

NEBRASKA DEFERRED COMPENSATION PLAN

EMPLOYEES RETIREMENT SYSTEM HANDBOOK



NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS



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STATE OF NEBRASKA EMPLOYEES DEFERRED COMPENSATION PLAN

Nebraska Revised Statutes §§ 84-1504 through 84-1513

A Deferred Compensation Plan is a **voluntary investment plan**, authorized by IRS Code §457 whereby you authorize your employer to defer part of your current compensation and receive the amount, plus earnings, at a later date, such as at retirement. The State of Nebraska Deferred Compensation Plan (DCP) is designed to provide employees a supplementary retirement income.

As with other retirement plans, there are restrictions on withdrawals from a Deferred Compensation Plan. Therefore, your participation should be considered a **long-term investment program** and not a short-term savings program.

This booklet provides an overview of the benefits available to participants as of the revision date. The provisions of Neb. Rev. Stat. §84-1504, et. seq., and the current revision of the Plan Document shall supersede the information in this booklet.

This guidance document is advisory in nature but is binding on the Nebraska Public Employees Retirement Systems (NPERS) until amended by NPERS. A guidance document does not include internal procedural documents that only affect the internal operations of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

The provisions of the Plan as provided in the Plan Document, statutes, and administrative rules adopted by the Public Employees Retirement Board (PERB) and Internal Revenue Code §457 legally govern the operation of the Plan. The Plan Document is available on the Nebraska Public Employees Retirement Systems' (NPERS) website at npers.ne.gov, or by contacting NPERS for a copy.

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ELIGIBILITY

Any State of Nebraska employee, including State Patrol and Judge’s plan participants, employed on a permanent or temporary basis, full-time or part-time, may participate in the Deferred Compensation Plan (DCP).

Any Nebraska **county employee** employed on a permanent full-time or part-time basis, or elected official, may participate in the Deferred Compensation Plan, *provided their county does not offer its own deferred compensation plan and has elected to participate in the State DCP.*

Employees of the University of Nebraska, any of the State Colleges or Technical Community Colleges, independent contractors, and employees of the coordinating commission of postsecondary education are not eligible to participate in the DCP.

IMPORTANT



Individuals who are not United States citizens or qualified aliens lawfully present in the United States are not eligible to participate in the DCP.

ENROLLMENT/CONTRIBUTION CHANGES

IMPORTANT



There are restrictions on withdrawals from DCP, so your participation should be *considered a long-term investment program* and not a short-term savings program (see [Distribution of Account](#)).

State Employees & Judges

State employees and Nebraska Judges should use the Employee Work Center (Workday) to enroll in DCP and adjust contribution amounts. The election to participate is included as an option during State Open Enrollment, but State employees and Judges may enroll or change contribution amounts *year round* via their Workday access.

Enrollments and contribution changes made in Workday will begin as soon as administratively possible, but no earlier than the first of the following month. Elections made during Open Enrollment will be reflected on the first paycheck in July.

The Workday online access should NOT be used:

- If you contributed to another 457 plan this year. Please contact NPERS.
- If you are deferring unused leave to DCP (see [Deferring Unused Leave](#)).
- If you are not a United States citizen contact NPERS to determine eligibility.

County & State Patrol

State Patrol members covered under the SLEBC bargaining unit, and County employees who work at a county participating in DCP, do not have Workday access. These individuals should enroll and make contribution changes using the [DCP Enrollment/Change](#) form available from their employer or the NPERS website.

County and Patrol members may enroll by completing the *DCP Enrollment/Change form* and **submitting it to their Payroll/HR department**. Payroll/HR staff will verify and sign the form, and then forward it to NPERS for processing. Once your eligibility has been established, NPERS will notify your employer to begin payroll deductions. The calendar month after NPERS receives the completed form is when your participation and contributions to DCP will begin.

EXAMPLE



You complete a [DCP Enrollment/Change](#) form on January 5 and your employer signs the form on January 8 and forwards it to NPERS who receives it January 10. Your first contribution to DCP will begin with the first pay period in February.

County and Patrol members may change, stop, or re-start contributions by completing a *DCP Enrollment/Change form*. Submit this form to your Payroll/HR department if you are making changes to contribution amounts or deferring unused leave. They will sign the form and forward it to NPERS for processing. If you are *only* making changes to investment elections or transfers, you may submit this form directly to NPERS.

Unless the DCP Enrollment/Change form specifies a later effective date, all changes to DCP, including updating or ceasing contributions, will be effective the calendar month following NPERS' receipt of your form. Changes made to investment elections and transfers will be processed as soon as administratively possible.

IMPORTANT



If you are deferring unused leave, NPERS must receive your [DCP Enrollment/Change](#) form prior to receiving these funds from your employer. (see [Deferring Unused Leave](#)).

