

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

Vol. 21, No.5, Fall 2006

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Recordkeeper Changes

Changes, while confusing and sometimes inconvenient, are in your best interest

For the second time this year, NPERS has changed recordkeeping services for the **State, County and Deferred Compensation Plans**. While the recordkeeping transitions have been confusing for plan members and sometimes inconvenient, this change is necessary to provide the quality account service you have been accustomed to.

Ameritas Life Insurance Corporation is now performing as recordkeeper after entering into a contract in October with the Public Employees Retirement Board (PERB). Ameritas had submitted the second lowest cost proposal during a formal bidding process conducted earlier in the year. Ameritas had been recordkeeper for the Plans for 40 years, in successive contracts, prior to a recent, short term by Union Bank & Trust Company.

Union Bank, who had acted as recordkeeper from July 1 through September 30, 2006, withdrew from their contract. Their resignation was accepted by the PERB at a special meeting in September.

The fees Ameritas will charge members are a very good value for the important account services they perform. With this new contract, Ameritas' fees are *lower* than those charged under their contract that ended in June. However, a small, temporary, start-up fee must be assessed *in addition* to your annual fee. The start-up charge is necessary since Ameritas had surrendered all account data they maintained when the prior contract ended in June and have had to rebuild the accounts.

The annual fees will be assessed monthly and reflected on each quarterly statement. What you will be charged is different depending on which Plan you are in. The annual fees will reduce after approximately 12 months and remain stable for the remainder of the contract.

Defined Contribution Benefit —

\$27.00 now; \$19.80 starting 11/07

Cash Balance Benefit —

\$24.00 now; \$16.80 starting 11/07

Deferred Compensation Plan —

\$22.80 now; \$15.60 starting 11/07

(Cont. on page 4)

A New Direction



After 30 years with the Nebraska Public Employees Retirement Systems, Anna J. Sullivan, Director, is moving on. Anna tendered her resignation effective September 30, 2006. Ms. Sullivan

began working for NPERS in 1976 as an office clerk and through the years held many different positions within the agency, learning all phases of retirement plan administration. She was Acting Director prior to becoming the agency Director in 1998.

NPERS appreciates Anna's many years of dedication and service. She will be missed by many coworkers, friends and business associates. We wish her the best as she pursues new interests.

Randy Gerke, who has been the agency's Accounting Manager since 2003, was appointed by the Public Employees Retirement Board (PERB) to act as Interim Director. Mr. Gerke will manage NPERS' day to day activities while the PERB conducts a nationwide search for a permanent director. □



Estimating Your Retirement Income Needs

One of your first steps in calculating your retirement needs should be to estimate how much income you'll need to fund your retirement. That's not as easy as it sounds, because retirement planning is not an exact science. Your specific needs depend on your goals and many other factors

Use Your Current Income As A Starting Point

Many financial professionals suggest that you'll need about 70% of your current annual income to fund your retirement. This can be a good starting point, but will that figure work for you? It depends on how close you are to retiring. If you're young and retirement is still many years away, that figure probably won't be a reliable estimate of your income needs. That's because a lot may change between now and the time you retire. As you near retirement, the gap between your present needs and your future needs may narrow. To accurately estimate your retirement income needs, you'll have to take some additional steps.

Project Your Retirement Expenses

Estimating your retirement expenses is a big piece of the retirement planning puzzle. To help you get started, here are some common retirement expenses:

- Food and clothing
- Housing: rent or mortgage payments, property taxes, homeowners insurance, property upkeep and repair
- Utilities: gas, electric, water, telephone, cable TV
- Transportation: Car payments, auto insurance, gas, maintenance and repairs
- Insurance: medical, dental, life, disability, long-term care
- Healthcare costs not covered by insurance: deductibles, co-payments, prescription drugs
- Taxes: federal and state income tax, capital gains tax
- Debts: personal loans, business loans, credit card payments
- Education: children's or grandchildren's college expenses
- Gifts: charitable and personal
- Savings and investments: contribu-

tions to IRAs, annuities, and other investment accounts

- Recreation: travel, dining out, hobbies, leisure activities
- Care for yourself, your parents, or others: costs for a nursing home, home health aide, or other type of assisted living
- Miscellaneous: personal grooming, pets, club memberships

Don't forget that the cost of living will go up over time. The average annual rate of inflation over the past 20 years has been approximately 3%. To protect against variables, build a comfortable cushion into your estimates.

