

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

Vol. 21, No.4, Summer 2006

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Passing of LB 366 Means Major Changes

New State and County members no longer have to wait to start contributions.

NPERS is pleased to announce the passage of LB 366 which mandates immediate **State and County Plan** participation beginning *January 1, 2007*, and increases the contribution rate for **State** employees.

Immediate Plan Participation

Under the *current* law, State and County employees begin mandatory participation in the

retirement plan after 12 continuous months of employment. **Starting in 2007, the 12-month wait is eliminated.** This means all State and County employees employed on a *permanent full-time basis* who have not completed 12 continuous months of employment will begin **immediate** plan participation. Anyone hired in 2007 or later will join the plan on the date they are hired.

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Welcome Union Bank & Trust

As of July 1, they are the new recordkeeper for NPERS members

Union Bank & Trust Company (UBT) will assume recordkeeping duties for the **State, County, and Deferred Compensation Plans** on *July 1, 2006*. The services UBT will perform as recordkeeper include account maintenance, quarterly member statements, daily account valuation, management reports, on-line web access, voice response services, and monitoring of enrollment eligibility.

2006, during which transactions will be temporarily halted. You will not be able to change the investment of assets in your individual account(s), or make any changes to or access your accounts during this blackout period.

Although inconvenient, the blackout period is necessary in this type of changeover and the procedure is an industry standard. We have over 28,000 individual accounts containing over \$1,450,000,000 in the State, County and DCP plan assets. It is imperative the units are valued accurately, the balances are transferred

(Cont. on page 2)

In addition to an article in last quarter's Retirement Roundup, every member of the State, County and Deferred Compensation Plans was mailed a notice explaining the "**blackout period**" from **June 26, 2006, through July 17,**

What's Missing?

Did you notice something missing in the envelope with your quarterly account statement and Retirement Roundup newsletter? It's the one-page "*Time-weighted Rates of Return*" provided by the Nebraska Investment Council for the investment options available in the State and County **Defined Contribution** benefit and the **Deferred Compensation Plan** for State of Nebraska employees.

For this quarter only, the historical returns are omitted so as to provide you timely information about NPERS' change in recordkeeper (see related article) and the blackout notice. The Time-Weighted Rates of Return will be posted on our web site at www.npers.ne.gov at the end of July. With next quarter's mailing, the process will return to normal.



Union Bank *(Cont. from pg. 1)*

correctly, and all postings are scrutinized as the computer technology moves data from our previous recordkeeper's system to that of UBT.

NPERS is confident these organizations will take excellent care of your personal information and the details of your accounts. Meanwhile, take comfort that the fees you'll pay under the new contract are very low at **\$16 per year**, assessed monthly and reflected on your quarterly account statement.

During the Blackout Period

Tutorial — While the changeover takes place and until the blackout dates are over, you can view a tutorial of UBT's Online Account Access, available right now on NPERS' web site at www.npers.ne.gov. The tutorial includes screen shots and provides explanations of the online services that will be available to you.

Demo — Also available right now is a "demo" of UBT's Online Account Access. You can click on the link found on NPERS' web site at www.npers.ne.gov, or go directly to <https://relius.ubt.com> and log on using the User Id. "11111128" and Password "111128." We encourage you to investigate this program to see how user friendly the new online account access will be.

After July 17

PIN Number — If you already have a PIN number, you'll be able to use it for web or voice response access to your account information. If you do not have a PIN number, you can request one using the Pin Request Form located on the NPERS' web site under "Forms," or get one from your human resource department.

Internet Account Access — When logging on to UBT's Online Account Access, you'll need to fill in your User ID and Password: Your "User ID" will be your **Social Security Number**. Your "Password" will be your **PIN number**. You will then click the "Participant" button.

New Fund Makes for a Smooth Ride



The market goes up, the market goes down. Interest rates change. There isn't one asset class that provides the highest returns year after year. A diversified portfolio that contains more asset classes provides more consistent returns.

Looking through your rear window and changing your asset allocation to match last quarter's or last year's hot performers is like holding a road map upside down. You'll be swerving, drifting and crossing the center line. Your destination should be a financially sound retirement. Hopefully not a financial car crash waiting to happen.

History shows that having a diversified portfolio will smooth some of the bumps in the road. The smoother the ride, the easier it is to maintain a disciplined approach to stay on the road.

The new **Age-Based Fund** is a roadmap that provides a diversified portfolio that takes advantage of the bumps in the road and adjusts your speed and route as you age. This fund is now available for members of the **State and County Plans** as well as members of the voluntary **Deferred Compensation Plan (DCP)**.

The Age-Based Fund is a "life cycle" fund which means it is geared toward your retirement date. The asset allocation mix among stocks, bonds, and cash changes as you grow closer to retirement.

The Age-Based fund is comprised of the existing pre-mixed funds, each of 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%).

You would never get behind the wheel of a gazillion-pound automobile and hit the gas without maybe doing something like ... paying attention. Many investors have little time to pay attention to their investment portfolio. As you age, the Aged-Based Fund will automatically adjust your pre-mixed fund to suit your preretirement age.

Thru Age 39 - Aggressive Pre-Mix
Age 40-59 - Moderate Pre-Mix
Age 60 & Over - Conservative Pre-Mix

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Voice Response System — To make account changes using the telephone and UBT's TrustStar Line, call toll free 1-888-401KNOW (1-888-401-5669); in Lincoln call 323-1696. With a touch tone phone, call anytime and enter your Social Security number and PIN number for account access. For rotary dial service, call between 8 am and 5 pm CST and you'll be connected to an account representative who will help you.

Multiple Accounts — If you have more than one account (for example, a State Plan account and a Deferred Compensation Plan account), once you have logged on, your accounts will be listed and you will click on the account you wish to access.