After Enrollment Steps- All Participants!

After initial enrollment, there are two more steps you need to take:

1. Designate beneficiaries using the [NPERS Beneficiary Designation](#) form.
2. Choose your investments.

Beneficiaries designated for the mandatory retirement plan and beneficiaries named during open enrollment do NOT apply to DCP (see [Beneficiary Designation](#)).

NPERS recommends using the [Ameritas Online Access](#) to make investment elections. If you already created an Ameritas Online account for your mandatory retirement, your DCP account will be added to your existing login credentials once Ameritas receives your first contribution. If you have not created an Ameritas online account, Ameritas will mail you correspondence containing the information needed to create online access. If you do not make an investment election, your contributions will be placed in the default investment option (see [Investment Options](#))

CONTRIBUTIONS

MINIMUM AND MAXIMUM CONTRIBUTIONS

As a participant in DCP, you may defer an elected amount from your compensation, the *minimum* being \$25 per month. The *maximum* you can defer and contribute to DCP is the lesser of:

■ 100% of your annual compensation less mandatory retirement contributions

OR

■ An annual dollar limit established under the Internal Revenue Code

Annual limits are adjusted each year for inflation and reported on the IRS website. Limits are also published in the January NPERS newsletters and can be found on the [DCP Enrollment/Change form](#). Please be aware contributions you make to another IRS code 457 tax deferred plan may count toward these limits. DCP participants must notify NPERS if they are (or begin) contributing to another 457 plan.

Age 50 Provision

During the year you attain age 50 and any year thereafter, you may contribute an *additional* amount above the annual limit. This amount is periodically adjusted for inflation.

Deferring Unused Leave

At termination or retirement, you may elect to defer eligible sick and vacation leave payouts, or back pay, to your account prior to terminating employment.

IMPORTANT



All leave deferrals **MUST** be submitted using a **DCP Enrollment/Change form** and **MUST** be received by NPERS prior to receipt of the funds. Do not submit these requests using the Workday access.

PROCESS FOR DEFERRING SICK/VACATION LEAVE

Complete, sign, and submit a [DCP Enrollment/Change](#) form to your Payroll/HR department. Your Payroll/HR department is responsible for forwarding the form to NPERS.

Unused leave payment amounts are determined by your Payroll/HR department per statute or contract language. These deferrals are subject to annual contribution limits. If the exact dollar amount of leave payout is not known at the time you complete the form, you may estimate the amount.

Value of Pre-Tax Savings

Contributions to DCP are made on a pre-tax basis. These contributions will not be reported as income and are not subject to state or federal income tax. State and federal income tax will be applied once you cease employment and begin taking distributions. Social Security and Medicare taxes (FICA) are deducted from contributions to DCP, so participating in DCP will not reduce future Social Security benefits.

IT ONLY COSTS \$80 TO SAVE \$100 IN DCP!

	PAY WITHOUT DCP CONTRIBUTIONS	PAY WITH DCP CONTRIBUTIONS
Gross Monthly Pay	\$2,000	\$2,000
Less 5% DCP Contribution	- 0	- 100
Taxable Pay	\$2,000	\$1,900
Less Federal & State Tax (Assume 15% federal & 5% state)	- 400	- 380
Take-Home Pay	\$1,600	\$1,520
<i>Difference in Take-Home Pay</i>		\$80

INCOMING ROLLOVERS/TRANSFERS

You may rollover or transfer funds into your DCP account from the following tax-qualified plans:

TAX-QUALIFIED PLANS THAT MAY TRANSFER TO DCP	
401(a)	Qualified Retirement Plan [includes a 401(k) plan]
403(a) or (b)	Tax Sheltered Annuity Account
457(b)	Eligible Deferred Compensation Plan (Nebraska only)
408(a)	Individual Retirement Account containing only rollover monies from a qualified plan ("Conduit" IRA)
408(a)	Individual Retirement Annuity other than an endowment contract

When transferring to your State of Nebraska DCP account from another Nebraska 457 plan, these conditions must be met:

CONDITIONS FOR TRANSFERRING FUNDS FROM A §457 PLAN
<ul style="list-style-type: none">■ You are actively employed by the State of Nebraska.■ You have enrolled and made at least one contribution to your Nebraska DCP account.■ After the transfer has occurred, you must make at least one additional monthly contribution to your Nebraska DCP account equal to or greater than the monthly amount you were contributing to the transferring plan.■ Your annual contribution limit will be reduced by any contributions you previously made to the other 457 account. You may not contribute more than the annual dollar limit for all 457 plans you participate in during any one calendar year.■ You must have ceased employment with the entity that maintains the transferring plan unless you are transferring all of the assets from the other 457 plan.

