

# Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

Vol. 20, No.6, Fall 2005

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## More Investment Choices Available!

Have you been wishing for another investment choice for your **Defined Contribution** account in the State or County Plan, or your **Deferred Compensation Plan (DCP)** account? Just like what pops into your head in a restaurant when the desert tray comes around, "Choice is good. Choice is *very* good!"

The new **Investor Select Fund** became available the first part of September, 2005. It is a pre-mix fund invested with an asset allocation and investment strategy substantially similar to that of the Defined Benefit Plans (for School, Judges and State Patrol employees) also administered by NPERS. That allocation is a combination of actively managed portfolios and passive index funds and as of June 30, 2005, was 47.5% domestic equities, 12.5% international equities, 5.0% global equities, 30.0% fixed income and 5.0% real estate.

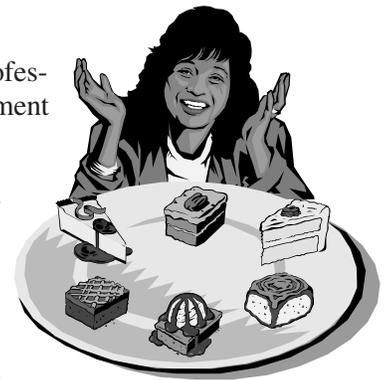
The Nebraska Investment Council oversees the investing of the combined monies in the Defined Benefit Plans and, on average, realizes about a 10.5% investment return for plan members over the long-term. The Investor Select Fund has been created to give Defined Contribution benefit and Deferred Compensation Plan participants the advantage of the Investment Council's

collective professional investment knowledge.

The Investor Select Fund was authorized by the passage of LB 503 in

May and brings the number of investment choices available to members to 12. We expect to include a "fund fact sheet" with members' third quarter account statements which list the fund's managers, fees, investment style, composition, sectors, holdings and a portfolio analysis. (Also authorized by LB 503 and available *July 1, 2006*, will be the plans' 13th fund called the "Age-Based Fund.")

If you have questions about how the Investor Select Fund can compliment your current investment strategy, please call **Sterling Financial Advisors** who are under contract with NPERS to provide investment education services, at **800-970-9300** (toll free) or in Omaha at **402-970-9300**. □



## Have You Moved?

Don't forget to inform **your employer** if your address, name, or other personal information changes.



Your employer submits your current personal information to NPERS through what is called "employer reporting." Any changes to a member's demographics recorded by an employer will update information in NPERS' database.

Therefore, all changes must be made *through your employer* to ensure NPERS has correct information to mail your quarterly account statement and other important items.

**NOTE:** Members who are *no longer employed* with the state or county need to notify NPERS directly of such changes.

# Are You Thinking About Retiring?

*Undoubtedly, you have questions about your Retirement Plan.*

*By Teresa Miller, Member Services*

Here are some tips we think will help. First, to understand your plan and how to apply for benefits, NPERS recommends attending one of our preretirement seminars (the fall schedule is on page 4 of this newsletter). You'll get *tons* of good information about your **State** or **County Plan** and the choices available to you at retirement, such as using all or part of your account to purchase an annuity, or receiving your money in one or more withdrawals. In addition, guest speakers at the seminar will discuss estate planning and financial management.

Next, you may obtain additional information from NPERS or estimates of monthly benefits in these ways:

1. Call NPERS at **402-471-2053** (Lincoln) or **800-245-5712** and press #3. One of our Member Services representatives, with some basic information from you, will calculate and mail your personalized benefit estimates. Estimates can be projected as far into the future as five years (be sure to update those estimates when you're closer to retirement). Once you receive the estimates, call the above number if you have questions, press #3 again, and a Member Services representative will help you.

2. Make an appointment for a personal office visit by calling one of the above numbers and pressing #1 to reach the receptionist. During your appointment, we will discuss your retirement options and answer your questions.

3. Use our new benefit estimator to calculate your own benefits. Simply go to our website at [www.npers.ne.gov](http://www.npers.ne.gov) and under "Member Info" click on "Benefit Estimator" and then "State and County Estimator." After you enter your information, the estimator will calculate monthly benefit estimates for each payment option offered in the State or County Plan.

After completing this stage of the process, you'll be able to confidently select the benefit payment option that works best for you. Finally, when you are ready to cease employment with the state or county and start enjoying your retirement, it's time to contact NPERS to obtain a retirement application. Call our office **no more than 90 days** before your date of retirement (the first day of the month following the month in which you cease employment).