Decide When You'll Retire

To determine your total retirement needs, you can't just estimate how much annual income you need. You also have to estimate how long you'll be retired. The longer your retirement, the more years of income you'll need to fund it. The length of your retirement will depend partly on when you plan to retire. Although it's great to have the flexibility to choose when you'll retire, it's important to remember that retiring at age 50 will end up costing you a lot more than retiring at 65.

Estimate Your Life Expectancy

There's no way to predict how long you'll actually live, but with life expectancies on the rise, it's best to assume you'll live longer than you expect.

Identify Your Sources of Retirement Income

What sources of retirement income will be available to you? You can likely count on Social Security to provide a portion of your retirement income. To get an estimate of your Social Security benefits, visit the Social Security Administration website (www.ssa.gov).

An important source of retirement income will be your mandatory **State or County Retirement Plan**, whether you have the Defined Contribution or the Cash Balance benefit. You may have been smart and taken advantage of the



voluntary **Deferred Contribution Plan**. Other possible sources may be a 401(k) or other retirement plan, IRAs, annuities, and other investments. The amount of income you receive from those sources will depend on the amount you invest, the rate of investment return, and other factors. Finally, if you plan to work during retirement, your job earnings will be another source of income.

Make Up Any Income Shortfall

If you're lucky, your expected income sources will be more than enough to fund even a lengthy retirement. But what if it looks like you'll come up short? Don't panic, there are probably steps you can take to bridge the gap.

- Try to cut current expenses so you'll have more money to save for retirement
- Shift your assets to investments that have the potential to substantially outpace inflation (but keep in mind that investments that offer higher potential returns may involve greater risk of loss)
- Lower your expectations for retirement so you won't need as much money (no beach house, for example)
- Work part-time during retirement for extra income
- Consider delaying your retirement for a few years (or longer)

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Pre-Mixed Funds Change

At its August meeting, the Nebraska Investment Council approved changes in the asset allocation of the Moderate Premixed Fund and the Conservative Premixed Fund. These funds are available to members of the State and County Plans' **Defined Contribution** benefit and the **Deferred Compensation Plan** for State of Nebraska employees. The changes were implemented with a trade date of *October 2, 2006*.

The changes occurred in the bond and money market asset allocations of the two premixed funds. In the Moderate Premixed Fund, the allocation to bonds was increased from 37.5% to 50% and the allocation to cash (money market) was reduced from 12.5% to 0%. The allocation to equities was not changed.

In the Conservative Premixed Fund, the allocation to bonds was increased from 37.5% to 60% and the allocation to cash (money market) was reduced from 37.5% to 15%. The allocation to equities was not changed.

Plan members may allocate the premixed funds individually or in any combination with the other funds available. The premixed funds are also used as the underlying investment funds for the new Age-Based investment option.

For questions on how these changes impact your portfolio, or any other investment-related questions, please call **Sterling Financial Advisors** (*free of charge*) at **877-970-9300** or **402-970-9300**. Sterling is under contract with NPERS to provide investment education services to plan members. □

Good News! Cash Balance Dividend

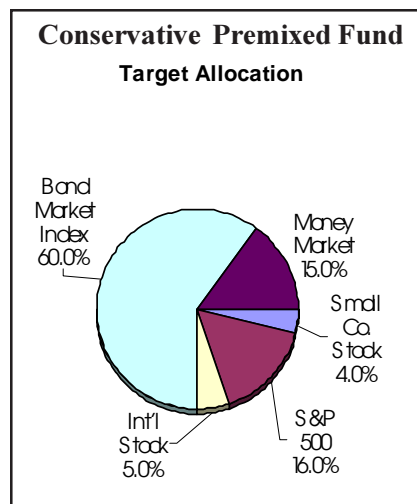
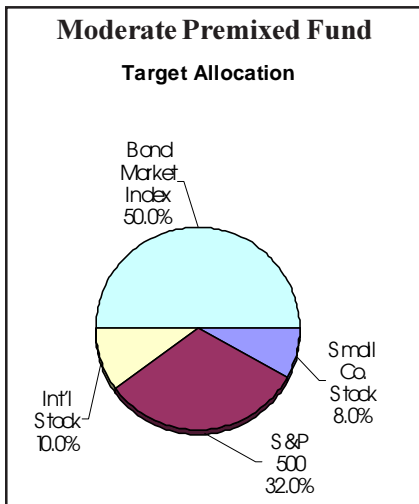


Once again, positive investment returns for the plan year have enabled the Public Employees Retirement Board (PERB) to grant an earnings allocation (dividend) to the account of each **Cash Balance** benefit participant who had an account balance on December 31, 2005.

