Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems
Vol. 18, No. 7, Fall 2003

In this issue...

The More You Know...

Attending a Retirement Seminar May be the Smartest Thing You Ever Do!

Nadine and John, NPERS' training specialists, have been traveling across the state since August conducting seminars for **State** and **County Plan** members. Preretirement seminars are available to plan members age 50 and over, and Personal Planning seminars are available to those members under age 50.

If you haven't been to a seminar yet, why not check one out this fall? The seminar schedule accompanies this article. For a mere $15, you get an armload of materials to take home with you, lots of great food, a few belly laughs, and more information on retirement than you can shake a stick at. Besides, it's never too early to plan for that important time in your life.

> ***By law**, each eligible member is entitled to receive leave with pay to attend up to two retirement planning programs.*

The seminars provide a thorough explanation of your retirement plan, plus information on financial planning, estate planning, social security, medicare, health insurance, healthy lifestyles, and the social and psychological adjustments to retirement. Considering all you get for your $15, it's quite a bargain. NPERS' cost per person to conduct each seminar is actually higher than $15, so the Plans subsidize the seminar cost.

By law, each eligible member is entitled to receive *leave with pay* to attend up to two retirement planning programs (see Neb. Rev. Stat. §84-1511). That means you don't have to use your vacation leave to attend. And, while your absence from work is at the discretion of your employer, you are entitled to the opportunity. (You may attend a seminar more than twice, but the leave is at your expense.)

When John and Nadine were recently asked how the seminars were going, they mentioned they thought Plan members were frequently confused about the rules on several topics: beneficiary designation, death benefits and reemployment. The remainder of this article provides basic information on these topics, which is also provided in your new Plan booklet (see article in this newsletter).

Beneficiary Designation – Upon your death, any balance remaining in your account will be released according to your most recent Beneficiary Designation Form on file with NPERS. Obtain a copy of the form from your employer, contact NPERS or print a copy from the web site at **www.npers.ne.gov**. To be valid, the form must be notarized.

Use the Beneficiary Designation Form to name your *primary beneficiary(ies)*. Typically, a spouse or significant other is chosen but you may name your estate or a trust. You may name more than one primary beneficiary, designated in equal shares or percentages.

Also use the form to name your *contingent beneficiary(ies),* those who will receive your benefit if all primary beneficiaries pre-decease you.

(Continued on page 3)

Behind the Scenes

Benefits Processing

With 12 employees, Benefits Processing is NPERS' largest department. They shoulder a great deal of responsibility including benefit and purchase of service estimates, payments, disabilities and member correspondence.

Vicki S., the Benefits manager, has been with the agency for 7 years. She and the 11 employees she supervises are a hard working group.

Iona is the "lead worker" of Benefits. She assists with calculating monthly benefits for School members and proofs all outgoing correspondence and benefit estimates. Iona has been with the agency for 18 years.

Diane is the "veteran" of her area and has been with NPERS for over 21 years! Diane assists retirees with taxes and deposits, answers benefit questions, processes death notifications and assists beneficiaries.

Ninna, a hard-working 15-year employee, prepares individual school benefit calculations. She also helps with estimates and retirement packets.

Front Row, L to R: *Vicki S., Jennifer, Anne, Iona, MaryKay, Ninna* Back Row, Lto R: *Vicki F. Kim, Mitch, Diane, Linda, Johnetta*

Jennifer, a 12-year employee, and Mary Kay, who has been with us for 5 years, are specialists with the Judges and State Patrol Plans where they calculate benefits. They also assist with School member accounts.

State, County and Deferred Compensation Plan (DCP) member accounts are handled primarily by Kim, a 6-year employee and Anne, who has been here for 2 years. They process enrollments, disbursements, deaths, disabilities and purchase of service transactions.

Vicki F. has been with the agency for over 3 years. She specializes in refunds for School members and also assists with benefit estimates.

Mitch works with Qualified Domestic Relations Orders (QDROs). He has been with NPERS for 5 years. Mitch also helps with disabilities, estimates, retirements and service purchases.

Johnetta sorts and routes all incoming mail for the area. She also answers general correspondence and assists with benefit estimates. She has been with NPERS for 3 years.

Linda, who is the newest member of the Benefits area, has been here nearly 2 years and assists with the benefit estimates.

These 12 people deserve our thanks and applause for going above and beyond expectations everyday. Their hard work and dedication are appreciated.

