



RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | OCTOBER 2022

UPDATE ON TWO INVESTMENT OPTIONS

*for DEFINED CONTRIBUTION (DC)
DEFERRED COMPENSATION (DCP)
& DEFERRED RETIREMENT OPTION PLAN (DROP)*

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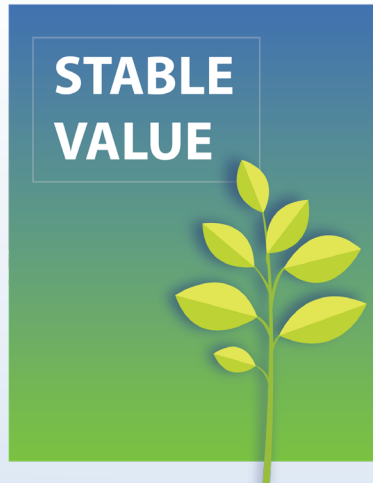
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The Nebraska Investment Council (NIC) implemented changes to the Stable Value and Investor Select investment fund options offered to participants.

- **Stable Value Fund**
Starting August 26, 2022, the investment management fee on the Stable Value Fund will **decrease** from 0.20% to 0.175%.
- **Investor Select Fund**
This investment option is a premixed fund invested with an asset allocation and investment strategy substantially similar to the investment allocations made for the Defined Benefit and Cash Balance Benefit Plans. In July 2022, an allocation to the PIMCO Diversified Income Fund was added to the Investor Select investment option. This change reflects recent asset allocation changes made in the Defined Benefit and Cash Balance Benefit Plans. The broad asset allocation for the Investor Select option remains the same: 32% U.S. Equity, 19% Global Equity, 11.5% Non-U.S. Equity, 30% Fixed Income, and 7.5% Real Estate. The underlying funds used remain a combination of actively managed funds and passive index funds.

TO WATCH FOR...

Something to watch for, if you plan to start taking your retirement benefit after **January 1st, 2023**, is the new W4-P tax form required by the IRS for taxation of annuity payments. Or if you are planning on requesting a distribution (Required Minimum Distribution, Lump Sum payment or Rollover) from your account, you may need to complete a W4-R.

If you are thinking about accessing these options, you may want to familiarize yourself with these forms at the IRS.GOV website. The instruction sheets on these forms are comprehensive and helpful. *NPERS' staff are not allowed to provide taxation advisement*

or guidance, so you may need to take these forms to your tax advisor for review, prior to requesting a distribution or annuity payment.

Federal Taxation:

W-4P irs.gov/pub/irs-pdf/fw4p.pdf

W-4R irs.gov/pub/irs-pdf/fw4r.pdf

State Taxation:

W4-N revenue.nebraska.gov/files/doc/forms/f_w4.pdf

MY FAVORITE SHOWS!



Scan to visit our
Youtube channel



Did you know that your favorite spot to retire, Nebraska Public Employees Retirement Systems, has a YouTube channel? Well, you do now! All your favorite retirement videos and content is now on YouTube.

Need to go over a couple of difficult to understand concepts you may have forgotten since your seminar or webinar? We have recordings of our most current webinar programs available now!

Want to tell a friend about the amazing Deferred Compensation Plan you contribute to? Individual plan videos are right there at your fingertips, just pull up YouTube and type in NPERS!

Or perhaps you are the techie in your friend group. Simply take a picture with your phone/tablet of this handy-dandy QR code and go straight to our YouTube channel. A wealth of retirement information and education awaits!

NPERS EXTRA- REMINDERS

Quarterly Statements – One of the most important documents you receive from NPERS/Ameritas is your quarterly Account Statement. You should look your statement over carefully before you file it away with your other important papers. Contact NPERS if you believe there is an error on your statement. No matter how minor the error appears, we encourage you to write to NPERS stating the discrepancy.

Current Address – Statements are mailed to members' home addresses every quarter unless you have elected to receive them electronically. Remember to notify your employer whenever your address changes since your current personal information is submitted

to us by them. (Members not currently working or who are receiving a retirement benefit should send a written, signed notice of address change directly to NPERS.)

Beneficiary Designations – Your statement, on page two, should disclose your current beneficiaries. If your beneficiary listing is more than 15 years old or if you don't have beneficiaries listed, that spot will be blank on your statement. It is considered very sound advice to review and, if need be, send in a new beneficiary designation for your account every three to five years, as life events may have changed the financial needs of you and your family. These forms can be found on [NPERS.NE.GOV](https://npers.ne.gov)

REQUIRED MINIMUM DISTRIBUTIONS

Each year plan members who terminated employment who reach mandatory Required Minimum Distribution (RMD) age are required by federal law to take a taxable RMD amount from their mandatory State or County, and voluntary Deferred Compensation Plan (DCP) accounts.

Effective January 1, 2020, the federal tax code increased the RMD age from 70½ to 72. This change ONLY applies to individuals who turn 70½ on or after January 1, 2020. Therefore, if you were born before July 1, 1949, your RMD age is 70½. If you were born on or after July 1, 1949, your RMD age is 72.