When rolling funds from a 401, 403, or 408 account into your State of Nebraska DCP account, these conditions apply:

CONDITIONS FOR TRANSFERRING FUNDS FROM A §401, §403, OR §408 PLAN

- You must be an active employee participating in the State of Nebraska DCP. Exception: State and County Employees may rollover funds from Cash Balance after termination provided they established a DCP account prior to ceasing employment with the State or County (see [Enrollment](#)).
- Since the rollover is from a non-457 plan, amounts rolled into your DCP account will be accounted for separately from any current and future DCP contributions.
- Amounts rolled into your DCP account will not count toward the annual limit on deferrals (see [Contribution Limits](#)).
- You cannot roll funds from a Roth account into DCP.
- Amounts rolled from other retirement accounts may be subject to early withdrawal penalties if distribution is made prior to retirement age.

INVESTMENT OF CONTRIBUTIONS

Participants in DCP must make their own investment decisions. If you do not make an investment election, your contributions will be invested in a LifePath fund. The LifePath fund you are defaulted to will be determined by your date of birth, for the intended retirement at age 65. (example - date of birth 01/01/1978 would default to LifePath 2045)

IMPORTANT



There is no guaranteed rate of return. Rates of return vary based on investment choices and market performance.

The Nebraska Investment Council periodically reviews the DCP investment options and may recommend changes to the options and fund managers. These recommendations must be approved by the Public Employees Retirement Board. Each year NPERS will publish an Annual Investment Report outlining the current investment options. This report is available on the NPERS website. For additional investment assistance, NPERS also offers an Investment Education video on the NPERS website.

INVESTMENT OPTIONS

- | | |
|---------------------------------|------------------------------|
| ■ Investor Select | ■ Life Path Index 2060 |
| ■ U.S. Bond Index | ■ Life Path Index 2055 |
| ■ Stable Value | ■ Life Path Index 2050 |
| ■ International Stock Index | ■ Life Path Index 2045 |
| ■ U.S. Total Stock Market Index | ■ Life Path Index 2040 |
| ■ Global Equity | ■ Life Path Index 2035 |
| ■ U.S. Core Plus Bond | ■ Life Path Index 2030 |
| ■ Life Path Index 2065 | ■ Life Path Index Retirement |

Investment Election Changes

(FUTURE CONTRIBUTIONS)

You may *change* the percent of **future** contributions you have allocated to each fund at any time. This change will not affect the existing contributions (current balance) already invested in the various funds.

Investment Transfers

(EXISTING CONTRIBUTIONS)

You may *transfer* (move) a dollar amount or percentage of your **existing** balances between any of the various funds.

Trading Restrictions/Excessive Trading Policy

In order to protect plan sponsors and participants, as well as meet regulatory guidelines, the PERB implemented an excessive trading policy effective on May 1, 2011. This policy monitors and limits the number of *transfers* permitted within a set period of time. Changes to *investment elections* (future payroll contributions) are not affected.

A “monitoring period” will begin whenever a member makes a “Round Trip.” A round trip is defined as a *transfer into followed by a transfer out of the same fund* within 60 days. When a member executes a round trip, this initiates a 60-day monitoring period. If the member makes *another transfer into the same fund* during the monitoring period, a written notice will be mailed to their home address. This notice will inform the member if they perform a *transfer out of this fund during the next 60 days*, they will be subject to trading restrictions.

Members subject to trading restrictions will be prevented from making any transfers **into** the applicable fund for 60 days. Investment elections or transfers for all funds during this time period must be done via the U.S. Mail. This would exclude the use of phone, voice response, fax, web/ internet, and hand-delivered means of executing trades. The participant will be notified in writing upon the imposition of these trading restrictions. Trading privileges will be restored automatically at the end of the trading restriction time period.

When transferring out of a fund, you cannot transfer back into that fund on the same day.

Methods for Investment Elections or Transfers

There are the two ways Deferred Compensation participants may make investment elections or transfers.

METHODS FOR MAKING INVESTMENT CHANGES	
Online	NPERS recommends participants use the online access to make investment elections. Instructions on creating an online account are available on the NPERS website.
Mail or Fax	Complete a DCP Enrollment/Change form and submit to NPERS by mail or fax.

Changes made online are processed daily after the close of the market. Changes received by mail or fax will be processed as soon as administratively possible. There is no fee assessed for changes or transfers and members will receive confirmation of the changes from the plan record keeper. It is the member's responsibility to review all confirmations and quarterly statements, and immediately report any discrepancies to NPERS.

STATEMENT OF ACCOUNT

Account statements are mailed or emailed each quarter based on your election. These statements give a detailed summary of contributions, investment earnings or losses, record keeper fees, and the account balance accumulated to date. Members who would prefer an electronic statement may select this option via the Ameritas online account access.

