

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

Vol. 21, No.2, Spring 2006

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New Age-Based Fund – Coming Soon

Another new investment fund will be available *July 1, 2006*, for members of the **Defined Contribution** benefit of the State and County Plans. This brings the number of fund choices available for your member contributions as well as your employer matching contributions to 13. The new fund will also be available for members of the voluntary **Deferred Compensation Plan (DCP)** for State of Nebraska employees.

The new **Age-Based Fund** was authorized by LB 503 in 2005, together with the new Investor Select Fund introduced last fall. The Age-Based Fund is a "life cycle" fund which means it is geared toward your retirement date and will have an asset allocation mix among stocks, bonds, and cash equivalents that is invested more aggressively when you are younger. As you approach retirement age, the Age-Based Fund will automatically invest your account more conservatively.

The Age-Based Fund will be comprised of the existing pre-mixed funds offered in the State,

County and DCP Plans, which use a combination of stock and fixed income funds. These pre-mixed funds are the Conservative Pre-Mixed Fund (whose bond/stock ratio is 75%/25%), the Moderate Pre-Mixed Fund (50%/50%) and the Aggressive Pre-Mixed Fund (25%/75%). The pre-mixed funds automatically adjust to changing market conditions and rebalance to keep the targeted percentages of bonds and stocks.

The exact age breakdown to be used in the Age-Based Fund is still being determined. As the details unfold, they will be announced to you on our web site and in the next Retirement Roundup. Meanwhile, if you have questions on how these new funds can compliment your current investment strategy, please call **Sterling Financial Advisors** who are under contract with NPERS to provide investment education services at **877-970-9300** (toll free) or in Omaha at **402-970-9300**. □

Change In Recordkeeping Services

Get ready for lower fees, web access and a new look to your statements!

After formally requesting proposals and accepting bids for recordkeeping services for the **State, County, and Deferred Compensation Plans**, the Public Employees Retirement Board (PERB) at its February 2006 meeting awarded a contract for recordkeeping services to Union Bank & Trust Company of Lincoln.

Union Bank & Trust will provide account maintenance, quarterly member statements, daily account valuation, management reports, on-line web access, voice response services, and monitoring of enrollment eligibility.

The five-year contract begins *July 1, 2006*, so the third quarter member account statements sent to you in October 2006 will sport a new design. As a convenience, you'll keep your same PIN number for web or voice response access to your account information. You will have the option of eliminating the paper delivery of your account statement and Retirement Roundup in lieu of an e-statement with handy web links. In the future, you'll also have web access to your beneficiary designations.

(Cont. on page 2)

State & County Players Receive Cash Dividend!



The Public Employees Retirement Board (PERB) at its January 2006 meeting authorized the retroactive granting of a dividend to certain **State and County Plan** members in the **Cash Balance benefit**. The PERB's action resulted from a recent opinion from the Nebraska Attorney General. The dividend will be granted to plan members who had *terminated* employment with the State or County (and still maintained a retirement account balance) when the Cash Balance dividends were originally granted for year end 2003 and 2004.

The Attorney General's Opinion reiterates the PERB's authority to issue excess earnings of Cash Balance assets

to participants as a form of benefit improvement, and also establishes that participating State and County Plan members employed after enactment of LB 687 (which established the Cash Balance benefit) are eligible to receive dividend distributions, whether or not they are actively employed on the date the PERB authorizes distribution of a dividend, so long as they have still maintained an account balance.

Each year, upon review of the year-end investment returns for the Cash Balance benefit, the PERB may exercise the option to grant a dividend so long as the required cushion of 10% of the assets is maintained. The PERB's goal is to maintain benefit adequacy, which is defined as an annual 8% return. If the credit rate (set by statute as the federal midterm 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.

The PERB granted dividends by multiplying a plan member's 2003 year-end account balance with an earnings factor of 3.088%, and in 2004 with 2.8%. These dividends were granted only to plan members who were actively working at that time. Now, with the Attorney General's Opinions, the PERB will retroactively grant the dividends to plan members who had a year-end account balance but had terminated when the dividend was issued. If future Cash Balance dividends are granted, they will be distributed to all State and County Plan members, so long as they have maintained a cash balance with NPERS.

In April, this retroactive dividend payment, plus interest, will be deposited to member accounts. Any dividend deposited will be reflected on the next quarter's member account statement.

