

# Retiree Update

Providing Information to Retirees of the State and County Plans

Nebraska Retirement Systems

December 2005

## 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.

You are not *required* to have federal income tax withheld from your monthly benefit. However, if your estimated tax payments or withholding amounts fall short of your tax liability, the Internal Revenue Service may assess interest or penalty charges. **No action is necessary if your present tax authorization still fits your needs.**

Beginning with retirement benefit payments made to Nebraska residents **on or after January 1, 2006**, by law NPERS is required to withhold *state* income tax whenever a plan member has *federal* income tax withheld. Under prior law, having Nebraska state income tax withheld from your retirement benefit payments had been voluntary.

In the past, a federal W-4P form and a Nebraska state withholding form were needed to elect tax withholding. These forms have now been combined in the Withholding

Certificate for Pension or Annuity Payments. This form is used to designate the number of allowances you want to claim and your marital status for both state and federal withholding. Your allowances determine the amount of tax NPERS withholds from your benefit payment. *If you are a Nebraska resident*, beginning in 2006, 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. *You may change your withholding at any time.* To obtain the form, complete the "request form" below, visit our website at [www.npers.ne.gov](http://www.npers.ne.gov), or call our office at the numbers listed below.

Nebraska residents choosing *not* to have federal tax withheld from their retirement benefit payment are not required to have Nebraska state income tax withheld.

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**. □

## What Are You Waiting For?

One of the best ways to simplify retirement is Direct Deposit. Direct Deposit will electronically transfer your retirement benefit directly into your checking or savings. 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 checks, then drive to the bank and **wait** in line.

What are you **waiting** for? Simplify your life and try Direct Deposit. Use the "Request Form" below to obtain a Direct Deposit Agreement form. You may also contact us by phone or visit our website at [www.npers.ne.gov](http://www.npers.ne.gov). Completing the form is simple and you'll never have to **wait** again!

### 2006 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 2006:

January 13	July 14
February 15	August 15
March 15	September 15
April 14	October 13
May 15	November 15
June 15	December 15

**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 Soon

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 2005 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.

## Make a List and Check it Twice

*Could you remember all your "stuff"?*

Whether you've experienced a fire in your home or not, we would all agree that a fire is devastating, both literally and emotionally. The importance of adequate insurance should be obvious, yet there are instances where individuals are uninsured or underinsured. Apartment renters often carry no coverage for their possessions. The landlord's insurance only covers the damage to the structure. In some instances the tenants lose virtually everything.

Adequate insurance is clearly the first step to being prepared for the worst but there is a second step that should be taken. You have to know your "stuff." What would happen if a fire destroyed your home? You will want to replace all the items you have lost, but remembering every single possession is impossible. Big items like a stove, television or refrigerator are easy to recall but what about the small "stuff." These items can really add up – often much more than most people realize.

Don't forget how important this documentation is for the insurance adjuster – his job is to verify your losses and provide compensation per the terms of the policy. If you can provide an up to date and detailed list of your possessions then his job is much easier. More importantly, you have a far greater chance of getting a fast and fair settlement. Also, remember to keep your list in a "fire-proof" box or at an alternate location.

### The following is a brief explanation of your 1099-R form:

- Box 1 shows everything NPERS paid to you in 2005.
- 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.

The image shows a sample 1099-R form for the year 2005. The form is titled 'CORRECTED (if applicable)' and '2005 Form 1099-R'. It includes fields for PAYER'S name, address, and ZIP code; PAYEE'S name, address, and ZIP code; and various boxes for reporting distributions and taxes. Arrows from the explanatory text point to the following boxes: Box 1 (Gross distribution), Box 2a (Taxable amount), Box 4 (Federal income tax withheld), Box 5 (Employee contributions or insurance premiums), and Box 10 (State tax withheld).

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### Happy New Year!



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