Actuary Report on Cash Balance Benefits

In April of 2003, the Retirement Board received its first ever actuarial report on the status of the new Cash Balance benefit for both State and County employees. The report summarizes the assets, liabilities, and member data as of January 1, 2003. Here is a summary of the Cash Balance results:

	State Plan	County Plan
Membership:	4,034	2,002
Average Age:	49.7	52.2
Average Service:	12.4	10.8
Average Salary:	$34,287	$24,044
Average Account:	$54,132	$28,883
Total Assets:	$216,677,627	$57,399,994
UAAL*:	($473,900)	($1,993,571)

Both the State and the County Cash Balance benefits are in good financial condition as of the beginning of the plan year. The above UAAL* or "unfunded actuarial accrued liability" amounts are negative, which means we are slightly ahead in funding as we begin the first year of these benefits. The contributions from both member and employers are sufficient to fund the benefits accruing for each Cash Balance participant. If earnings on the assets exceed the interest credit rate granted to each member's account, there may be opportunities to grant benefit improvements to all Cash Balance members in the future.

Our next actuarial report is due in the spring of 2004. Anyone wanting a complete copy of the report may request one by contacting NPERS. ❑

The More You Know... *(Continued from page 1)*

A qualified estate planning professional can provide assistance in your individual situation when you designate your beneficiaries.

Death Benefits – If you die with a balance remaining in your account and have designated **your spouse** as your *primary beneficiary*, your spouse may elect either a withdrawal or a 100% joint and survivor annuity.

A withdrawal is a one-time payment, paid out no later than the fifth anniversary of your death. Your surviving spouse may take a direct payment or roll the money into another qualified retirement account or IRA. If you have a Defined Contribution account, your surviving spouse also has the option to take the systematic withdrawal.

An annuity is a payment that will be paid monthly for your spouse's lifetime, based on your age and your spouse's age at your date of death. To receive the annuity benefit, your spouse must file an application with NPERS **within 120 days** of your death. The effective date of the annuity will be the date of death.

If you die with a balance remaining in your account and your primary beneficiary is **not your spouse**, your account will be paid to your beneficiary in a one-time payment that must be distributed by the fifth anniversary of your death.

Reemployment – If you leave employment with the state or a county, *are under age 55*, and are later rehired, the length of the break in service determines the next steps. If you are rehired at:

- **120 days or less** you will have to repay any payments withdrawn from your accumulated account, and you would start immediately contributing again to the Plan.
- **121 days or more (but less than 5 years),** you must begin contributing to the Plan within 60 days of your return to work.
- **5 years or more,** you will get no credit for pervious service and will return as a new employee.

Whether or not you are vested is also a consideration. If you:

- **were vested** when you terminated and kept your contributions in the Plan, you will continue contributing upon rehire.
- **were not vested**, after 1 year of new service you will get credit for prior service and prior employer contributions will be restored.
- **took a payout** of your accumulated account, whether or not you were vested, you may repay the monies if rehired but must decide within 3 years and must complete the re-payment within 5 years.

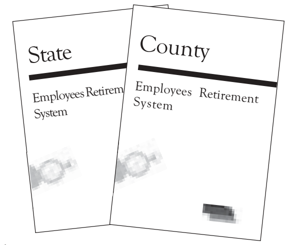
If you retire from the state or a county *(at least age 55)* and are later rehired, you will return as a new employee with no recognition of prior state service toward eligibility or vesting credit. If and when you meet eligibility requirements and begin contributing to the Plan, your participation will be in the Cash Balance benefit. If you have a Defined Contribution account from previous Plan participation, that account will be converted to a Cash Balance account.

If you have questions or need more information, contact NPERS at **800-245-5712** or **402-471-2053** or visit the web site at **www.npers.ne.gov**.

Have you moved lately?

Remember to inform **your employer** whenever your address or other personal information changes.

New Plan Booklets Available



Members of the **State** and **County Plans** will soon receive their copy of the updated plan booklet. State members should receive theirs in September, and County members in October.

The booklets will be mailed to members' home addresses. If you've recently moved, remember to notify *your employer* of your new address. Your employer submits your current personal information to NPERS through employer reporting, which automatically updates information in our database.

Members not currently working for the state or a Nebraska county should call, write or fax address changes directly to NPERS.

