

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS STCO • JULY 2012



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The passage of LB 916 established a new period during which active members of the State and County **Defined Contribution** retirement plans may elect to participate in the **Cash Balance** plan. Eligible members can opt to transfer from Defined Contribution to Cash Balance during an election period starting September 1, 2012, and ending October 31, 2012. Only members who are actively employed and contributing through October 31, 2012, are eligible to transfer.

Individuals who elect to convert their Defined Contribution accounts to Cash Balance will begin participation in the Cash Balance plan effective January 2, 2013. Members who are vested in Defined Contribution will retain their vested status after the transfer to Cash Balance. Individuals who do not file an election form will continue to participate in the Defined Contribution plan.

## HOW TO APPLY:

There are two methods to make an election to convert from Defined Contribution to Cash Balance during the September 1 to October 31 election period:

### APPLY BY MAIL

Fill out and submit the Retirement Plan Election form. A packet including the election form will be mailed to active Defined Contribution members at the beginning of the election period. These packets may also be accessed at [npers.ne.gov](http://npers.ne.gov) as of September 1. Forms must be mailed via the US Postal Service, submitted by State of Nebraska interoffice mail, or hand delivered (with picture ID) to our office.

### APPLY ONLINE

Submit an election via the UNIFI/Ameritas online account access. Many Defined Contribution members use the online account access to make investment elections or transfers and to review account information. On September 1, members may submit a Cash Balance election via their online account access. Those who have not established an online account will find instructions on creating a new account on the NPERS website.

These are the *only* methods to make a valid election. NPERS cannot guarantee safe delivery of forms submitted via the USPS or interoffice mail. Confirmation cards will be mailed to the member upon receipt of election forms submitted via the USPS or interoffice mail. Individuals using the online election process should print or write down their confirmation number for their records. **Faxed forms will not be accepted.**

## WHEN TO APPLY:

**The election period begins September 1, 2012, and ends October 31, 2012.**

- State and County Defined Contribution participants must be actively employed through October 31, 2012, in order to convert to Cash Balance.
- Forms submitted by mail must be **postmarked** during the election period.
- Forms submitted via interoffice mail must be **received** by NPERS during the election period.
- Online elections must be made during the election period.
- The conversion to Cash Balance will take place on January 2, 2013, at the end of the market day.
- Accounts are subject to market fluctuations until the conversion occurs.

# NPERS

Nebraska Public Employees Retirement Systems

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## RETIREMENT NEWS

Editor: **John Winkelman**  
Asst. Editor: **Angela Hatcher**

402-471-2053  
800-245-5712  
[npers.ne.gov](http://npers.ne.gov)

# Hartford DCP Sale

There are approximately 850 State plan members remaining in the Hartford Deferred Compensation Plan (DCP). On March 21, 2012, The Hartford announced the decision to sell its retirement plan business. The Hartford has not determined to whom it will sell the retirement business or when the sale will take place. Information is limited at this time. The Public Employees Retirement Board will be reviewing the situation to determine if the PERB will agree to transfer the Hartford DCP member accounts to a new buyer or will choose to transfer the accounts to the State of Nebraska DCP.

Hartford has assured NPERS they will continue to service the members through this transition period. Members currently receiving monthly annuity benefits and systematic withdrawals will continue to receive payments. We will keep you informed through the NPERS website as we learn more.

Hartford DCP members currently have the option to transfer to the State DCP at any time. If you would like information about transferring your account, contact NPERS.

## Visit the NPERS website today!



- ⇒ Download Forms & Publications
- ⇒ View Informational Videos
- ⇒ Estimate Your Retirement Benefit
- ⇒ Access Seminar Information
- ⇒ Manage Your Account

**npers.ne.gov**

# Download the NPERS Annual Investment Report



The Annual Investment Report for the year ending 2011 is available on the NPERS website. This publication contains investment information for the Defined Contribution, Deferred Compensation and State Patrol DROP plans, including descriptions of the 13 investment options, historical performance, and a summary of plan assets.

