

Retirement Roundup

"Providing Information to State & County Employees"

Nebraska Public Employees Retirement Systems

Vol. 22, No.3, Spring 2007

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Under New Management



We are pleased to announce that the Public Employees Retirement Board (PERB) has selected **Phyllis Chambers** as the new Director of NPERS.

As Director, Phyllis will serve as an Ex-officio member on the Board of the Nebraska Investment Council. She also serves on the Board of Directors for the Lincoln Airport Authority, and has been the Chairperson on three different occasions. Her previous employment has been with the Hartford Life Insurance Company, where she managed deferred compensation plan accounts for 75 Nebraska counties as well as the State of Nebraska.

Prior to joining Hartford, she worked as Trust Operations Officer for First Nebraska Trust

Company, was a stockbroker at Piper Jaffray, Inc., and served as President of the Cornhusker Better Business Bureau.

Ms. Chambers holds a Bachelor of Science degree and a Masters of Business Administration degree from the University of Nebraska-Lincoln. She has been active in many civic and volunteer organizations in Lincoln, including serving on the Starbase Nebraska Board, the UNL Alumni Association Board, Lincoln Downtown Rotary Club Board, Lincoln Chamber of Commerce, Airports Council International, and the Lincoln Public Schools Advisory Committee.

We welcome Phyllis to our agency and look forward to developing a long, successful relationship between her, our staff and our members. □

Best Wishes Charles



After serving 10 years on the PERB and 4 years as Chairman, **Charles Peters** has retired.

Mr. Peters has seen many changes at NPERS. During his tenure, Charles participated in the selection of two Directors for NPERS as well as the implementation of our information system, PIONEER.

Current PERB member, **Denis Blank** has been elected as the Chairperson of the Board. Member-at-large, **Roger Rea** will serve as Vice Chairperson.

Members of the Retirement Systems, NPERS staff and members of the PERB join in extending our best wishes and appreciation to Mr. Peters for his dedicated service. □

New Board Member



NPERS is pleased to welcome **Donald Pederson** as our newest PERB Member-at-large.

Mr. Pederson, former Nebraska Senator representing District 42, served in the Legislature for 10 years. Donald is with the Baskins, Pederson and Troshinski Law Firm in North Platte. He remains a member of the Nebraska Bar Association, Nebraska Bank Attorneys Association and the Lincoln County Bar Association. He belongs to the Rotary Club of Lincoln, the Nebraska Educational Telecommunications Foundation Board, the State Historical Foundation and several other community organizations.

NPERS welcomes Mr. Pederson to the PERB and looks forward to working with him. □

Everything You've Always Wanted to Know About Taxes...

Tax Returns Can Help Achieve Financial Dreams

by Mary H. Jochim, Sterling Financial Advisors

With tax returns completed and mailed (you are getting close to mailing yours aren't you?) most people breathe a sigh of relief. However, the information you just gathered to satisfy Uncle Sam may be just what you need to begin realizing your financial dreams. Developing a financial plan begins with accumulating much of the same data needed to prepare your income taxes

First, you will need lists of assets and liabilities, a copy of your tax return, insurance policies, and recent statements for your **State or County Retirement Plan**, including the voluntary Deferred Compensation (457) Plan. You need to see where you are to find your way.

The *second* step in the process is identifying financial goals. The three objectives cited most often are a retirement nest egg, your children's education and developing an estate plan. While these are a little vague, they're a start.

The *third* step is identifying problems that might prevent financial independence, such as too little going into savings, your tax burden, investment choices in your retirement plans that aren't the best for your age and circumstances. It is important at this point to consider having a financial advisor assist you. A professional advisor can provide objectivity and expertise. It's hard for people to be objective regarding their own finances, and most do not have the financial experience necessary. We see this often when plan participants change their investment choices to reflect last years' top performers. At a *minimum*, you should *plan to attend a seminar* offered by the Nebraska Retirement Systems in the fall – a Financial Planning Seminar if you're under age 50, or a Retirement Planning seminar if you're over age 50.