Failure to take RMDs can result in serious tax penalties assessed to the member and the eventual transfer of retirement assets to unclaimed property!

We will now examine how RMD amounts are determined, when distributions should be taken, and provide guidance on how plan members can comply with these regulations. For illustrative purposes the RMD age is listed as 72 throughout the remainder of this article.

NOTE: These regulations do NOT apply to members who are still *actively working* (State/County) at a participating employer.

RMD Deadlines

Distributions can be broken down into two separate deadlines – the initial RMD and subsequent RMDs.

The initial RMD amount is due the calendar year the terminated member turns age 72. If the member terminates at a later age, the initial RMD amount is due the calendar year of termination. The federal tax code allows individuals to delay taking their initial RMD amount until April 1 of the following year. If the member delays taking the amount of the initial RMD to the following year, the first subsequent RMD amount must be taken by December 31 of that same year. All future subsequent RMDs must be taken each year by December 31.

This means the April 1 “delayed” deadline is for the initial RMD amount only. For example, if a terminated member turns 72 during 2022, the initial RMD amount must be taken by April 1, 2023. If the member delays taking the initial RMD until 2023, the first subsequent RMD for 2023 must be taken by December 31, 2023.

RMD Amounts

The RMD amount is determined using the balance of each separate NPERS account as of December 31 of the preceding year using a formula based on life expectancy tables published by the IRS. For example, to

calculate a 2022 RMD you would use the account balance as of December 31, 2021. To assist, the IRS provides worksheets on their website. Once the amount has been determined, the member must withdraw at least this much money from their account, by the due date, in the form of a taxable distribution. Be aware a rollover to another “pre-tax” account is not a taxable distribution and will not satisfy the RMD.

Your Responsibilities

NPERS will make every effort to provide RMD notifications to plan participants, **but it is the member who is ultimately responsible for taking distributions each year to satisfy the RMD requirements.** We strongly recommend these steps:

1. Keep your address up to date with NPERS. Failure to maintain an updated address may result in missed RMD distributions and eventually, account transfer to unclaimed property.
2. File a timely request for taxable distribution.
3. Begin taking timely taxable distributions from your NPERS accounts if you terminate employment on or after age 72.

How We Help

Clearly this can be a complicated process, but NPERS does provide assistance. There is an [RMD informational handout](#) on our website on your plan page that discloses timelines and effective steps for satisfying your RMD.

NPERS mails annual RMD advisory notifications to both active and terminated plan members when they reach age 65. This notice is designed to inform members of the potential for a future RMD at age 72.

Once a terminated member reaches the year they will turn 72, or if we receive notification of termination for a member who is 72 or older, NPERS will mail correspondence advising of the initial RMD due date and distribution options. If applicable, we will continue to provide notification each year for subsequent RMDs.

If we are unable to contact the member or if they fail to take a distribution by the due date, then the member account will be transferred to unclaimed property.

Cash Balance Distribution

The Cash Balance plan allows only one distribution after termination. When the member elects to take a distribution, they can pick from multiple options, but they must take distribution of all the funds in the account at that time.

(Cont'd. on pg. 4)

REQUIRED MINIMUM DISTRIBUTIONS (CONT'D)

Due to this one-time distribution requirement, a terminated **Cash Balance** member who has reached age 72 must choose from the following distribution options:

- Use funds from the Cash Balance account to purchase an annuity. If the full account balance is used to purchase the annuity, the monthly annuity payments will fulfill current and future RMD requirements for this account.
- Elect to be paid the RMD in a lump sum and roll-over the remaining balance of the Cash Balance account to another qualified retirement plan (IRA, etc.). The member is responsible for taking all future RMD's from the rollover account.

- Elect to be paid the entire Cash Balance account in one lump sum.

The Cash Balance member may also select from a combination of the above options as long as they incorporate the *entire account at the same time*. For example, they may use part of the account to purchase an annuity and roll the remainder to another qualified retirement plan (IRA, etc.). They must however ensure that the taxable portion of the distribution (monthly annuity payments or partial lump sum) will satisfy the RMD amount for that year.

Defined Contribution & Deferred Compensation Distributions

The mandatory Defined Contribution (DC) and the voluntary Deferred Compensation Plan (DCP) do not have the one-time distribution limits that apply to Cash Balance.

(Cont'd. below)



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REQUIRED MINIMUM DISTRIBUTIONS (CONT'D)

Terminated members participating in those plans should consider setting up systematic withdrawal distributions to satisfy RMD requirements. If they are participating in multiple plans, a separate RMD must be taken for each account.

Rollovers?

In all instances, if an RMD is due, the member cannot rollover the entire account. Funds rolled into another qualified retirement account are not a taxable distribution and will not count toward satisfying the RMD amount. A separate lump sum distribution large enough to satisfy the RMD must be taken in addition to the rollover. It is the member's responsibility to fulfill this requirement. Failure to take the RMD can result in tax penalties and eventual transfer of assets to unclaimed property.



CASH BALANCE RATE

For the quarter beginning October 1st, 2022, 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.