

Retiree Update

Nebraska Public Employees Retirement Systems

January 2010

PROVIDING
INFORMATION TO
STATE PATROL,
JUDGES AND
SCHOOL PLANS

2010 BENEFIT PAYMENT SCHEDULE

January 29
February 26
March 31
April 30
May 28
June 30
July 30
August 31
September 30
October 29
November 30
December 30

NOTE
If you use Direct Deposit
and change banks or
bank accounts after
the 7th of any month,
your payment may
be delayed.

Do You Know Your Federal Tax Withholding?

The new year is a good time to remind you of your right to change, start or stop federal tax withholding from your monthly retirement benefit, which you can do at any time by filing a new Withholding Certificate for Pension or Annuity Payments. This form may be obtained from the "Forms" section of the NPERS website at npers.ne.gov or by calling our office at the numbers below. You may make changes online only if you have created a secure account on our website.

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

*If you are a Nebraska resident and you choose to have federal income tax withheld from your monthly benefit, 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. If you choose *not* to have federal tax withheld from your retirement benefit payment, you 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.*

No action is necessary if your present tax authorization for your monthly retirement benefit still fits your needs. If you have questions, please contact NPERS at **800-245-5712** or **402-471-2053**. For tax *advice*, you should contact a tax professional about your individual situation.

Considering Reemployment? Know the Rules.

Whether due to economic necessity or simply a desire to remain active and engaged, you may find yourself returning to employment in your chosen career after you have already begun to receive your retirement benefit.

Reemployment with your former employer (or with any employer that participates in the same retirement plan administered by NPERS) could be a win-win situation for both you and the employer, but **it is critical that you understand the rules** about continuing to work after retirement. There are very specific (and often complicated) rules that apply to reemployment once you are receiving your retirement benefit.

Member handbooks explaining the reemployment rules can be found on our website at npers.ne.gov, or you may call NPERS for assistance at **402-471-2053** or **800-245-5712**.



Address Change/Request Form

Please use this form to notify NPERS of any change to your address **OR** to request an NPERS form.

Social Security # - -

Retirement Number
(If known)

Check here if this is a change of address.

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 _____

Name _____

Address _____

City _____ State _____ Zip _____

Signature (A SIGNATURE IS REQUIRED FOR AN ADDRESS CHANGE.) _____

Understanding Your 1099-R

CORRECTED (if checked)

BOX 1
Box 1 shows everything NPERS paid to you in 2009.

BOX 2a
This is the amount that is taxable to you.

BOX 4
This is the amount that was withheld for federal taxes.

BOX 5
This is the amount that is not taxable.

BOX 10
This is the amount that was withheld for state taxes.

PAYER'S name, street address, city, state, and ZIP code		1 Gross distribution \$ 1	OMB No. 1545-0119		2009 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount \$ 2a				
PAYER'S federal identification number	RECIPIENT'S identification number	2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>		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.	
		3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 4			
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums \$ 5	6 Net unrealized appreciation in employer's securities \$		This information is being furnished to the Internal Revenue Service.	
Street address (including apt. no.)		7 Distribution code(s)	8 Other \$ %			
City, state, and ZIP code		9a Your percentage of total distribution %	9b Total employee contributions \$			
1st year of desig. Roth contrib.		10 State tax withheld \$ 10	11 State/Payer's state no.		12 State distribution \$	
Account number (see instructions)		13 Local tax withheld \$	14 Name of locality		15 Local distribution \$	

Form 1099-R

Department of the Treasury - Internal Revenue Service

NOTE: **Box 1** - **Box 2a** = **Box 5**

Watch Your Mail for Form 1099-R

NPERS will mail your IRS Form 1099-R tax statement by the end of January 2010. **Make sure NPERS has your current address** so you receive your 1099-R in a timely fashion.

The information on Form 1099-R should be used to file your 2009 federal and state tax returns. Your 1099-R will show the gross amount of benefits you received from NPERS in 2009. This form will also indicate the federal income tax which was withheld from your benefit payments and, for most people, the taxable portion of your benefit.

You should direct questions about individual tax liability to your accountant or tax professional, the Internal Revenue Service or your state Department of Revenue.

No COLA Increase

Retirees of the School, Judges and State Patrol Plans who have received benefits at least one full fiscal year (July 1 – June 30) are eligible for a cost-of-living (COLA) adjustment when inflation rises. There was **no COLA increase** for this fiscal year (July 1 – June 30) for retirees of the School, Judges and Patrol Plans.

A COLA acts to keep your benefit in step with the changing economy. As inflation raises consumer prices, your COLA reflects the economic increases by raising your monthly benefit accordingly. The "adjustment" is based on the consumer price index (CPI), which is a tool developed by the U.S. Department of Labor to track the average costs of various items consumers buy over time. Tracked on a monthly basis, the costs are then averaged to come up with a yearly amount, which is essentially a measure of economic inflation. Each year, the CPI average for the year just completed is compared to that of the prior year to determine a percentage of change between the two years.

According to Nebraska law, your COLA percentage is either capped at 2.5%, or the increase in the CPI, whichever is less. For the year ending June 30, 2009, the CPI experienced a *decrease*. As a result, the School, Judges and State Patrol retirees did **not** see an increase in their benefits beginning in July (does not apply to State Patrol members participating in DROP).

By Nebraska 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. If you have questions about the COLA, please contact NPERS.

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