When you request a retirement application, NPERS will send you a "packet" of additional forms, direct deposit and tax information. You'll need to decide if you'd like to use all or part of your

account balance to purchase a monthly annuity, or take your money in one or several withdrawals paid either directly to you or rolled over to another tax deferred account. (Hint: By leaving your account with NPERS, the management fees will remain low.) If you decide to purchase an annuity, you must provide NPERS with a copy of your **birth certificate**. If you choose the *Joint & Survivor option*, you will need to include your **spouse's birth certificate** and a copy of your **marriage certificate**. NPERS is available to answer questions and guide you through the retirement process.

Once all the paperwork is completed and filed with NPERS, and your last day of employment has come and gone, it will take about 60 days from your termination date to receive your benefit. If you've chosen an annuity, we will issue payment around the 15th of the month following the 60 days, and every month thereafter. NPERS must be sure all contributions have been reported to us by your employer before we release retirement benefits.

NPERS' goal is to help you make the transition into retirement as smooth and stress free as possible. If you have questions or need assistance, please call **800-245-5712** or **402-471-2053**. □

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## Medicare Prescription Drug Program

Is someone you know on Medicare...a parent, an aunt, a friend? The Medicare program is facing some big changes and you can help those you care about make the necessary choices to take advantage of the changes.

Beginning January 1, 2006, Medicare will offer dependable coverage for prescription drugs. Everyone with Medicare is eligible for the new prescription drug coverage, regardless of income level and resources, preexisting conditions, or current prescription ex-

penses. The program will pay for both brand name and generic drugs and offer a choice of plans. The monthly premium and out-of-pocket costs will vary with different plans.

How does one sign up? In October 2005, those on Medicare will receive information about the plans available in their location, the amount of the premiums, which drugs are included in each plan's formulary, and which pharmacies the plan will be using. All these things

*(Continued on page 4)*

## Cash Balance Rate

The new credit rate will be **5.58%** annualized for the coming quarter. The law states that the rate credited to member accounts will be the Federal Mid-term Rate plus 1.5% per annum. Thus the Federal Mid-term Rate for the previous quarter has changed to an annual rate of 4.08%. The new annual rate of **5.58%** will be credited to Cash Balance member's accounts for the period October through December 2005.

At the end of each quarter NPERS updates the interest credit paid to Cash Balance member accounts based on any changes to the Federal Mid-term rate. If this rate is less than 3.5% per annum, the credit rate to member accounts will be no less than 5% per annum.

## New Tax Withholding Law

If you will be retiring with the **State or County Plan** and receiving a retirement benefit in 2006, take note of the new state income tax withholding provisions.

Beginning with pension and annuity payments made to Nebraska residents **on or after January 1, 2006**, NPERS will be required to withhold *state* income tax whenever a plan member has *federal* income tax withheld. Under prior law, having Nebraska state income tax withheld from your pension and/or annuity payments has been voluntary. The new law on withholding requirements was enacted in LB 216 by the 2005 Legislature.

As you know, retirement contributions are not taxed when withheld from your compensation and deposited to your retirement account administered by NPERS. When NPERS distributes those funds to you at retirement, either as a direct payment, in the form of a monthly annuity or as a combination, the taxes are due. When you notify NPERS you are ready to retire and specify how you would like to receive your funds, you must designate the number of allowances you want to

claim and your marital status using a Federal Form W-4P, Withholding Certificate for Pension or Annuity Payments. Your allowances determine the amount of tax NPERS withholds from your benefit payment(s) and sends to the federal government for you. *If you are a Nebraska taxpayer* when this occurs, beginning in 2006 NPERS will be required to withhold Nebraska taxes using the allowances you claimed on the W-4P. You may change your W-4P at any time.

Amounts from your retirement account you choose to “roll over” into an Individual Retirement Account (IRA) or another qualified retirement plan are *not* subject to taxation *at the time of the rollover*. Those amounts will be taxed, however, when you take a distribution from the rollover account. NPERS is required by law to withhold **20%** for federal income tax for all withdrawals paid directly to you that are eligible to be rolled over. Under the new law, in 2006

NPERS will have to withhold **5%** for Nebraska income tax as well.

Nebraska residents choosing *not* to have federal tax withheld from their retirement benefit payment are not required to have Nebraska state income tax withheld. Alternatively, a retiree may also request to have *additional* state tax withheld.

Don't be alarmed if you think this tax withholding information is complicated or that you will forget it by the time you retire from state or county employment. NPERS will ensure you receive the current tax *information* when it's time for you to make your withholding choices at retirement. We cannot offer *advice*, however, so don't hesitate to contact a tax professional about your individual situation. If you have questions about information contained in this article, please contact NPERS at **800-245-5712** or **402-471-2053**. □

## New Investment Video at [www.npers.ne.gov](http://www.npers.ne.gov)

information in the video is *not relevant* for the *Cash Balance Benefit*.

This 31 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 12 investment funds, including the new Investor Select Fund explained in an accompanying article, available to you in your member account, the employer account, and/or your DCP account.