The *fourth* step is structuring a plan. A great plan doesn't get you very far if it is not implemented. A financial advisor

can help develop and implement the plan, but the decision remains your responsibility. Many advisors provide a checklist to help clients implement their plans themselves. If you are under age 50 and attend an NPERS' Financial Planning seminar, you'll get a great workbook that includes such a checklist.

A *final* step is periodically reviewing your plan to account for changes in personal and economic conditions. If you'd like to visit about your State or County Plan and the 457 plan please call **Sterling Financial Advisors** (see page 3). We are always glad to hear from you. □

Know Your Tax Rates

As with any type of goal, proper planning is the key to success. This also extends into the area of tax planning where knowledge of the applicable tax rates for **2007** may prove beneficial in reducing your income tax bill for the year. As the following information shows, your taxable income is what determines the tax rate that will be imposed. If your income is just over a certain threshold, reducing your taxable income may be key to placing you in a lower tax bracket and saving you money.

Married Taxpayer Joint/Surviving Spouse

Taxable Income	Pay	% on Excess	Of Amount Above
Below - \$ 15,650	N/A	10.0%	0
\$ 15,650 - \$ 63,700	1,565.00	15.0%	\$ 15,650
\$ 63,700 - \$ 128,500	8,772.50	25.0%	\$ 63,700
\$128,500 - \$ 195,850	24,972.50	28.0%	\$ 128,500
\$195,850 - \$ 349,700	43,830.50	33.0%	\$ 195,850
Over - \$ 349,700	94,601.00	35.0%	\$ 349,700

Single Taxpayer

Taxable Income	Pay	% on Excess	Of Amount Above
Below - \$ 7,825.00	N/A	10.0%	0
\$ 7,825 - \$ 31,850	782.50	15.0%	\$ 7,825
\$ 31,850 - \$ 77,100	4,386.25	25.0%	\$ 29,050
\$ 77,100 - \$ 160,850	15,698.75	28.0%	\$ 77,100
\$160,850 - \$ 349,700	39,148.75	33.0%	\$ 160,850
Over - \$ 349,700	101,469.25	35.0%	\$ 349,700

Head of Household

Taxable Income	Pay	% on Excess	Of Amount Above
Below - \$ 11,200	N/A	10.0%	0
\$ 11,200 - \$ 42,650	1,120.00	15.0%	\$ 11,200
\$ 42,650 - \$ 110,100	5,837.50	25.0%	\$ 42,650
\$110,100 - \$ 178,350	22,700.00	28.0%	\$ 110,100
\$178,350 - \$ 349,700	41,810.00	33.0%	\$ 178,350
Over - \$ 349,700	98,355.50	35.0%	\$ 349,700

Of course, this brief article is no substitute for careful consideration of all the advantages and disadvantages of tax matters in light of your unique personal circumstances. Before implementing any significant tax planning strategy, contact your financial advisor, attorney or tax professional as appropriate.

... But Were Afraid To Ask

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●●● Rate Your Tax Bite * ●●●●●●

On average, many Americans do not know the percentage of their income that goes to paying taxes. Most associate taxes with income taxes and rarely take into account Social Security tax, state sales taxes, and other non-income taxes. The chart below will enable you to estimate your “effective rate” of tax – i.e., how much income really goes to paying taxes of *various kinds*. It is important you understand the impact taxation has on achieving your financial goals. In order to get started, you will need a copy of your most recent federal and state income tax returns, along with your W-2 and 1099 forms for the same year.

Gross Income \$ _____

This includes salary from all W-2s for both spouses, interest and dividend income from the 1099 forms, Schedule C net income, and any other income that appears on the income section of your return.

Your Total Federal Tax \$ _____

From Form 1040, 1040A, 1040EZ - includes income tax.

Your Total State Income Tax \$ _____

Includes amounts on your state return.

Your FICA Tax \$ _____

Amount of Social Security tax and Medicare tax withheld, shown on your W-2.

Real Estate Tax \$ _____

From Schedule A of your tax return, or from real estate tax bill.

Sales Tax \$ _____

Multiply your Gross Income by 1/3 (an estimate of the average taxpayer’s “disposable income”); then multiply that amount by 5.5% Nebraska Sales Tax Rate.