Account Statements — A paper copy of your account statement will be mailed to you following the end of each quarter. You may view your account statement online anytime through a link to UBT located on the NPERS' web site at www.npers.ne.gov, or go directly to <https://relius.ubt.com>.

NPERS and Union Bank & Trust Company are working diligently to ensure a smooth, accurate transition. We will keep plan members informed of the changes through this newsletter and our web site at www.npers.ne.gov. Please do not attempt to access your account at Union Bank until the "blackout" period ends. □

Educational Videos Available

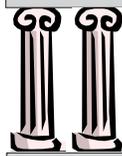
The year 2005 saw NPERS' creation and rollout of a new "mini-seminar" entitled Retirement 101. This 60 minute presentation was developed to provide basic information regarding benefits of the mandatory State and County Plans, both **Defined Contribution** and **Cash Balance** benefits, and also enlighten State members about the voluntary **Deferred Compensation Plan** for State of Nebraska employees.

Due to the popularity of the Retirement 101 sessions, NPERS' Education Services department has produced a *new Retirement 101 training video* and placed it on the State and County sections of the NPERS website.

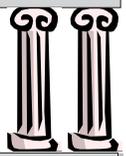
The Retirement 101 video covers the basics of the mandatory Defined Contribution and Cash Balance benefits. At 17 minutes, it is an excellent "orientation" for new plan members to learn about their State or County Retirement Plan.

To view the new Retirement 101 video, visit NPERS' web site at www.npers.ne.gov and click on either the State or County links using the navigation buttons located on the left side of the main page. Both the Investment Education and Retirement 101 videos can be viewed using the Microsoft Windows Media Player. Windows Media Player is commonly bundled with the XP operating system and is also available as a free download from the Microsoft website. In addition, Apple users may download a version compatible with their systems.

If you wish to learn a bit about your retirement plan, we encourage you to check out the Retirement 101 video. Watch for additional videos as the year progresses. ☐



LEGISLATIVE UPDATE



The 2006 Legislature has drawn to a close. This year saw benefit changes to the **State and County Plans**, most via LB 366 (see the related article in this newsletter). Listed below are the bills that became law this year.

LB 366 — Retirement Committee Priority Bill — This bill was passed after an override of Governor Heineman's veto, with an *operative date of January 1, 2007*.

- 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 will occur after three years of plan participation.
- The bill also increases the **State Plan** employee contribution rate to a flat **4.8%** of annual compensation.

LB 808 — Passed and signed into law on April 12. 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.

LB 1019 — Retirement Committee "Clean-Up" bill — The bill included language amended from LB 1020, LB 1023, and LB 1140, and was passed and signed by the Governor on March 22, 2006.

- 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.
- Clarifies the procedure by which the Public Employees Retirement Board (PERB) may issue dividends to Cash Balance plan participants.
- Establishes appointees to the Nebraska Investment Council will "serve for a term of five years that begins on January 1..."
- 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."
- 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.

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.

Fall 2006 Seminar Calendar

Seminar registration information will be mailed to all State and County members in August.

Preretirement (age 50 and over)

Lincoln	September 7
Scottsbluff	September 13
Omaha	September 20
Valentine	September 27
Fremont	October 4
Lincoln	October 12
Grand Island	October 17
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)

Lincoln	September 6
Scottsbluff	September 14
Omaha	September 21
Valentine	September 28
Fremont	October 5
Lincoln	October 11
Grand Island	October 18
Norfolk	November 9
North Platte	November 17
Lincoln	December 7

Moving?



Remember to Notify Your Employer!

When your address changes, please remember to notify **your employer**. Any changes to your records through your employer replace the reported information in NPERS' database. It is important to notify your employer of your change of address to assure you receive your account statement and other important information from NPERS.

LB 366 Changes *(Cont. from page 1)*

LB 366 also addresses participation for part-time employees and elected officials. Permanently employed *part-time* State and County employees who have attained the age of 20 may now exercise the option to begin immediate participation. *Full-time elected* County officials will also begin immediate participation upon taking office and *part-time elected* County officials will have the option to begin immediate participation.

Contribution Rate Increase

The new law also increases the contribution percentage for **State Plan** members. Under current statute, State employees initially contribute 4.33% of compensation to their retirement account. If their total contributions reach \$864 (\$19,954 in salary), the rate increases to 4.8% for the remainder of the year, then reverts back to 4.33% each January 1. *LB 366 removes the initial 4.33% rate and establishes a flat contribution rate of 4.8%*. While the current 156% "employer match" for State members remains unchanged, the matching percentage applied to the

new contribution rate will result in increased contributions from your employer. No changes were made to the County contribution rate of 4.5%.

Vesting

Lastly, LB 366 updated the vesting language to reflect immediate plan participation for State and County members. Current language stipulates 3 years to vest (retain the employer match upon termination) which includes the 12 months of eligibility (waiting period) and 24 months of plan participation. *With the removal of the eligibility time period, the new language clarifies vesting as 3 years of plan participation*. In essence, the total amount of time required to vest is unchanged.

The provisions of LB 366 will go into effect **January 1, 2007**. The resulting changes not only "bump up" the total amount of time a member contributes toward their retirement, but also increases the total dollar amounts that will flow annually into each member's account. □

New Fund *(Cont. from page 2)*

All the pre-mixed funds, automatically adjust to changing market conditions; buying more when prices are low and selling when prices are high. It's like having an automatic instead of a stick shift. Along with the automatic age-based adjustment, it's never been easier to handle your investments like a professional. All you have to do is sit back and enjoy the ride!

If you have questions on how this new Age-Based fund works, 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**. They'd love to hear from you. □



Have a great summer!



RETIREMENT ROUNDUP

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