The PERB, by law, has the option to grant once per year a dividend to active member accounts while maintaining the required cushion of 10% of the assets. The PERB's goal with the Cash Balance benefit is to maintain benefit adequacy, which is defined as an annual 8% return. If the credit rate (set by statute as the federal mid-term rate plus 1.5%) is less than the benefit adequacy guideline of 8%, the difference may be credited to each member account as a dividend if gains allow.

Here is how the dividend will be calculated, based on the actuary's recommendations: A **State** member's 12/31/2005 account balance will be multiplied by an earnings factor of **13.5%**. For example, an account balance of \$25,000 as of 12/31/05 would result in a one-time dividend of \$3,375. A **County** member's 12/31/2005 account balance will be multiplied by an earnings factor of **16.4%**. For example, an account balance of \$25,000 as of 12/31/05 would result in a one-time dividend of \$4,100.

Any interest earned between January 1, 2006, and the day the dividend is issued will be credited to each participant's account. The dividend will be distributed by the end of the fourth quarter of 2006, and will appear under the "Gain/Loss" column on member quarterly account statements mailed the first part of January 2007. □



Historical Returns

For members of the State or County Plans' **Defined Contribution** benefit and the **Deferred Compensation Plan** for State of Nebraska employees, the one-page table showing the "Time-weighted Rates of Return" for the investment options will no longer

be mailed with your quarterly account statement, but will be available on NPERS' web site at www.npers.ne.gov.

The Nebraska Investment Council conducts extensive analysis and prepares the "historical returns" each quarter. The information will be placed on the NPERS' web site toward the end of the month following the end of each quarter.

Recordkeeper

(Cont. from page 1)

In addition, upon each retirement and termination distribution, a \$35 user fee will be charged. This pricing structure will allow for a more equitable distribution of costs among members.

Ameritas initiated a "blackout period" beginning September 29, which temporarily halted access to your account(s). This blackout period was necessary for Ameritas to rebuild member accounts using employers' electronic payroll data and contribution records, together with the daily market investment valuations. The reasons for imposing the blackout were unforeseen and beyond reasonable control, so NPERS was not able to give you a lengthy notice before the blackout occurred.

During Ameritas' blackout period, you were able to view your account balances (on the Union Bank web site), but the market data and pricing were for values and deposits completed prior to close of business on September 29. Account balances remained invested according to the allocations in place on that date. Ameritas invested all new contributions in a short term money

market account until the end of the blackout period, and then transferred them with earnings to your account according to your individual fund allocations.

To view your account now, use Ameritas' online account access via NPERS' web site at www.npers.ne.gov. If you previously used a four-digit PIN number for Ameritas' account access, you should be able to use that same PIN. However, if you created a PIN number during July 1 through September 29, 2006, you will *not* be able to use that number and will need to complete a new four-digit PIN request form to establish Ameritas' account access. The PIN Request Form is available on NPERS' web site or by calling NPERS.

NPERS regrets any inconvenience caused to plan members or employers during these recordkeeping transitions. Be assured, every effort has been made to ensure your account information remains secure and accurate. Meanwhile, **if you have any questions or notice any discrepancies** in your account information, please contact NPERS at **402-471-2053** or **800-245-5712**. □

New Investment Video

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 employees. The information in the video is *not relevant* for the *Cash Balance* benefit.

This 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 13 investment funds available to you in your member account, the employer account, and/or your DCP account.

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 circumstances.

You can call **Sterling** 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 using Microsoft Windows Media Player in two formats: broadband or dial-up. If you don't have access to a computer, and would like the video on DVD, please contact NPERS at **800-245-5712** or **402-471-2053** to request a copy. □

Cash Balance Rate

The new credit rate will be **6.32%** annualized for the coming quarter. By law, the rate credited to member accounts is the Federal Mid-term Rate plus 1.5% per annum. The Federal Mid-term Rate for the previous quarter has changed to an annual rate of 4.82% making the new annual rate **6.32%** which will be credited to Cash Balance member's accounts for the period of October through December 2006.

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. □

Fall 2006 Seminar Calendar

If you need a registration form, you may print one from our web site at www.npers.ne.gov or contact our office.

Preretirement (age 50 and over)

Grand Island	October 31
Kearney	November 1
Norfolk	November 8
North Platte	November 16
Lincoln	November 29
Lincoln	November 30
Lincoln	December 6

Personal Planning (under 50)

Norfolk	November 9
North Platte	November 17
Lincoln	December 7

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Published by 
Nebraska Retirement Systems
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P.O. Box 94816
Lincoln, NE 68509-4816
402-471-2053 or
800-245-5712
www.npers.ne.gov
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