

# Retiree Update

Providing Information to Retirees of the Judges, State Patrol and School Plans

Nebraska Retirement Systems

December 2006

## Review Your Tax Withholding

Once each year federal law requires the Nebraska Public Employees Retirement Systems (NPERS) to remind you, as a benefit recipient, of your ongoing right to start, stop or change the tax withholding from your retirement benefit.

While you are not required to have federal income tax withheld from your monthly benefit, the Internal Revenue Service may assess interest or penalty charges if your estimated tax payments or withholding amounts fall short of your tax liability.

You may designate the number of allowances you want to claim and your marital status for both state and federal withholding using NPERS' Withholding Certificate for Pension or Annuity Payments form. Your allowances determine the amount of tax you want NPERS to withhold from your benefit payment. *You may change your withholding at any time.*

To obtain the Withholding Certificate for Pension or Annuity Payments form, complete the "request form"

below, visit NPERS' website at [www.npers.ne.gov](http://www.npers.ne.gov), or call our office at the numbers listed below.

**No action is necessary if your present tax authorization for your monthly retirement benefit still fits your needs.**

*If you are a Nebraska resident*, NPERS is required to withhold Nebraska taxes using the allowances and marital status you claimed for federal withholding. You may also elect additional amounts of withholding over and above the marital status and allowances you elected on your federal and/or state withholding; these amounts are not required to match. Nebraska residents choosing *not* to have federal tax withheld from their retirement benefit payment are not required to have Nebraska state income tax withheld. *If you are not a Nebraska resident*, NPERS is **not** required to withhold Nebraska taxes from your benefit payment.

For tax *advice*, we suggest you contact a tax professional about your individual situation. If you have questions about information contained *in this article*, please contact NPERS at **800-245-5712** or **402-471-2053**. □

## It's Money in the Bank!

One of the best ways to simplify retirement is with Direct Deposit which electronically transfers your retirement benefit directly into your checking or savings account. It's easy to set up and doesn't cost a penny. There are still thousands of NPERS retirees who wait by the mailbox each month for their retirement check, then have to drive to the bank to deposit it. Why go to all that trouble?



Simplify your life and try Direct Deposit. Use the "Request Form" below to obtain a Direct Deposit Agreement form, or contact us by phone or visit our website at [www.npers.ne.gov](http://www.npers.ne.gov). Completing the form is simple. Think of it as money in the bank!

## 2007 Benefit Payment Schedule

If you have your monthly payment deposited directly with your bank, the following is a month by month schedule of the date payment will be made to your account in the year 2007:

January 31	July 31
February 28	August 31
March 30	September 28
April 30	October 31
May 31	November 30
June 29	December 31

**For those of you who receive your check by mail**, your payment will be mailed by the above dates.

## Keep Us Up To Date

If you have a change of address or any other demographic changes, please be sure to let NPERS know. You can use the form below or send us a note with your signature. If you don't keep us up-to-date, we can't keep you up-to-date!

## Address Change/Request Form

Please use the form below to notify NPERS of a change of address OR to request an NPERS form. **(Please print)**



Check here if this is a change of address. Your signature is required for a change of address.

Signature \_\_\_\_\_

Account Number (shown on address label) \_\_\_\_\_

Social Security Number \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City, State, Zip \_\_\_\_\_

If you need additional information or a form, please check the appropriate box(es) below:

- Withholding Certificate for Pension or Annuity Payments Form
- Direct Deposit Agreement Form
- Beneficiary Designation Form
- Other \_\_\_\_\_

## 1099-R Tax Statements Coming

Watch your mail in mid to late January for an envelope marked **Important Tax Return Document Enclosed**, which will include benefit information to be filed with your 2006 income tax returns.

Each box on the 1099-R is defined on the back of the form. Make sure NPERS has your **current address** so you receive your 1099-R in a timely fashion.

Questions about individual tax liability should be directed to your accountant, the Internal Revenue Service or your state Department of Revenue.

## COLA Set at 2.5%

Did you notice a cost of living adjustment (COLA) in your benefit check in 2006? Retirees of the **School, Judges and State Patrol Plans** who have received benefits at least one full fiscal year (July 1-June 30) are granted a COLA increase. This increase is based on the consumer price index (CPI) and capped at a maximum percentage. By law, the COLA percentage is either capped at 2.5%, or the increase in the CPI, whichever is less. Late last July the U. S. Department of Labor revealed a CPI of 198.6 for the year ending June 30, 2006, compared to the prior year's CPI of 191.0. As a result, the majority of School, Judges and State Patrol retirees saw a **2.5% increase** in their July benefits, the same amount as the prior year's COLA of 2.5%.

By law, a minimum or "floor" is set to a retiree's purchasing power. For the **School and Judges Plans**, the floor is 75% of the purchasing power of the initial benefit. For the **State Patrol Plan**, the floor is 60% of the initial benefit. If your retirement benefit would erode to an amount below the minimum floor purchasing power, your benefit adjustment would reflect the amount necessary to return to the minimum purchasing power.

NPERS issued correspondence to all affected retirees at the end of July 2006. If you were eligible for the COLA increase, this letter explained the type of COLA and actual dollar amount of your increase. If you have questions about the COLA, please contact NPERS.

## The Following is a Brief Explanation of the 1099-R Form:

- Box 1 shows everything NPERS paid to you in 2006.
- Box 2a is the amount that is taxable to you.
- Box 4 is the amount that was withheld for federal taxes.
- Box 5 is the amount that is not taxable.
- Box 10 is the amount that was withheld for state taxes.

PAYER'S name, street address, city, state, and ZIP code		1 Gross Distribution	OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		\$	2006		
PAYER'S federal identification number		2a Taxable amount	Form 1099-R		Copy B Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.
RECIPIENT'S identification number		\$			
RECIPIENT'S name		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		This information is being furnished to the Internal Revenue Service.
Street address (including apt. no.)		3 Capital gain (included in box 2a)	4 Federal income tax withheld		
City, state, and ZIP code		\$	\$		
1st year of desig. Roth contrib.		5 Employee contributions / Designated Roth contributions of insurance premiums	6 Not realized appreciation in employer's securities		
Account number (see instructions)		\$	\$		
		7 Distribution code(s)	8 Other		
		IRMA/SEP/SIMPLE <input type="checkbox"/>	\$ %		
		9a Your percentage of total distribution	9b Total employee contributions		
		%	\$		
		10 State tax withheld	11 State/Payer's state no.		
		\$	\$		
		13 Local tax withheld	14 Name of locality		
		\$	\$		
			15 Local distribution		
			\$		

Form 1099-R Department of the Treasury — Internal Revenue Service

### Published by

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