

RETIREMENT NEWS

Nebraska Public Employees Retirement Systems

STCO • January 2011

PROVIDING
INFORMATION TO
STATE AND COUNTY
EMPLOYEES

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Nebraska Public Employees Retirement Systems

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RETIREMENT NEWS

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Reemployment? Not so fast!

All participants in the State and County retirement plans must cease employment prior to taking a distribution from their Cash Balance or Defined Contribution retirement accounts. Once an employee has severed service and taken a distribution, there are additional federal and state regulations addressing when they may return to work. Failure to understand these regulations surrounding reemployment can create unplanned hardships.

To begin, let's define reemployment.

Reemployment is *returning to work for the same employer (state or county)*.

A state employee who returns to work for any state agency participating in the State retirement plan would be considered reemployed. Accepting employment at a different state agency has no effect on this status. If this agency also participates in the state retirement plan, you are considered "reemployed".

A county employee who returns to work for *any county participating in the County plan* would also be considered reemployed. Returning to work for a different county would

not change this status, with two exceptions. Both Douglas and Lancaster County do not participate in the statewide county plan.

Despite the similarities, the state and county retirement plans are two separate plans.



If a member ceases employment and takes a distribution of their retirement, then returns to work before 120 days, the member must repay the distribution.

Therefore, a member in the state plan could accept employment with a county, or a county member could accept employment with the state, and neither

situation would be considered reemployment provided the member is moving from one plan to the other.

In addition, there may be situations where defining reemployment can be confusing. Two examples:

1. Participants in the Nebraska State Patrol or Judge's retirement plan are state employees and would be considered reemployed if they accept employment with a state agency.

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2011 Contribution Limits

2011 Contribution limits for voluntary Deferred Compensation Plans (DCP) have been announced by the IRS for section §457, tax sheltered retirement plans. For 2011, contribution limits remain unchanged from the 2010 amounts.

The standard limit for 2011 will be \$16,500 for members under age 50. Members who are 50 or older may contribute up to an additional \$5,500 for a total of \$22,000. Individuals taking advantage of the Three-Year Catch-up Provision (for members who did not defer the maximum amount allowed in previous years) is \$33,000. The catch-up is allowed within three years of a member's anticipated retirement, so it cannot be started earlier than age 52. The Age 50 and the Three-Year Catch-Up Provisions may not be implemented simultaneously. Regarding contribution limits, \$25 per month is still the minimum amount a member may defer from salary and contribute to DCP pre-tax.

Remember, DCP is a long-term investment plan and not intended as a short-term savings account. All state employees are eligible to participate, as are any county employees whose employer doesn't offer a deferred compensation plan. If you'd like to enroll in DCP, or have any questions, contact your employer or NPERS. The DCP Enrollment and Change Forms for *State* employees are available on the NPERS website under "Forms." These forms should be submitted to your agency payroll or HR rep so they can set up the payroll deduction. *County* members should contact their HR department for plan and enrollment information.

NPERS Employee and Manager of the Year

The Nebraska Public Employees Retirement Systems is pleased to announce our recipients for Manager and Employee of the year for 2010. Our Employee of the Year is Mitch Snyder, and our Manager of the Year is Miden Ebert.

Mitch works for the “Specialties” division in the Member Services department and has been with NPERS for over 12 years. Mitch processes incoming Qualified Domestic Relations Orders (QDROs) and also helps with disabilities, purchase of service and benefit estimates, retirements, and service purchases. Comments made by coworkers as part of the nomination process included, “He is conscientious and works hard to help the members.” “Mitch is very professional and a great person to work with!”



Miden is the manager of the Member Services department. She has been with NPERS for almost three years. Miden supervises the largest department in our office, including the Call Center, Benefits Processing, and Specialties divisions.



Comments made on her nominations include, “She works extra hours and goes the extra mile.” “She truly wants her staff members to succeed at their jobs.”

NPERS is happy to recognize Mitch and Miden for their years of hard work and dedication to our members. Congratulations!

Saver’s Tax Credit

Did you know contributing to the voluntary Deferred Compensation Plan (DCP) may help reduce your taxes? Low and moderate income employees may be able to significantly reduce their taxes by qualifying for the Federal Saver’s Tax Credit, formally known as the Retirement Savings Contribution Credit. By making voluntary contributions to an employer sponsored retirement plan or individual retirement arrangement (IRA), you may qualify for a maximum credit of up to \$1,000 per individual (\$2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Contributions made to mandatory plans are not eligible. Individuals with higher incomes are also not eligible for this credit. Eligibility and the amount of the credit are determined by *filing status* and *adjusted gross income* (AGI).