*John Morey  
Sterling Financial*

A new video explaining the investment choices offered to **State and County Plan** members is now available. You will want to view this video if you participate in the **Defined Contribution Benefit (DC)**, and/or are enrolled in the **Deferred Compensation Plan (DCP)** for State of Nebraska employees. The

Selecting the appropriate investment funds is an important, individual 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. You can call **Sterling Financial Advisors** *free of charge* for personal assistance in setting your investment

strategy. They will not give you advice, but they will answer your questions and give you the information you need to make sound decisions. They can be reached at **877-970-9300** (toll free) or in Omaha at **402-970-9300**.

You can view the video on the NPERS web site at [www.npers.ne.gov](http://www.npers.ne.gov) using Microsoft Windows Media Player in any of three formats: LAN (highest) quality, broadband (cable or DSL quality) or dial-up quality. This video was produced entirely in-house by NPERS staff rather than being outsourced. The production has resulted in increased quality with reduced costs.

If you don't have access to a computer, and would like the video on VHS tape or on DVD, please contact NPERS at **800-245-5712** or **402-471-2053** to request a copy. □

## Credit Card Relief

Recent economic reports have observed that Americans are reverting to the credit-dependent trends of the eighties. Apparently, the nation's populace hasn't heeded the warnings regarding carrying too much debt. Unfortunately, this statement could be applied to the federal government as well.



For families grappling with swollen credit card balances, professional financial advisors offer a three-step strategy for coping with year-end bills and avoiding future troubles. The International Association for Financial Planning (IAFP), recommends:

- understanding the credit terms of card issuers,
- learning how, and whether, cards should be used, and
- developing an aggressive plan for paying off debts.

Consumers should find out the conditions and policies of their lenders, such as length of grace period, whether the interest rate is fixed or variable, and how much is charged for cash advances.

A study by Princeton Survey Research Associates found that 76% of card holders do not know their credit cards' payment terms. Most people have too many credit cards and are surprised at just how high a price they pay for the convenience of the card.

Most consumers only need one major credit card that is universally accepted. For people who have the cash flow to pay off balances each month, a charge card - rather than a credit card - is a better choice. If credit is needed, choose a card with the lowest available interest rate. Often, people with one or more credit cards should look for a card that charges less interest and transfer all of their debt to that one card.

Ultimately, the way to bring credit card debt under control is with an aggressive plan to pay off existing balances. After consolidating as many credit card bills as possible, tackle the card with the highest interest rate first. Pay as much as possible toward the principal each month, while paying the minimum required on any other cards. As you eliminate the balance, begin paying more toward the principal on the others.

Credit cards sometimes make sense for smaller or short-term needs, but for major purchases, a home equity line of credit might be a better choice since the interest is lower and is usually tax deductible. Understanding the proper use of credit cards is an important part of the overall financial planning process. Be sure to check with your financial advisor to see what alternatives are available to you.

*Mary H. Jochim*

**Sterling Financial Advisors, LLC**

Securities Offered Exclusively Through

Raymond James Financial Services, Inc., Member NASD/SIPC

**mjochim@sterlingfinancialadv.com**

**402-970-9300** or Toll Free **877-970-9300**

## Medicare *(Cont. from page 2)*

are important to an individual in choosing a plan that meets their needs.

What are the next steps in picking a plan? Signup starts November 15, 2005, for coverage to begin January 1, 2006. If signup is later than the end of 2005, coverage will start the month after sign up. No matter what, May 15, 2006, is the last day to sign up for coverage in 2006 or one will have to wait until November 15 to join and may pay a penalty.

For more information, call  
**1-800-MEDICARE** or visit  
**www.medicare.gov**.

### 2005 Seminar Schedule State & County Members

#### Preretirement Age 50 and over

G. Island	-	Oct. 5
Fremont	-	Oct. 18
G. Island	-	Nov. 2
Kearney	-	Nov. 3
Norfolk	-	Nov. 8
N. Platte	-	Nov. 16
Lincoln	-	Nov. 22
Lincoln	-	Nov. 30
Lincoln	-	Dec. 7

#### Personal Planning Under age 50

G. Island	-	Oct. 6
Fremont	-	Oct. 19
Norfolk	-	Nov. 9
N. Platte	-	Nov. 17
Lincoln	-	Dec. 1

Seminar registrations were mailed to all State and County members in August. You may get registration information from our website at [www.npers.ne.gov](http://www.npers.ne.gov).

### RETIREMENT ROUNDUP

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Lincoln, NE 68509-4816  
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[www.npers.ne.gov](http://www.npers.ne.gov)  
Editor: Anna J. Sullivan  
Editor: Jan E. Fox  
Asst. Editor: Pam Williamson

