

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

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Legislative Update



This 60 day session of the legislature is rapidly proceeding toward its adjournment scheduled for April 15. Many issues have consumed the Legislature's time, and only recently have retirement bills begun moving through the process. *NPERS will provide a complete summary of retirement legislation affecting State and County Plan members after the session has ended.* The new legislation includes the following:

LB 960: Changes the makeup of the Public Employees Retirement Board (the board which oversees NPERS). LB 960 (as introduced) would change one of the public members of the seven member board to one representing a retirement system administered by the PERB. The bill was advanced to General File with a committee amendment which would increase the number of members to 8 (2 school, 1 judge, 1 patrol, 1 county, 1 state, 2 public). LB 960 is a speaker priority bill. Another bill dealing with the board makeup, LB 1115, was indefinitely postponed by the Retirement Committee.

LB 1030: Expands the investment options for employer contributions of State and County

Publications Coming Soon

Annual Investment Report

The Annual Investment Report for members of the State and County **Defined Contribution Benefit** and the state's **Deferred Compensation Plan (DCP)** will be mailed to Plan members in April 2004. The report includes investment results, plan statistics and updated "fact sheets" for each investment fund for the plan year ending December 31, 2003.



Defined Contribution members to the same options currently available for the employee contributions. The bill was advanced to General File March 4.

LB 1097: Cleans up various provisions of retirement statutes (NPERS' technical bill). LB 1097, a committee priority bill, was advanced to General File on March 4, 2004, with a committee amendment containing a couple of additional technical changes, as well as incorporating the provisions of several other bills. Included in those other bills are the provisions of LB 960 and LB 1030. LB 1097 was advanced to Select File on March 22, 2004, after the committee amendment (as amended) was adopted.

Carryover Legislation

In addition to the new bills, the following bill was carried over from the first session of the Legislature:

LB 120: Provides for buyout/early retirement of certain public employees. A constitutional amendment has been introduced this session dealing with the same issue (**LR 221CA**). LB 120 was indefinitely postponed by the Retirement Committee on March 16. □

The report also provides a "snapshot" of the Plans' assets.

Cash Balance Annual Report

Members of the State and County **Cash Balance Benefit** can look forward to the annual Cash Balance report coming sometime in May.

Reminder – You should look for the Retirement Roundup, your account statement and the investment historical returns to arrive near the 25th of the month following the end of each calendar quarter. □



Behind the Scenes

The main objective of Education Services is to keep you, the Plan member, informed. Many of you have attended the Retirement Planning seminars, where you have encountered part of the Education Services team. In addition to the retirement seminars, Education Services produces the publications and the forms our office generates and sees that members and employers receive the necessary materials. The team also makes this information available on our web site at www.npers.ne.gov.

Jan has been a state employee for 19 years and began working with NPERS in 1999 as one of our seminar presenters. In 2001 she became manager of Education Services where she is also the public information officer.

Nadine and John make up the seminar presentation team. In addition to their quirky sense of humor, both John and Nadine have a vast knowledge of

Education Services



L to R: Pam, Jan, John, Michelle and Nadine

NPERS' six Retirement Plans, making them the perfect pair to present the seminars. You need to attend a retirement seminar to appreciate their ability to keep a serious topic light and easy to understand. With 24 years of state employment, Nadine began working as a seminar presenter in 1999 and was joined by John in 2001. Also the agency web master, John worked in the insurance industry prior to coming to work for NPERS.

Pam started working with NPERS in 1988 as the receptionist. In 1991 she

accepted her current position with Education Services. In addition to processing seminar registrations, Pam is the graphic artist/desktop publisher for the office, responsible for designing forms and publications, including the Retirement Roundup. She also serves on various committees in the office.

Michelle began working in our Benefits department in 1999. She then moved to Data Purification and came to her current position in Education Services in 2001. Michelle's priority is to respond to member and agency requests for publications and forms. She also assists with other mailings, seminars, and is the "back-up" to our office receptionist. Her willingness to help others makes Michelle a great asset to the Education Services team.