County Fees

County Plan members who elected to remain in the **Defined Contribution (DC)** portion of the County Employees Retirement Plan will see a slight increase in fees assessed against your account *effective May 1, 2006*. The current 10 basis points (BP) per year charge is no longer enough to sustain the County DC's share of NPERS' annual expenses. The Public Employees Retirement Board (PERB), at their March 2006 meeting authorized an increase to 15 BP per year. (The fee increase will *not* apply to Cash Balance benefit participants.)

Since all County DC Plan members are now vested (eligible for the county matching contributions) when they quit working for the County, there are no longer any "forfeiture" funds available for NPERS' payment of its ongoing expenses. The only forfeitures being generated are coming from the new County participants who are in the Cash Balance portion of the County Employees Retirement Plan. Forfeitures generated as a result of someone leaving Cash Balance prior to vesting (three

years vesting schedule) must be used to pay only the expenses associated with the County Cash Balance Plan.

The total County DC fund as of December 31, 2005, was \$164,445,235. The annual fee of 10BP on this balance would generate \$164,445.24 per year, or \$13,704 per month. Currently, the NPERS office expenses associated with the administration of the County DC plan are now approximately \$20,000 per month, or \$240,000 per year. An increase of the fee to 15 BP per year would generate approximately \$246,667 for expenses, assuming the fund balance remains the same for the entire year.

The 15 BP charge will be reflected on County DC members' second quarter account statements delivered in July. A County DC member with a \$10,000 account has been paying approximately \$10 per year or \$2.50 per quarter. The charge on the same account will now increase to approximately \$15 per year or \$3.75 per quarter, if the account remains at \$10,000.

It is important to note that these fees are in addition to the record keeping fees.

See article on new record keeper and lower fees. If you have any questions on this article, please contact NPERS. □

Recordkeeping (from page 1)

The recordkeeping fees set by the new contract are **\$16 per year** for each State, County and Deferred Compensation Plan (DCP) participant. The \$16 fee, assessed monthly, is substantially lower than the \$24-\$25.75 previously charged.

For the past 40 years, Ameritas Life Insurance Company has performed NPERS' recordkeeping services in successive contracts. NPERS recognizes Ameritas' dedication and competent service, while we look forward to the new relationship with Union Bank & Trust Company.

NPERS and Union Bank & Trust are working diligently to convert member records and ensure a smooth, accurate transition. We will keep plan members informed of the changes through direct mailings, this newsletter and our web site at www.npers.ne.gov. □

STATISTICS

During the last year at NPERS for all six retirement plans administered:

668 employers reported payroll information each month

692 members visited in person with a Member Services representative

859 members retired

1,675 accounts were refunded or rolled over

3,287 members and spouses attended one of the **87** retirement seminars held

5,877 new plan members

19,440 microfiche and paper files were converted to the PIONEER technology system

31,222 phone calls were received and responded to

74,400 pieces of incoming mail were processed

96,473 total plan membership, with **61,655** of those actively working

154,223 documents were electronically scanned into member and employer files

336,255 pieces of mail were sent

\$7,209,757,973* was the 2005 year-end market value of all retirement plan assets.

*School, Judge & Patrol Assets as of 6/30/05
State & County Assets as of 12/31/05.



Remember

If your name or address changes, notify your employer right away!

Legislative Update

A number of legislative bills with implications for Nebraska's Retirement Systems were introduced this year. This edition of the Retirement Roundup was printed before the Legislative session ended on April 12, 2006, therefore **NPERS will update the progress of this legislation in the next Retirement Roundup.** The new legislation includes the following:

County Plan

- **LB 1023** — Stipulates that officers and employees of a District Health Department formed by two or more counties shall be eligible to participate in the County Plan. *This bill was amended into LB 1019.*