You can view your plan booklet at **www.npers.ne.gov** or call NPERS at **800-245-5712** or **402-471-2053** to request an additional copy.❑

2003 Seminar Calendar
State & County Members

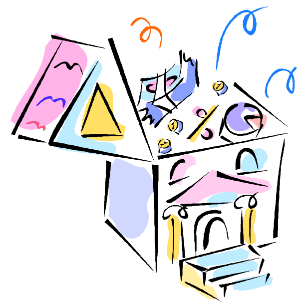
Preretirement
(Age 50 and over)

October 8	-	Grand Island
October 16	-	Omaha
October 22	-	Lincoln - FULL
October 29	-	Norfolk
November 13	-	Lincoln
November 20	-	Sidney
December 2	-	Lincoln
December 3	-	Lincoln - FULL
December 11	-	Fremont

Personal Planning
(Under age 50)

October 9	-	Grand Island
October 15	-	Omaha
October 30	-	Norfolk
November 19	-	Sidney
December 4	-	Lincoln
December 10	-	Fremont

To Pre- Or Not To Pre- (pay the mortgage, that is)



Homeowners are often faced with the decision whether to prepay their home mortgage. This decision can be significant given the amount of interest that could be paid over 15, 30 years or more.

There are several ways to shorten the life of the mortgage. Taking a shorter term is the most direct, e.g. taking a 15-year mortgage instead of a 30-year term. This is often referred to as a "forced savings" plan because you are paying less interest and building equity. Refinancing an existing mortgage at lower rates but keeping your payments the same size is another way. Or you can put extra money toward the mortgage principal periodically. Typical methods of prepayment include making an extra payment per year, paying next month's principal or sending a flat amount with each month's payment.

Speeding up principal payments can save thousands in interest costs over the life of the loan. Yet, it is often stated that due to the deductibility of mortgage interest and the smaller payment of a longer term, the saved monthly funds may be invested at a higher rate (assuming the increased risk is acceptable) to offset the advantages of a shorter term mortgage.

Let's look at when it might make sense to pay the mortgage off early: when the psychological benefits of being out of debt are worth it; when low-risk investments are paying low interest rates, prepaying and building equity can be viewed as a "tax-free" investing alternative; when an owner is not disciplined enough or are unwilling to take on risk to achieve higher rates of return; or if the property has lost value, an owner might end up owing the lender money if the house was sold because he/she was "upside down."

Here's when it might not make sense to prepay: when there are better investment alternatives, i.e. that may earn a higher return than the mortgage rate; when an owner should be saving elsewhere, such as in tax-advantaged vehicles for retirement; when nearing the end of the loan, prepaying has less impact because most of the interest is already paid; when paying off other debts, such as double-digit credit card interest, might be wiser.

There are many other variables to consider including whether there is a prepayment penalty; future earnings growth and the ease of prepayment over time; future inflation and the value of paying off the loan with "cheaper" dollars; and the tax ramifications of the $500,000 home sale exclusion for joint taxpayers ($250,000 per taxpayer). There is no easy answer. Consulting a financial professional is often a wise idea to address all the necessary considerations and make the best decision regarding each particular situation.

Mary H. Jochim
Sterling Financial Advisors
"Registered Investment Advisor"
9300 Underwood Avenue, Suite 200
Omaha, NE 68114
877-970-9300/402-970-9390
Securities Offered Exclusively Through
Raymond James Financial Services, Member NASD/SIPC
mjochim@sterlingfinancialadv.com

New Investment Video Available

Just in time for Hollywood's "Oscar" nominations is a new video explaining the investment choices offered to **State** and **County Plan** members. You will want to see this video if you participate in the Defined Contribution benefit (DC), and/or are enrolled in the Deferred Compensation Plan (DCP). The information is not relevant for Cash Balance participants.

This 25 minute video is narrated by John Morey representing Sterling Financial Advisors, a company under contract with NPERS to provide investment education services.

John explains the make-up of the 11 investment funds available to you in your member account, and your three funds in the employer account.

Selecting the appropriate investment account(s) is an important decision and this video can help. Your investment strategy should result in an account selection mixture best suited to your financial needs and family circumstances.

Contact your employer and tell them you'd like to view this video. NPERS will loan copies to state agencies or counties upon request. Employers should contact NPERS at **800-245-5712** or **402-471-2053** to reserve a copy.

RETIREMENT ROUNDUP

Published by
Nebraska Retirement Systems
1221 N Street, Suite 325
P.O. Box 94816
Lincoln, NE 68509-4816
402-471-2053 or 800-245-5712
www.npers.ne.gov
Director: Anna J. Sullivan
Editor: Jan E. Fox
Asst. Editor: Pam Williamson