This group of knowledgeable yet fun-loving individuals are truly dedicated to bringing retirement education to our members. □

A Seminar is a Seminar...Or is it?

Recently NPERS was notified of private investment firms marketing "free retirement seminars" to **State and County Defined Contribution Plan** members. These meetings *may* contain valid investment information and Plan members certainly have the right to attend, but NPERS cautions, we cannot endorse these seminars nor can we guarantee the accuracy of the information provided.

Effective planning is critical when building your retirement nest egg. As a Defined Contribution and/or Deferred Compensation Plan (DCP) participant, you must understand and apply good investment principles in order to effectively grow your retirement accounts. The State of Nebraska recognizes the value of retirement planning and mandates our office to provide *authorized* seminars for State and County Plan members, including Cash Balance participants. These seminars are

presented in the late summer and fall of each year and Nebraska statutes guarantee you will receive *time off with pay* to attend. If you are under age 50 you may attend up to two "Personal Planning" seminars and when you are age 50 or older you may attend *two additional* "Preparing for Retirement" seminars. This is a total of four days off, with pay, that is allocated to all State and County Plan members for retirement planning. The cost to attend is \$15 per person (member or guest accompanied by member). NPERS' actual cost per person to implement each seminar is much higher. Your fee is used to offset some of the expense of room rentals, the meals that are included with the seminar and the materials provided.

Privately owned businesses must make a profit to survive. Generally these firms are hoping to court new clients. NPERS encourages you to work with a financial planner and save additional

funds for retirement. Our concern here is the potential for abusive "hard sell" tactics and misinformation regarding the State and County Plans. We are also concerned that some may discourage you from making use of the voluntary DCP by claiming the eight investment funds offered do not provide adequate diversification or a high enough return. The underlying message they give is that any voluntary savings you make would be better invested in *their* products. In addition, these agents may encourage you to take a lump sum withdrawal of your retirement account upon termination and then use those dollars to purchase *their* products.

NPERS has serious issues with these tactics and strongly encourages members to thoroughly investigate how much a private vendor is charging for management fees. The fees charged to manage the State and County investment funds are *much lower* than those charged by private vendors. As the

(Continued on page 4)



Employee of the Year

Congratulations to our 2003 Employee of the Year, Teresa Miller. Teresa has been with NPERS nearly six years, where she is an essential part of our Member Services team.

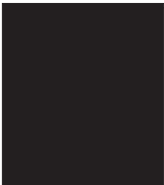


Teresa strives to keep herself informed and up-to-date on the techniques and procedures in the office. She is always eager to assist her coworkers and volunteers for special projects or committees.

Her warm smile and outgoing personality make Teresa a pleasure to work with. Thank you Teresa, for your devotion and hard work!

Manager of the Year

We are proud to have Pat Kuhry as our 2003 Manager of the Year. After just 2 years as the manager of our Project Team, Pat has had a great impact on the success of our ongoing technology plan as well as gaining the respect and admiration of his staff and coworkers.



His blend of humor and knowledge make Pat an asset to the agency. Thanks Pat, for all your hard work and dedication!

**Are You Saving
Enough for Your
Retirement?**



Open your Deferred Compensation Plan (DCP) account today! Notify your employer or contact NPERS to enroll.

LEGAL CORNER

by NPERS Legal Counsel,
Joe Schaefer

Minimum Distribution Rules

The federal government grants favorable tax treatment to employers and employees to provide pension benefits for employees. While supporting the provision of retirement plans, Congress has made clear that it only wishes to support genuine pension plans—not estate planning tools to defer or escape taxation. (The money in pensions is contributed on a pre-tax basis, and earnings on the accounts are also tax-deferred.) Because of those concerns, Congress has enacted rules requiring distributions from retirement accounts. These are commonly referred to as the Minimum Distribution Rules or Required Minimum Distributions (RMD).