Total Taxes \$ _____

Add together all the taxes you have paid.

Effective Tax Rate _____ %

Divide Total Taxes by Gross Income for an estimate of your effective tax rate.

* It should be emphasized that this is merely a general discussion on estimating an individual’s effective tax rate. If you are interested in completing a thorough analysis of your own tax situation, consultation with a financial advisor or tax professional is recommended.

Legislative Update

by Joe Schaefer, Legal Counsel

A number of legislative bills with implications for Nebraska’s Retirement Systems have been introduced and are now before the Legislature. The session is scheduled to end May 31, 2007, and **NPERS will update the progress of this legislation in the next Retirement Roundup**. The new legislation includes the following:

LB 328 was prepared at NPERS’ request and makes two changes to the **State Plan** and the same two changes to the **County Plan**. First, the bill creates the County Employees Cash Balance Expense Fund and the State Employees Cash Balance Expense Fund. Currently, NPERS accounts for cash balance expenses in sub-funds of the applicable plans. The second change removes the 60 day period during which to reenroll County and State plan members who return to permanent, full-time employment. The members would begin participation immediately under the bill. (Immediate participation for County and State employees was instituted last year in LB 366.)

LB 329 reduces the years of experience necessary in the qualifications of the director of NPERS from the current 5 years to 3 years.

LB 665 allows a new period in which members of the **County Plan** and the **State Plan** could elect to participate in the cash balance option of their respective plans. The new election period would be from November 1, 2007, through December 31, 2007. Members who previously elected to participate in the cash balance option would not be required to reelect. Defined contribution members who did not file an election during the new election period would continue to participate in the defined contribution option. □

Educational Video

NPERS' Education Services department has produced a *new video* explaining the voluntary **Deferred Compensation Plan (DCP)** for State of Nebraska employees.

To view the new video, visit NPERS' web site at www.npers.ne.gov and click on the State or County link using the navigation buttons located on the left side of the main page. The video can be viewed using the Microsoft Windows Media Player, which 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.

We encourage you to check out the 23-minute DCP video. If you have any questions about the Plan, call NPERS at **800-245-5712 or 402-471-2053**. ☐



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Lower DCP Fees

State employees who participate in the *voluntary* Deferred Compensation Plan (DCP) will enjoy paying half as much in annual fees assessed against their account, as authorized by the Public Employees Retirement Board (PERB) at their meeting on December 18, 2006.

The PERB *lowered* the fees from 10 basis points (BP) to **5BP** or .0005. So, for example, a member with a \$10,000 account would now pay \$5 per year or \$1.25 per quarter. The fee is collected by our recordkeeper, Ameritas Life Insurance Corporation, and is reflected on your quarterly account statement in the dollar amount under the "Adjustments" column.

DCP members pay annual fees as their pro-rata share of NPERS' ongoing operating expenses, which are prorated so each plan we administer pays a share using a time and usage formula. It is important to note that these fees are *in addition to* the Nebraska Investment Councils' investment related fees (9BP or .0009), custodial bank's fees (5BP or .0005) and annual recordkeeping fees (\$22.80 which will reduce to \$15.60 toward the end of 2007). All totaled, members' plan expenses are kept reasonable and affordable. ☐

Attend A Seminar!

Have you attended a Retirement or Financial Planning seminar yet?

The **Retirement seminars** for members *age 50 and over* will focus on the options and requirements of your pension plan as you consider retirement. They will also discuss Social Security, financial management and estate planning.

The **Financial Planning** seminars for members *under age 50* will focus on the basics of investing, savings plans, tax advantages and other methods of planning for your financial future.

State and County seminars are held in the fall each year. They will begin in September and run through December. You must preregister to attend. Registration information will be mailed to all eligible members at their home address in August and will also be posted on our website at www.npers.ne.gov.

The best part is, you get the **DAY OFF WITH PAY** to attend a seminar! Members are allowed to attend two Financial Planning seminars before age 50 and two Retirement seminars after age 50.

Check the summer issue of your Retirement Roundup for a complete fall schedule and take a day to begin planning for your future. ☐

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