Filing Status/Adjusted Gross Income Limits for 2011

AMOUNT OF CREDIT	JOINT	HEAD OF HOUSEHOLD	SINGLE
50% of first \$2,000	\$0 to \$34,000	\$0 to \$25,500	\$0 to \$17,000
20% of first \$2,000	\$34,001 to \$36,500	\$25,501 to \$27,375	\$17,001 to \$18,250
10% of first \$2,000	\$36,501 to \$56,500	\$27,376 to \$42,375	\$18,251 to \$28,250

Per the 2011 limits, a couple filing a joint return with an AGI of \$34,000 or less is eligible for the 50% rate. If each one contributed \$2,000 (or more) to a qualified plan, both would receive the maximum \$1,000 Saver’s Credit. If their AGI was a bit higher at \$35,000, the rate drops to 20% and both would receive a \$400 credit.

Don’t confuse tax “credits” with “deductions.” Credits directly reduce your actual tax liability dollar for dollar and provide significantly better savings. Even better, contributions made to a Deferred Compensation Plan (DCP) can be used to reduce taxable income (AGI) and help you qualify for a higher Saver’s Tax Credit.

For example, per the 2011 AGI limits (listed above), a single filer with an AGI of \$19,000 is eligible for a \$200 Saver’s Credit (10% rate) if they contribute to a qualified plan. What happens if their “starting” income is \$19,000? A \$2,000 contribution would lower their AGI to \$17,000 *and* qualify them for the 50% rate!

\$19,000 Income
 – \$2,000 DCP Contribution
 = **\$17,000 AGI**
 Tax (2010 rate) = **\$876**
 – **\$1,000 Credit**

Final Tax = \$0

Now compare that to an individual who made no contributions to DCP:

\$19,000 Income (AGI)
 No Deduction or Credit

Final Tax = \$1,176

By contributing to DCP our “saver” has reduced their taxes to ZERO and saved \$2,000 for retirement.

PLEASE NOTE: Above examples used for illustrative purposes only. Tax rates used in above examples are for 2010. Tax rates for 2011 may be different. Actual tax liability will vary from individual to individual based on income and deductions. NPERS does not provide tax advice. Individuals should consult a tax professional for questions regarding individual tax liability.

For more information on the Saver’s Credit, review IRS Publication 590, Individual Retirement Arrangements (IRAs), Publication 4703, Retirement Savings Contributions Credit, and Form 8880. Publications and forms can be downloaded at IRS.gov or ordered by calling 800-TAX-FORM (800-829-3676).

To be eligible for the Saver’s Tax Credit:

- You must be at least age 18.
- You must not be a full-time student.
- No one else, such as your parents, claims you as an exemption (dependent) on their tax return.

Qualified plans include:

1. Contributions to a traditional or Roth IRA.
2. Voluntary payroll deductions (contributions) from:
 - a) A 401(k) plan (including a SIMPLE 401(k)),
 - b) A section 403(b) annuity,
 - c) **An eligible deferred compensation plan of a state or local government (a governmental 457 plan),**
 - d) A SIMPLE IRA plan, or
 - e) A salary reduction SEP.
3. Contributions to a section 501(c)(18) plan.

2. County Clerk Magistrates are participants in either the Judge's or State retirement plan depending on their date of hire. In either situation, they would be considered reemployed if they return to work at a state agency.

When in doubt, contact NPERS so we can assist.

Why is this important?

As noted in the first sentence, plan members must cease employment in order to begin removing funds from their Cash Balance or Defined Contribution accounts. The federal tax code takes this process one step further by stipulating a member must incur a "bona fide separation from service." This language is designed to prevent plan participants from severing service for a limited period of time to access retirement funds, and then returning to work for the same employer. The IRS gives plan sponsors some freedom to determine how long a member must be removed from employment. In Nebraska, our statutes set this time frame at 120 calendar days for the State and County retirement plans.

In order to be in compliance, a member must have a break of 120 calendar days from their last day of employment. *During the 120-day break, absolutely no service, paid or unpaid, temporary or permanent, may be provided.*

Per state and federal law, if there has been no bona fide separation from service, the member is not eligible to remove funds from their account. If no distribution has been taken, the member resumes plan participation. *If the member has taken a distribution:*

- **They must repay all distributions issued, within two years.**
- If an annuity was purchased from the state, these annuity payments will cease and the annuity contract will be cancelled. All annuity payments issued must be repaid. Funds used to purchase the annuity will be returned to the member's retirement account.
- The member will return to immediate participation in the same plan (Defined Contribution or Cash Balance) they were in prior to separation from service.

Failure to comply with these regulations may result in fines or penalties for plan participants, and could potentially jeopardize the system's IRS tax-qualified status! *To put it in the simplest terms; if you want to remove funds from your mandatory retirement plan, you must completely sever employment for a minimum of 120 calendar days and you must **apply for and receive** the distribution before you return to work.*

ARE YOU UP TO DATE?