Information for Cash Balance plan members is also included and provides a breakdown of asset allocations, current portfolio managers, and the interest credit rate and dividend history.

Members may view or print the report on the Publications/Videos page on our website at [npers.ne.gov](http://npers.ne.gov). For additional investment education and assistance, be sure to watch the Investment Education video on the Financial Facts page. This 30 minute video explains the investment fund options and provides basic information on how to make informed investment decisions.

# State Defined Contribution Fee

State and County plans administered by NPERS are subject to three fees; a record-keeping fee, an administrative fee, and an investment management fee. By law, these fees may only be used to pay for expenses incurred by the plan. NPERS strives to keep these fees reasonable and affordable. Plan expenses are evaluated periodically and fees are subject to adjustment as needed.

At the May 21<sup>st</sup> meeting, the Public Employees Retirement Board approved an increase in the *administrative* fee to 5 basis points for *State Defined Contribution* members effective July 1, 2012. One basis point is equivalent to 0.01% or 0.0001 in decimal form. For a \$10,000 account, the five basis point fee would result in \$5 per year.

This administrative fee is charged to cover NPERS operating expenses. A portion of these expenses are reimbursed from Plan forfeitures. Forfeitures occur when a non-vested plan member ceases employment. Matching contributions made by the employer are then applied toward administrative expenses. Remaining expenses are paid by assessing an administrative fee.

Administrative fees for County members participating in either Defined Contribution or Cash Balance, and State members participating in Cash Balance, currently remain unchanged at zero basis points.

Record-keeping fees for 2012 were announced in our October 2011 newsletter. Investment management fees are listed in the Annual Investment Report. Both of these documents may be found on the Publications page of our website.

# Defined Contribution v. Cash Balance

	DEFINED CONTRIBUTION	CASH BALANCE
<b>Contribution Rates</b>	State Members – 4.8% State Employer – 156% County Members – 4.5% County Employer – 150%	Same Same Same Same
<b>Investments/ Rate of Return</b>	Member chooses from 13 investment options. Account balance will increase or decrease depending on investment choices and market performance. No guaranteed rate of return.	Member does not make investment choices. Rate of return set using the Federal Mid-Term rate plus 1.5%. 5% minimum annual rate of return.
<b>At Retirement or Termination</b>	<p><b>Options:</b></p> <p><b>Annuity</b> – choice of monthly payments with an optional 2.5% annual cost-of-living adjustment. Annuity rates are based on the PBGC rate and may change annually. Current rate is 4.49%</p> <p><b>Lump Sum</b> – payment issued directly to the member.</p> <p><b>Systematic Withdrawal</b> – payments issued to the member at a set frequency and dollar amount until the account is depleted.</p> <p><b>Rollover</b> – to a Traditional or Roth IRA, or another qualified retirement plan.</p> <p><b>Combination</b> – of the above options. Defined Contribution participants are not subject to the one-time distribution rules.</p> <p><b>Deferral</b> – no distribution is taken. Account can be deferred up to age 70 ½. Account will increase or decrease based on investment choices and market performance.</p>	<p>Cash Balance is subject to a one-time distribution. When a participant elects a distribution, they must distribute the entire account.</p> <p><b>Options:</b></p> <p><b>Annuity</b> – choice of monthly payments with an optional 2.5% annual cost-of-living adjustment. Cash Balance rates are set by the PERB. Current rate is 7.75%</p> <p><b>Lump Sum</b> – payment issued directly to the member (one time only).</p> <p><b>Rollover</b> – to a Traditional or Roth IRA, or another qualified retirement plan.</p> <p><b>Combination</b> – of the annuity, lump-sum and rollover options.</p> <p><b>Deferral</b> – no distribution is taken. Account can be deferred up to age 70 ½. Account continues to earn the Cash balance rate of return and may be eligible for dividends.</p>
<b>Dividends</b>	No	Yes, but only when market returns meet funding requirements per statute.