WARNING



It is the member's responsibility to review all statements and immediately report any discrepancies to NPERS.

IMPORTANT



To ensure you receive your statements and other mailings, always inform your employer of address changes. You may request a statement of account at any time by writing NPERS or utilizing the online account access.

EXEMPTION FROM LEGAL PROCESS

All Plan assets are held by NPERS *in trust*. Your accumulated account is immune from execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law. The assets cannot be paid out because of any legal actions. In addition, *you cannot borrow from your DCP account* or use the assets as loan collateral since they are not assignable. Your DCP account is not subject to the Spousal Pension Rights Act and so Qualified Domestic Relations Orders are not allowed in the Plan. Your Plan assets cannot be paid to anyone other than yourself or your beneficiaries except through an Internal Revenue Service tax lien.

ADDRESS CHANGES

As long as you are an active employee, your address is reported to NPERS by your employer. Therefore, it is important you keep your address current *with your employer*.

Terminated members should report address changes in writing directly to NPERS to ensure you receive your Account Statement and other items. An [address change](#) form is available on the “Forms” page of the NPERS website. All address change forms must be signed by the member. In addition, a terminated member *who has deferred taking benefits* (inactive member) may change their address online if they have created an NPERS [online account](#).

WARNING



Terminated members who fail to maintain an updated address may have their accounts transferred to unclaimed property.

FEES

ACCOUNT FEES

There are three separate fees assessed to member accounts.

1. Record keeping fee
2. Administrative fee
3. Investment management fee

IMPORTANT



The amount of these fees are subject to change. Changes to fees are reported in NPERS' newsletters and on the NPERS website.

Record Keeper Fee

The fee for record keeping services is subtracted directly from your account. This fee is assessed on a monthly basis and is reflected on your quarterly account statement.

In addition to the monthly record keeping fees, charges are assessed when a member takes a distribution from their account. Full (final) distributions of account balances greater than \$250 will be charged \$75, distributions of \$100 up to \$250 will be charged \$35, and distributions less than \$100 will not be assessed a final distribution fee. All Partial distributions or systematic withdrawals will be charged \$5 per distribution.

As of September 1, 2021, (final) distribution fees of account balances greater than \$500 will be charged \$75, distributions of \$150 up to \$500 will be charged \$35, and distributions less than \$150 will not be assessed a final distribution fee. All Partial distributions or systematic withdrawals will remain the same charge of \$5 per distribution.

The record keeper will also charge a quarterly fee of \$0.50 for delivery of statements or documents mailed to plan participants. Members can avoid this mailing fee by signing up for electronic distribution of correspondence.

Administrative Fee

A portion of NPERS' operational costs are reimbursed from administrative fees. NPERS will assess this fee in the form of basis points against plan assets. A basis point is one one-hundredth of a percent. These fees are reflected in the adjustment column of your quarterly statement.

Investment Management Fee

The investment management expenses include the operational costs of the Nebraska Investment Council, the custodial bank fee to handle the plan accounting, and the fee charged by each fund manager. These fees are not subtracted on your quarterly statement but reduce the earnings of each investment fund.

Because of economies of scale and the state's negotiating power, the investment fees on your funds are very low. In comparable mutual funds outside of the Plan, fees are generally higher and sales charges may also apply. Investment fees for each fund are listed in NPERS' Annual Investment Report.

BENEFICIARY DESIGNATION

Your beneficiary is the person or persons you designate to receive your account balance upon your death. If you elect to enroll in DCP, you need to complete and submit a [Beneficiary Designation](#) Form. The beneficiaries you designated for the mandatory retirement plan will not automatically transfer to the voluntary DCP account.

Keeping your beneficiary designation at NPERS up to date will ensure benefits are paid promptly and properly upon your death.

CIRCUMSTANCES FOR BENEFICIARY REVIEW

We recommend reviewing your beneficiary designation when:

- You or a beneficiary marries or becomes divorced
- You return to employment after receiving a distribution of your account
- A beneficiary dies
- You have a child

You may request a Beneficiary Designation Form from your employer, from NPERS, or access the form from the NPERS website. Updates go into effect only upon receipt of the original, properly completed, signed, and notarized form in our office. All previous beneficiary designations will be cancelled.

Beneficiary information is considered confidential and will not be provided over the phone. Individuals who have created an NPERS online account may be able to view their beneficiary(ies) online. If you are unsure who you have listed, you may request this information in writing or submit a new form to our office.

If there is no designated beneficiary on file, death benefits will be paid to the spouse married to the member on the member's date of death. If there is no eligible designated beneficiary or spouse, death benefits will be issued to the member's estate (see [Death Benefits](#)).