Make sure your employer has an accurate record of your contact information. NPERS account statements, newsletters, and mailings are sent to the address on file with your employer.

New NPERS Legal Counsel and Legislative Liaison

NPERS is pleased to announce the Public Employees Retirement Board has hired Jason Hayes as our new Legal Counsel & Legislative Liaison.

In this position, Jason will provide guidance to the Agency on current retirement statutes and help ensure compliance with State and Federal regulations. He will represent the Retirement Systems in legal matters and administrative hearings. Specifically, he will assist our staff on various retirement issues, including qualified domestic relations orders, powers of attorney, beneficiaries, employer reporting, member benefits, and interpretation of future legislation.



Prior to accepting employment with NPERS, Jason was appointed Assistant Attorney General with the Nebraska Department of Justice in 1998. He spent the next five years litigating on behalf of the State of Nebraska, serving as chief of its Consumer Protection Division, and representing various state agencies and employees in legal matters.

In October 2003, Jason accepted the position of Legal Counsel for the Nebraska State Legislature. He served as counsel for the Nebraska Public Employees Retirement Systems Committee and worked on legislation involving public employee retirement for school, state and county employees, judges, and state patrol officers.

Following his work with the Legislature, Jason served as Chief Deputy Treasurer and Counsel to the Nebraska State Treasury from January 2007 to December 2009. He managed and was responsible for over 55 state employees in the areas of state treasury services, child support payment processing, and the Nebraska 529 College Savings Plan. He represented the Treasurer on the Nebraska Investment Council and the State Records Board.

Jason is also an adjunct professor at Doane College, and has taught at the college's Lincoln Campus since 1999. He teaches political science, paralegal education, accounting, and financial management courses. Jason is licensed as an attorney by the Nebraska State Bar Association, is a licensed dispute resolution mediator, and holds a business management certificate from the University of Nebraska.

Jason received his Bachelor of Science (B.S.) in Political Science from the University of Nebraska at Omaha in 1993, and his Juris Doctorate (J.D.) from the University of Nebraska, Lincoln in 1998.

Welcome to NPERS Jason!

Visit the NPERS website!

- ❑ Access your account information online!
- ❑ Use the Benefit Estimator to determine monthly annuity amounts!
- ❑ Keep up to date on legislation affecting retirement!
- ❑ Get information on NPERS seminars!
- ❑ Download forms, seminar registrations, investment reports and plan handbooks!



npers.ne.gov



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Before you leap...

LEARN ABOUT YOUR RETIREMENT PLAN
& HOW TO PREPARE FOR RETIREMENT.

PLAN NOW TO ATTEND A

FALL 2011 SEMINAR

for State & County Plan Members

PRESENTED BY NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

RETIREMENT PLANNING SEMINARS

(for State & County Plan Members Age 50 & Over)

The NPERS Retirement Planning Seminars offer complete information on your retirement plan and how to prepare for your retirement.

FINANCIAL MANAGEMENT SEMINARS

(for State & County Plan Members Under Age 50)

The NPERS Financial Management Seminars offer an in-depth financial management course, plus complete information on your retirement plan.

Seminars for **State** and **County** Plan Members are held **every fall** from **September through November**.

Cash Balance Rate of Return

The interest credit rate (rate of return) for participants in the Cash Balance plan is defined in statute as the greater of 5%, or the applicable federal mid-term rate plus 1.5%. When the federal mid-term rate falls below 3.5%, participants in Cash Balance are guaranteed to receive a 5% return on their accounts. The interest credit rate is determined each calendar quarter (January, April, July and October) based on the federal mid-term rate published by the Internal Revenue Service as of the first day of that quarter.

For the month of January 2011, the published federal mid-term rate is 1.95%; therefore, the rate of return for Cash Balance participants will remain at the guaranteed rate of 5%.

Each quarter NPERS publishes the Cash Balance rates of return on our website. Go to our home page at npers.ne.gov and look for the "NPERS News" section. Click on the link titled "Cash Balance Rates of Return & Dividends." This page will display the historical returns for Cash Balance since the plan's inception in 2003, and list any dividends issued in prior years.

New Plan Numbers for County Plan Members

Retirement accounts for employees of Nebraska County Health Districts, Stuhr Museum, Western Nebraska Regional Airport, Saunders Medical Center, and the Nemaha County Hospital, will be transferred to new plan numbers early in January 2011. Members affected by this transfer will receive two statements for the quarter-ending March 31, 2011. The statement from the prior plan number will show a transfer out and an ending balance of \$0. The statement from the new plan number will show a transfer in and the balance at the end of the quarter.