When you reach age 70½, you are required to begin taking payments from your tax qualified retirement plans (retirement plans under IRC sections 401(a), 403(b), 457, and IRAs, including SEP and SIMPLE plans). Payments can be deferred no later than April 1 of the year after you reach 70½. The IRS has created three tables based on life expectancies to govern how quickly funds must be distributed: one for retirement plan beneficiaries, one for members who are married to a spouse who is more than ten years younger (distributions are spread out over more years so the RMD amount is lower), and one for members who are single or whose spouse is within ten years of their age (Uniform Lifetime Tables).

There are some exceptions to the RMD rules:

- if you are still working, you can wait until you actually retire to begin distributions;
- if you have already withdrawn the minimum required amount in the year you turned 70½ or earlier than April 1, you don't have to make another withdrawal until year end (all withdrawals thereafter must meet the IRS mandated amounts); and
- Roth IRAs aren't covered (taxes have already been paid on Roth contributions).

The penalty for failing to meet the RMD requirements is 50% of the amount required to be distributed, so it is very important to follow the rules. (Note: the RMD rules allow you to take out more than the required amount, but not less.) The RMD rules control distributions, and penalties for failing to heed are severe, so your retirement planning must take the rules into consideration.

Further information on RMD is available in *IRS Publication 575, Pension & Annuity Income*, and *IRS Publication 590, Individual Retirement Arrangements* for those wishing to learn more.

"I have noticed that when chickens quit quarreling over their food, they often find that there is enough for all of them. I wonder if it might not be the same way with the human race."

~ Don Marquis



*Stocks and bonds keep your mind whirling – Up, down, up, down, the Dow in the news
The high cost of retirement is very alarming – Quarterly statements just give you the blues*

*If a long comfortable retirement is what you desire – Lower your stress, there's something you can do
It's free so call Sterling for answers to inspire – Then save and invest to make them come true*



So do you have questions? Taxable or Tax Deferred? Conservative or Aggressive? Coke or Pepsi? Think Local? Invest Global? Risk and Reward? No Risk no Reward? Adkins or South Beach? Deferred Comp or ROTH? Big companies or Small? Value or Growth? Bush or Kerry? Switch or Hold the Course?

*The State of Nebraska has a contract with Sterling Financial Advisors, LLC, to answer your retirement questions. Sterling can provide information about those investment options, talk about asset allocation or just hold your hand during difficult markets.

Sterling's professionals have over 20 years experience in working with the State and County Retirement Plans. Sterling is paid to help you make good choices, not to push products. It is "safe" to call Sterling Financial.

"Call us, don't be afraid, you can call us. Don't wait till it's too late. Just Call Us!"



"Registered Investment Advisors"

*Securities Offered exclusively Through Raymond James
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402-970-9300 or Toll Free 877-970-9300

Seminar (Cont. from page 2)

state agency responsible for administering your retirement plan benefits, our main goal is to help you save for retirement. You have worked hard to save for your golden years and NPERS wants to make sure you don't end up making a decision you will later regret.

Since NPERS' staff are not legally qualified to provide specific investment advice, we contract with a reputable firm who you can call to ask investment related questions. **Sterling Financial Advisors** in Omaha is currently under contract, and is in good standing with the Securities and Exchange Commission and National Association of Securities dealers. Sterling is paid a flat fee, not a commission, to provide investment education services to State and County Plan members. They are

fully licensed to sell securities, however, NPERS strictly prohibits them from soliciting Plan members to invest in products they offer. In addition to providing a toll-free phone line for members inquiring about the basics of investing, a Sterling Financial representative provides detailed financial planning and investment information for members who attend a Personal Planning seminar.

For matters concerning administration of your account, NPERS provides assistance by telephone or a one-on-one appointment, through member handbooks, quarterly newsletters, individual account statements and an annual investment report. Our website at www.npers.ne.gov provides a wealth of information including an interactive benefit estimator.

For information *about your Plan*, call NPERS at **800-245-5712** or **402-471-2053**. For *investment advice*, call Sterling Financial Advisors at **877-970-9300** or **402-970-9300**. □



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