no signs of stopping! The DCP is a voluntary 457 retirement plan that Judges and Patrol plan members can contribute to in addition to their mandatory retirement plan (School plan members can do this with a 403(b) through their employer). We would like to recognize the Patrol plan members, once again, for their focus on a well-round retirement savings approach.

DATE	PATROL MEMBERS	PATROL IN DCP	%
Dec 2022	388	201	52%
Dec 2021	391	165	42%
Dec 2020	419	137	33%
Dec 2019	413	114	28%