The Cash Balance election packet scheduled to be mailed later this year will provide more details on the differences between Defined Contribution and Cash Balance. For additional information please refer to the plan handbooks found on the Publications page of the NPERS website.

## Cash Balance Election Period

(Continued from page 1)

### CONVERSION TO CASH BALANCE IS PERMANENT

This is a one-time election and *you cannot cancel or change your election after NPERS has received a completed election form or online election.* You will participate in Cash Balance for the remainder of your state or county employment. No exceptions.

### NO CHOICE IS A CHOICE

If you do not elect to transfer during the election period, your account and future contributions will remain in Defined Contribution.

The Cash Balance Election packet will be mailed to active Defined Contribution members at the beginning of the election period. This packet will contain the election form and information comparing the Defined Contribution and Cash Balance benefit options. This packet will also be available on our website on September 1<sup>st</sup>. Election forms will not be made available prior to September 1, 2012. For a brief comparison of the two plans, please refer to the companion article in this newsletter. For more detailed information, please refer to the plan handbook or the Cash Balance Election packet.

# Current 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 July 2012, the published federal mid-term rate is 0.92%; 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](http://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.



# Take Aim Now To Hit Your Retirement Target!

The Education Services department at NPERS is getting geared up for our 2012 State and County seminar season. Dates and locations have been set for this year's sessions and enrollment brochures are available on our website for individuals who wish to take advantage of early registration.

Eligible State and County employees are entitled to paid leave to attend *up to two* Financial Management and *up to two* Retirement Planning seminars. Members who fall outside the age restrictions of a seminar, or who wish to attend more than twice may do so at the \$20 fee, but will not be eligible for paid leave. Members may bring one guest for an additional \$20. Pre-registration of members and guests is required.

## Under Age 50?

### FINANCIAL MANAGEMENT PROGRAM

Financial Management seminars provide an overview of the retirement plans offered to State and County members, as well as estate planning information presented by an attorney. The main focus of the full-day seminar is dedicated to "The Complete Financial Management Workshop," presented by a licensed financial planner. This segment provides a wealth of information designed to assist individuals in assessing their personal financial situation, set goals, and map out their strategy to achieve financial security.

Financial Management seminars begin September 6, and end November 15.  
Plan to attend a seminar on one of the following dates:

<b>LINCOLN</b>	<b>SCOTTSBLUFF</b>	<b>NORTH PLATTE</b>
■ September 6 ■ November 15	■ September 20	■ October 18
<b>VALENTINE</b>	<b>OMAHA</b>	<b>GRAND ISLAND</b>
■ September 13	■ September 26	■ November 8
	<b>NORFOLK</b>	
	■ October 11	

## Age 50 or Over?

### RETIREMENT PLANNING PROGRAM

Retirement Planning seminars are provided for State and County members age 50 and over. These full-day seminars provide participants with comprehensive information regarding their State and County retirement plans and the distribution options available at retirement. In addition, the program includes a Financial and Estate Planning presentation.

Retirement Planning seminars begin August 29, and end November 14.  
Plan to attend a seminar on one of the following dates:

<b>LINCOLN</b>	<b>GRAND ISLAND</b>	<b>OMAHA</b>
■ August 29 ■ September 5 ■ October 3 ■ October 4 ■ October 24 ■ October 25 ■ November 14	■ August 30 ■ November 7	■ September 25 ■ November 1
	<b>VALENTINE</b>	<b>NORFOLK</b>
	■ September 12	■ October 10
	<b>SCOTTSBLUFF</b>	<b>NORTH PLATTE</b>
	■ September 19	■ October 17

Registration forms will be mailed to eligible members approximately one month prior to the first seminar.  
Forms are currently available on our website: [npers.ne.gov](http://npers.ne.gov).



**NPERS**  
 Nebraska Public Employees  
 Retirement Systems  
 P.O. Box 94816  
 Lincoln, NE 68509  
 85-28-51

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