COMPLETING THE BENEFICIARY DESIGNATION FORM

- You may name primary and contingent beneficiary(ies).
- You may name a person or a trust. When naming a trust, include the full name and date of the trust along with the name of the trustee and their contact information. When designating a living trust, NPERS will need a point of contact who in theory will survive the member.
- If you have more than one retirement account at NPERS you may mark your Beneficiary Designation Form ("Plan Type" – upper right corner) for all accounts, or file separate Beneficiary Designation Forms if you want to name different beneficiaries for each account.

DISTRIBUTION OF BENEFITS

- Benefits will go to your named, primary beneficiary(ies) in equal amounts unless you assign specific percentages.
- If you designate multiple primary beneficiaries and one or more of them predecease you, your benefits will be divided among the remaining primary beneficiaries.
- NPERS does not observe the passing of benefits to the heir(s) of deceased beneficiary(ies) per stirpes.
- Only when all your named, primary beneficiary(ies) have predeceased you, will benefits go to your contingent beneficiaries.

IMPORTANT



Beneficiary(ies) designated on a beneficiary form generally take priority over beneficiary(ies) named in a will or trust.

Death Payouts Foreign Beneficiary -Taxation

There are unique provisions of the Internal Revenue Code (IRC) that apply to pension distributions to presumed foreign persons, including presumed foreign persons named as beneficiaries. When naming beneficiaries, please note that any presumed foreign persons named as beneficiaries will need to comply with those unique provisions of the IRC. Complying with these requirements may cause the pre-sumed foreign person, named as a beneficiary, to have to complete additional paperwork and provide additional information that would not be required of a U.S. citizen, permanent resident alien, etc. Complying with such requirements may generate processing delays.

DISTRIBUTION OF ACCOUNT

DISTRIBUTIONS MAY BE TAKEN FROM THE ACCOUNT UPON:

- Termination of employment or retirement
- Occurrence of a severe and unforeseeable emergency
- *De Minimus* withdrawals per IRS 457 regulations (see [De Minimus Withdrawals](#))
- Death of the plan member
- Attaining the Required Minimum Distribution Age, whether employed or not employed.

IMPORTANT



NOTE: If you have terminated employment with your DCP provider (State, County, Judges, or Patrol), you **MUST** begin distributions when you reach RMD age (see [Taxation](#)).

TRANSFERRING FUNDS

You may transfer funds to another qualified plan prior to retirement or termination if the transfer is made for:

- Purchase of service credit in a governmental defined benefit plan (i.e., Nebraska School Employees Retirement Plan, etc.), or
- Repayment of a refund in a governmental defined benefit plan

PAYMENT OPTIONS AT TERMINATION/RETIREMENT

At termination or retirement, *regardless of your age*, you may

- **Defer** payment of your account up to Required Minimum Distribution (RMD) age, **or**
- Request **distribution** of your DCP account.

THE FOLLOWING PAYMENT OPTIONS ARE AVAILABLE

- Lump sum distribution paid directly to you (included in your taxable income)
- Rollover or Conversion to another tax deferred qualified plan or (Traditional or Roth) IRA
- Systematic withdrawals which provide a series of payments to you at the frequency and dollar amount you elect
- Deferral of payments until a later date (no later than RMD age)
- Combination of the above

To request distribution of your account, please contact NPERS and we will provide you with the distribution form. Please review the form instructions for important information on how to complete the form and the order of distributions. When you submit the form to NPERS, your payment will be processed as soon as administratively possible, but **no sooner than 60 days** after your termination to allow time for processing all contributions from final pay.

When your contributions and earnings are distributed to you, the funds are taxed as ordinary income in the year in which you receive them (see [Taxation](#)).

The record keeper charges a final distribution fee when you take a total distribution of your account through a lump sum or rollover distribution (see [Fees](#)).

Lump Sum Distribution Option

All or part of your account may be paid directly to you in a lump sum distribution and will be reported as taxable income. A partial distribution will be allocated pro rata among your investment funds. The distribution will be subject to a record keeper distribution fee plus a 20% federal tax withholding and, for Nebraska residents, 5% Nebraska state withholding (see [Fees](#) and [Taxation](#)).

Rollover/Conversion Distribution Options

All or part of your account may be rolled over to another eligible §457 government plan, eligible retirement plan, or Traditional IRA. You may also elect to move your funds to a Roth IRA (conversion). With the exception of conversions to a Roth IRA, rollover amounts are not taxable at the time of the rollover. You will be taxed when you withdraw the money from the other plan or Traditional IRA. Roth IRA conversions are subject to State and Federal income taxes *in the year of the conversion*. Members are responsible for filing and paying taxes on Roth IRA conversions.

