NEW REEMPLOYMENT PROVISIONS

The passage of LB 34 created new reemployment provisions for the mandatory State and County retirement plans. These provisions went into effect January 1, 2020 and impact all State and County members who return to employment on or after that date.

Reemployment occurs when a participating plan member ceases employment and subsequently returns to work or provides service for any employer participating in the plan. For County members, this includes returning to employment or providing service at any Nebraska County, with the exception of Douglas and Lancaster. For State members, this includes any State agency participating in the State plan. This does not apply to employment in the private sector or any other employer not participating in the plan. Because the State and County plans are separate employers, if a state member terminates and begins working at a participating County, or vice versa, this would not be considered reemployment.

UNDER THE NEW PROVISIONS:

If you provide service in any capacity within 120 days or less:

- You must immediately return to participation in the same benefit (Defined Contribution or Cash Balance) you were in prior to separation from service.
- You are not eligible to take (or have taken) distributions. You must repay all benefits issued, within two years of reemployment. Failure to repay may result in garnishment of pay or other legal recourse.
- If you purchased an annuity, those payments will cease. You must repay the total gross annuity benefits issued within two years of reemployment. The funds used to purchase the annuity will be restored to your account.

If you are reemployed with a break in service of 121 days or more:

- If rehired as a permanent (full or part-time) employee, you must immediately resume plan participation.
- If you were previously a Defined Contribution participant, you will resume as a Defined Contribution member. If you were previously a Cash Balance participant, you shall resume participation in the Cash Balance Tier in which you were previously participating.
- No further distributions may be taken from your account until you again terminate employment.
- If you purchased an annuity, those payments will continue.
- If you were previously vested, you return as a vested member.
- If you were not vested and took a distribution at the time of termination, prior vesting credit shall be restored if you did not take a distribution.
- If you were not vested and took a distribution, vesting credit for the prior service is forfeited. During the first three years after reemployment, you may make a one-time election to repay lump sum and/or roll over distributions. Vesting credit and employer contributions are restored in proportion to your percentage of repayment. Repayment must be completed within five years of reemployment or prior to termination, whichever is earlier.
2020 DCP CONTRIBUTION LIMITS

The 2020 maximum contribution limits for the voluntary Deferred Compensation Plan (DCP) have been announced by the IRS. The normal maximum contribution deferral has increased from $19,000 to $19,500 for members under age 50. The additional contribution amount provided for individuals age 50 or older has increased from $6,000 to $6,500. As a result, the 2020 total contribution limit for members age 50 and older will be $26,000.

If you are not already participating in DCP, you should consider enrolling! DCP is a tax-sheltered retirement plan somewhat similar to a Traditional IRA. All state employees are eligible to participate, as are some county employees whose employer does not offer a section 457 plan. For more information on DCP, please refer to the “DCP Special Section” of the April 2018 Retirement News. DCP Enrollment and Plan Change forms may be found on the “Forms” page of the NPERS website.

NEW REEMPLOYMENT PROVISIONS (contd.)

In addition, employers and employees cannot pre-arrange (written or verbal) returns to service if the member is taking (or will be taking) distributions from their retirement account. These arrangements may be a violation of both State and Federal laws, and could put the plan in jeopardy and subject the member to mandatory repayment provisions. The IRS has advised plan sponsors to prohibit these arrangements or risk penalties and potential loss of tax-qualified status.

Reemployment after retirement can be a complicated topic that can lead to unwelcome consequences for non-compliance. Members are encouraged to refer to the plan handbooks for additional information on reemployment requirements. Members and employers are welcome to contact our office if they have additional questions or concerns.

2020 SAVER'S TAX CREDIT

Low and moderate income employees may be able to significantly reduce their taxes by qualifying for the Federal Saver’s Tax Credit. Contributions made to an employer sponsored retirement plan such as the voluntary Deferred Compensation Plan (DCP) or an individual retirement arrangement (IRA), may qualify for a tax credit of up to $1,000 per individual ($2,000 if filing jointly).

This credit only applies for contributions made to voluntary retirement accounts. Eligibility and the amount of the credit are determined by filing status and adjusted gross income (AGI).

Filing Status/Adjusted Gross Income Limits for 2020

<table>
<thead>
<tr>
<th>CREDIT RATE</th>
<th>JOINT</th>
<th>HEAD OF HOUSEHOLD</th>
<th>SINGLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>50%</td>
<td>$0 to $39,000</td>
<td>$0 to $29,250</td>
<td>$0 to $19,500</td>
</tr>
<tr>
<td>20%</td>
<td>$39,001 to $42,500</td>
<td>$29,251 to $31,875</td>
<td>$19,501 to $21,250</td>
</tr>
<tr>
<td>10%</td>
<td>$42,501 to $65,000</td>
<td>$31,876 to $48,750</td>
<td>$21,251 to $32,500</td>
</tr>
</tbody>
</table>
For example, a couple filing a joint return with an AGI of $39,000 or less is eligible for the 50% rate. If both 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 $40,000, they move to the 20% bracket and both would receive a $400 credit.

Don’t confuse tax “credits” with “deductions.” A deduction reduces the amount of your taxable income. A tax credit reduces the amount of taxes you owe dollar for dollar and provides significantly better savings. Using the 12% tax bracket as an example, a $100 tax deduction would reduce your taxes by $12. In comparison, a $100 tax credit would reduce your taxes by $100. In addition, contributions made to DCP reduce your AGI and may help you qualify for a higher Saver’s Tax Credit.

2020 DEFINED CONTRIBUTION ANNUITY RATE

Effective January 1st, the annuity rate for Defined Contribution members has been updated from the 2019 rate of 3.84% to the 2020 rate of 2.87%. Per Nebraska statutes, this rate is determined using the January Pension Benefit Guaranty Corporate rate (2.12%) plus 0.75%. This rate will apply to all annuities purchased by Defined Contributions with a 2020 effective date.

At this time, the annuity rate for Cash Balance Tier One members is 7.75% and the annuity rate for Cash Balance Tier Two members is 7.5%.

Please refer to your plan handbook for more information on the annuities offered to State and County members at retirement or termination.
The member handbooks for the State and County plans have been revised. The new revision dates are 9/2019. You may access the current versions on the “Publications” page on the NPERS’ website.

For the quarter beginning January 1st, 2020, the rate of return for Cash Balance participants is 5%.

The current and historical Cash Balance rates of return are available via the “Cash Balance Rates of Return & Dividends” link on our website.