State and County Plans

- **LB 366 — Retirement Committee Priority Bill** — Provides that State and County employees begin participation in their respective retirement plan **immediately** upon permanent full-time employment with no 12-month waiting period. Full-time elected County officials would also begin immediate participation upon taking office. Permanently employed part-time State and County employees who have attained the age of 20 may exercise the option to begin immediate participation in the plan. All part-time elected County officials may exercise the option to begin immediate participation upon taking office. Vesting would occur after three years of plan participation. The bill also increases the **State Plan** employee contribution rate to **4.8%** of compensation. *This bill was advanced to Final Reading.*
- **LB 529** — Changes the clerks of the district court from an elected to an appointed position. If passed, clerks of the district court would be appointed by District Judges and participate in the State (Cash Balance) Plan. Those members who are already participating in the County Defined Contribution benefit would be allowed to participate in the State Defined Contribution benefit. The bill includes language that would create a \$5 increase in court fees to offset the State's cost in funding these positions. *The bill was advanced to General File.*
- **LB 671** — Provides for the transfer from one retirement system to the other when a State employee transfers employment to a County having a population of 150,000 to 300,000. *The bill was advanced to General File.*
- **LB 1019 — Retirement Committee "Clean-Up" bill** — Clarifies the final retirement annuity payment date will be the end of the calendar month. Allows the PERB to credit dividend amounts in the Cash Balance benefit. Establishes appointees to the Nebraska Investment Council will "serve for a term of five years that begins on January 1 and may be removed by the Governor for cause after notice and an opportunity to be heard." Stipulates that members of the PERB "shall not have a duty in their official capacity to seek the enhancement of plan benefits through the legislative process if such benefits are not already contained within the plan document." Includes language amended from LB 1020, LB 1023, and LB 1140. *The bill was passed and signed by the Governor on March 22, 2006.*
- **LB 1140** — Clarifies the procedure by which the Public Employees Retirement Board (PERB) may issue dividends to Cash Balance plan participants. *This bill was amended into LB 1019.*

NPERS' web site at www.npers.ne.gov maintains a current list of Legislative action pertinent to Nebraska's retirement plans. For a complete list of the Legislative Bills introduced in 2006, please contact the **Clerk of the Legislature** at **402-471-2271**, or use the Legislature's web site at www.unicam.state.ne.us.

Thanks to Previous Board Members!

Two members of the Public Employees Retirement Board (PERB) terms expired in January. Julia Moeller and Judge William Hastings will be missed by their fellow Board members as well as NPERS' Director and staff.



Ex-PERB member Julia Moeller (left) and NPERS Director, Anna Sullivan

Julia M. Moeller has served on the Board, representing members of the County Plan, for ten years, two of which were as Vice Chairperson. She also has been the Adams County Treasurer since 1979. Ms. Moeller is a Hastings resident where she is a United Way and American Heart Association volunteer. She is active in the Nebraska Association of County Officials (NACO), Nebraska Association of County Treasurers and the Central District County Officials Organization.

Also a ten year PERB member, retired Chief Justice **William Hastings** represented the retired members. Currently a Lincoln resident, Judge Hastings attended high school in Newman Grove, Nebraska, then received his Law Degree from the University of Nebraska. He began serving as a District Judge in 1965 and became a Supreme Court Justice and then Chief Justice. □



Ex-PERB member William Hastings



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Welcome New Board Members

The Public Employees Retirement Board (PERB) consists of eight members appointed by the Governor for five-year terms. This year NPERS is pleased to welcome two new members.

Richard Wassinger is currently the Cass County Treasurer and will represent the County Plan members on the Board. Richard resides in Plattsmouth where he is very active in the community and his church. He belongs to the American Legion, the Plattsmouth Rotary Club, and serves on the legislative committee for the County Treasurers Association. Mr. Wassinger received his education at the University of Nebraska, Lincoln.

The other new Board member is **Glenn Camerer**, a Scottsbluff resident and currently a Scotts Bluff County Judge. He also serves as the Deputy County Attorney. Judge Camerer has been active for many years on behalf of the judges of Nebraska and their retirement program. He received his degrees at the University of South Dakota.

NPERS welcomes both gentlemen to the PERB and looks forward to working with them. □

Annual Report to the Legislature



NPERS' has prepared its Annual Report to the Legislature and submitted it to the Legislative Retirement Committee who oversees pension legislation.

The report summarizes NPERS' 2005 accomplishments and improvements in services to our plan members. It also outlines our goals for 2006 in the work we do as fiduciaries for Nebraska's Retirement Plans.

To view the report, visit NPERS' web site at **www.npers.ne.gov**, or call the office for a copy at **800-245-5712** or **402-471-2053**.

Cash Balance Rate

The new credit rate will be 6.22% 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 4.72% making the new annual rate 6.22% which will be credited to Cash Balance member's accounts for the period January through March 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.

Annual Investment Report

The annual report to members of the **State and County Plans** and the state's **Deferred Compensation**



Plan will be mailed in April 2006. The report includes investment results, plan statistics and fact sheets for each of the 12 investment funds for the plan year ending December 31, 2005. Added to the report last year, and included again this year, is the Cash Balance benefit annual report.

The comprehensive report also features an "investment basics" tutorial to help plan members construct a sound base for retirement, understand investment principles, asset allocation, risk related to return and diversification.

Once the Annual Investment Report is mailed to plan members, it will also be available on NPERS' web site at **www.npers.ne.gov**.