Systematic Withdrawal Option

The Systematic Withdrawal Option (SWO) is a series of withdrawals (distributions) paid to you at the frequency and dollar amount you elect. The payment can be made on a monthly, quarterly, semiannual, or annual basis and must be a minimum withdrawal of at least \$100. Withdrawals will be allocated pro rata among your investment funds. Changes in amount and frequency are *limited to two per year*.

While receiving SWO payments, the balance of your account remains invested and is subject to market gains and losses. You continue to have investment choices and may transfer your remaining account balance among the investment funds. Your account will continue to be assessed monthly fees and payments will cease if the account becomes fully depleted.

SWO distributions are subject to a record keeper distribution fee plus a 20% federal tax withholding and, for Nebraska residents, 5% Nebraska state withholding (see [Fees](#) and [Taxation](#)).

CHARACTERISTICS OF SWO

- Minimum withdrawal — \$100
- Can be directly deposited into your bank account
- Federal taxes will be withheld at a 20% rate and, for Nebraska residents, Nebraska state taxes will be withheld at 5%
- Withdrawal amounts are subject to required minimum distribution rules.
- Monthly, quarterly, semiannual, or annual distributions
- May make changes in amount and frequency of payments twice per year
- Account balance remains invested as directed. Investment selection and market performance determine gain or loss
- Payments cease if account is fully depleted

Deferral Option

If you do not wish to take payment of your account at the time you terminate/retire, you may defer all or a part of the distribution. Payment of your account *may* begin at any time you choose, but *must* begin by April 1 following the year in which you reach Required Minimum Distribution (RMD) age and have terminated employment (see [Taxation](#)).

While your account is deferred, it remains invested and is subject to market gains and losses. You may transfer your remaining account balance among the investment options at your discretion. Deferred accounts continue to be assessed monthly fees.

IMPORTANT



In order to receive proper notification and payment of benefits when using the Deferral Option, you must keep your address current with NPERs. Terminated members who fail to maintain an updated address may have their accounts transferred to unclaimed property.

DEATH BENEFIT

Upon your death, your employer or beneficiaries should immediately notify NPERS. Proof of death must be provided before any death benefits can be distributed.

DEATH BENEFITS

Eligible beneficiaries will be determined by:

- Beneficiaries designated per your most recently received NPERS beneficiary form
- If there is no surviving designated beneficiary and the member was married at the time of death, death benefits will be paid to the surviving spouse
- If there is no surviving designated beneficiary OR surviving spouse, benefits will be issued to the member's estate

Surviving Spouse's Options

If you have designated your spouse as the sole primary beneficiary, they may elect distribution under any of the payment options (see [Payment Options at Termination/Retirement](#)). **This election must be made within 120 days of your date of death or the appointment of an executor, administrator, or personal representative.**

If your spouse elects to defer distribution within the 120-day time frame, they cannot defer longer than ten years from your date of death. If your spouse elects a systematic withdrawal, the entire account must be distributed no later than ten years from your date of death. If an election is not made within 120 days, death benefits will be paid as a 100% Lump Sum distribution. In all instances, the entire account must be distributed no later than ten years from your date of death or by the applicable RMD due date, whichever is earlier.

Non-Spousal Options

Non-spousal beneficiaries may elect either the Lump Sum Distribution Option, the Rollover Distribution Option, or the Systematic Withdrawal Option. **This election must be made within 120 days of your date of death or the appointment of an executor, administrator, or personal representative.** If an election is not made within 120 days, death benefits will be paid as a 100% Lump Sum distribution. In all instances, the entire account must be distributed no later than 5 years from your date of death or by the applicable RMD due date, whichever is earlier.

IMPORTANT- ADDRESS



Beneficiaries receiving a death benefit must maintain a current address with NPERS. Failure to maintain an updated address may result in potential tax penalties and transfer of the account to unclaimed property.

IMPORTANT- RMD



It is the responsibility of the beneficiary(ies) or estate to understand RMD requirements pertaining to the deceased member's account(s). Failure to take an RMD(s) can result in significant tax penalties. You may wish to consult a tax professional for assistance.

UNFORESEEABLE EMERGENCY WITHDRAWALS

If you suffer a severe, unforeseeable emergency, you can apply to take a distribution from your account prior to ceasing employment. Emergency withdrawals are not allowed for personal expenses, such as a down payment for a house, purchase or repair of an automobile, college or other educational expenses, normal monthly bills, or credit card debt.

The financial hardship must result from a sudden and unexpected illness or accident of you or your dependents, or the loss of your property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control.

You will be required to provide financial records that document the hardship and complete an Emergency Withdrawal Request Questionnaire. You must also prove that you cannot meet the need for this hardship from other resources. Distributions will be limited to the amount necessary to satisfy the need.

DCP accounts are subject to market fluctuations prior to the actual distribution of an emergency withdrawal.

Contact NPERS if you have questions regarding emergency withdrawals. Emergency withdrawals must be approved by the Public Employees Retirement Board. NPERS is required to withhold taxes on emergency withdrawals (see [Taxation](#)).

DE MINIMUS WITHDRAWALS

You may withdraw your total account if your balance is less than \$5,000 and you have not contributed to the Plan during the prior two years. In addition, NPERs reserves the right to distribute your account if you do not make contributions for two years and the account balance is less than \$1,000. Only one *De Minimus* withdrawal is allowed during a member's participation in the Plan.

REEMPLOYMENT

In order to take distributions from your DCP account you must terminate employment. If you return to Nebraska State employment (or for County members, Nebraska County employment), you must have a minimum 120-calendar day separation from service and no pre-arranged agreement to return to employment. If you do not meet these criteria and have taken a distribution from your account, you will be required to repay any distribution you have received.

TAXATION

Contributions to DCP are not subject to state and federal income taxes when deducted from your salary. The taxable income reported on your Wage and Earning Statement (IRS Form W-2) issued by your employer is reduced by the amounts you contribute to your DCP account.

When you take lump sum, systematic withdrawals, or Roth conversion distributions from your account, these payments are subject to federal and state income tax. State income tax will be based on your state of residence when you receive the payments.

NPERs is required by law to withhold 20% for federal income taxes and, for Nebraska residents, 5% for Nebraska state income taxes for lump sum and systematic withdrawal distributions. The withholding for approved emergency withdrawals is also 20% for federal and 5% for Nebraska. These withholdings may or *may not* satisfy your tax obligations for the year.

Taxable distributions from your account will be reported to you on a 1099-R form each year in January. A copy of the 1099-R will also be provided to the Internal Revenue Service.

You may wish to contact the Internal Revenue Service and/or a tax consultant for additional income tax information.

Taxation of Rollovers/Conversions

Any amounts from your account that are rolled into a Traditional IRA or another qualified retirement plan are not subject to taxation at the time of the rollover. Those amounts will be subject to taxation when you take a distribution from the rollover account. Conversions to a Roth IRA are subject to State and Federal income taxes in the year of the conversion. Members are responsible for filing and paying taxes on the Roth IRA conversion.

Required Minimum Distributions (RMD)

Taxable distributions (RMDs) must be taken each year after you have separated from service and reached RMD age. RMD amounts cannot be rolled over or converted, but must be taken as lump sum distributions.

RMD DEADLINES

Your first (initial) RMD must be taken by the April 1 following:

- The year you reach RMD age, or;
- If you have not separated from service prior to RMD age, the year you terminate employment

Subsequent RMDs must be taken each year by December 31.

Legislation changes over the past few years have created different RMD ages depending on when you were born.

YOUR RMD AGE

70 ½ If you were born prior to 7/1/1949

72 If you were born on or after 7/1/1949 but before 1/1/1951

73 If you were born on or after 1/1/1951 but before 1/1/1960

75 If you were born on or after 1/1/1960

IT IS YOUR RESPONSIBILITY TO:

- Understand your RMD age and due dates
- Calculate RMD amounts
- Take a taxable distribution in time to meet RMD deadlines

Failure to take an RMD can result in significant tax penalties and the eventual transfer of your account to unclaimed property. Please contact your financial advisor, tax preparer, and/or accountant with detailed questions about your unique financial situation.

IMPORTANT



NPERS will make every effort to provide RMD warnings to terminated plan participants, but we cannot guarantee accurate notification for every member.

Early Withdrawal Penalties

Unlike the mandatory Nebraska State and County retirement plans, or a Traditional IRA, contributions you make to your DCP account and their earnings are not subject to a 10% federal tax penalty for early withdrawals.

Any funds (and subsequent earnings) rolled into DCP from another tax-qualified plan may be subject to early withdrawal provisions.

RETIREMENT SAVINGS TAX CREDIT

Eligible employees may be able to reduce their taxes by qualifying for the Federal Saver's Tax Credit, formally known as the Retirement Savings Contribution Credit. Contributions to a 403(b) or 457 (Deferred Compensation) retirement plan may qualify participants for a tax credit of up to \$1,000 per individual (\$2,000 if filing jointly).

Eligibility and the amount of the credit are determined by filing status and adjusted gross income (AGI).

CREDIT RATE	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD	ALL OTHER FILERS <small>SINGLE, MARRIED FILING SEPARATELY, OR QUALIFYING WIDOW(ER)</small>
50%	\$0 – \$46,000	\$0 – \$34,500	\$0 – \$23,000
20%	\$46,001 – \$50,000	\$34,501 – \$37,500	\$23,001 – \$25,000
10%	\$50,001 – \$76,500	\$37,501 – \$57,375	\$25,001 – \$38,250
0%	More than \$76,500	More than \$57,375	More than \$38,250

For example, a couple filing a joint return with an AGI of \$46,000 or less is eligible for the 50% credit rate. If both contributed \$2,000 or more to a qualified plan, they would receive the maximum \$1,000 Saver's Credit each. If their AGI was \$48,000, they move to the 20% credit rate, receiving a \$400 credit each.

Don't confuse tax "credits" with "deductions." A deduction reduces taxable income, while a credit reduces the final amount of taxes owed dollar for dollar, providing significantly better savings.

YOU MAY TAKE THE CREDIT IF ALL OF THE FOLLOWING APPLY:

- You must be at least 18 years old
- You **are not** a full-time student
- No one else claims you as a dependent on their tax return

For further information and full details on the Retirement Savings Contributions Credit, please consult your tax professional or visit the IRS website at www.irs.gov.

ADMINISTRATION OF THE RETIREMENT FUND

The **Public Employees Retirement Board (PERB)** consists of nine members appointed by the Governor for five-year terms. Seven members are participants in the retirement systems administered by the PERB. Two are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is also a member of the PERB in a non-voting, ex-officio capacity.

The PERB is responsible for the administration of the Judges, State Patrol, Nebraska School Employees, OSERS School Employees, State Employees and County Employees Retirement Systems and the State Deferred Compensation Plan. PERB meetings are held regularly each month.

Nebraska Public Employees Retirement Systems (NPERS) is the agency responsible for the administration of the School Plan.

A **Director** is hired by the PERB and directs NPERS in its administration of the various systems.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

School Retirement Funds are invested by the **State Investment Officer** under the direction of the **Nebraska Investment Council**.

Consulting Actuaries employed by the PERB annually conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB and evaluate the system's assets and liabilities. These reports are available on the NPERS website.

RELEASE OF INFORMATION

Member account information, including name, address, account balances, or payment options, will only be released under the following conditions:

CONDITIONS OF RELEASE OF INFORMATION:

- Personal visit to NPERs by the member with a valid government photo identification.
- Verification of identity over the phone by the member providing their full name and at least three of the following: address, Social Security number, retirement number, or date of birth (not including beneficiary listings).
- Written and signed request from the member, including the member's name and two of the following: address, Social Security number, retirement number, or date of birth.
- Written release signed and dated by the member, allowing another person to request information on their behalf (release is valid for one year unless otherwise stated for a power of attorney).
- A court-ordered release.
- Request from a guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship.
- Request from a personal representative or executor of a deceased member accompanied by a certified copy of letters of appointment.
- Request from an individual holding power of attorney, provided the power of attorney includes:
 - A provision specifically granting the attorney-in-fact authority to deal with retirement plans, **OR**
 - Provisions granting the authority to do all things on the member's behalf and authorizing the release of information.
- Request from a third party (e.g., housing authority, financial advisor) signed by the third party and the member.
- Written or verbal request from a receiving financial institution (rollover company) on behalf of the member for distribution status or pending requirements, provided rollover documents are signed by the member.

Account information may be released to your employer for verification or correction of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws. Account information may also be released as necessary under an approved qualified domestic relations order (QDRO) for the alternate payee's account.

Beneficiary listings must not be provided over the telephone. These must be requested in writing and provided back to the member (or their guardian, conservator, power of attorney, or personal representative) by mail or during an office or virtual visit where proper identification is verified.

Fax Policy

The following will be honored via facsimile (fax) if signed by the member:

FAXABLE DOCUMENTS

The following will be honored via facsimile (fax) if signed by the member:

- Requests for account information
- Requests for beneficiary listings
- Requests for annuity estimates
- Changes in tax withholding
- Changes in direct deposit or debit card

Original NPERS forms are required to process annuities or payments, to change beneficiaries, or change of address for payment requests. However, faxed applications (must be properly completed, signed and notarized) for a retirement benefit will be accepted to determine effective date of processing of payment if the **original, notarized form is received within seven working days**.

Email Policy

General questions about the pension plan and requests for forms may be communicated through email.

At the present time, NPERS does not answer individual account questions by email. NPERS will respond to signed, written requests.

APPEALS PROCESS

NPERS makes every effort to follow Federal and State statutes, and rules and regulations when administering the School Plan. As a member of the School Plan, you have the right of review if you disagree with a decision reached by NPERS Director or the Public Employees Retirement Board (PERB). You must file your appeal form within 30 days after you receive notice of the Director's or the PERB's decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If you wish to further appeal a decision, you are entitled to judicial review under the Nebraska Administrative Procedures Act.

The time limits prescribed may be extended at the discretion of the PERB.

State laws and NPERS policies are subject to change. Please view our website or contact our office for the most current plan information.

