NEBRASKA

DEFERRED COMPENSATION PLAN

VOLUNTARY RETIREMENT PLAN HANDBOOK

NPERS
Nebraska Public Employees Retirement Systems
Revised 08/2013

IMPORTANT

This member handbook contains time-sensitive information and should be read by all new State employees within 30 days of employment.

NPERS
Nebraska Public Employees
Retirement Systems

P.O. Box 94816
Lincoln, NE 68509
402-471-2053
800-245-5712
npers.ne.gov

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.

Participation in the Plan may be beneficial to you because, as salary is deferred, the payment of Federal and State Income Taxes is also deferred, thereby **reducing your current taxes**.

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 and is not intended to be a substitute for retirement education. The provisions of Neb. Rev. Stat. §84-1504, et. seq., and the Plan Document, revised on March 19, 2012, in all cases supersede the information in this booklet.

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.

If you have questions, contact:

Nebraska Public Employees Retirement Systems (NPERS)
P.O. Box 94816
Lincoln, Nebraska 68509-4816
Fax: 402-471-9493
or call 402-471-2053 or toll-free 800-245-5712.

You may schedule an appointment to visit NPERS at 1221 N Street, Suite 325, Lincoln. In September 2013, our office will be moving to 1526 K Street, Suite 400. The above mailing address, phone and fax numbers will remain the same after the move.

For Plan information visit the NPERS website: npers.ne.gov.

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PARTICIPATION

Any **State of Nebraska employee** employed on a permanent or temporary basis, full-time or part-time, may participate in the Deferred Compensation Plan (DCP). Employees must be a United States citizen or a qualified alien in order to participate.

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.*

Excluded from participation in DCP are employees of the University of Nebraska or any of the State Colleges or Technical Community Colleges and Independent Contractors.

There is **no** eligibility waiting period or age restriction for new employees.

To enroll in DCP, contact your employer or call NPERS and request a Deferred Compensation Enrollment Form. You may also download enrollment forms from NPERS' website at **npers.ne.gov**.

As with other retirement plans, 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.

CONTRIBUTIONS

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 will be applied once you cease employment and begin taking distributions. Social Security and Medicare taxes (FICA) are deducted from contributions to DCP.

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. The dollar limit is $17,500 for 2013 and will be adjusted for inflation every year thereafter by the U.S. Secretary of the Treasury. The percentage limit remains fixed at 100% of your compensation less mandatory contributions to retirement plans.

You may join DCP at any time by completing a Deferred Compensation Enrollment Form and submitting it to your employer. Your employer will set up your payroll deduction and forward the form to NPERS. The calendar month after NPERS receives the completed form is the month your contributions to DCP will begin.

EXAMPLE
You complete a DCP Enrollment Form on January 5 and your employer completes 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.

After you have started contributing to DCP, you may change, stop, or re-start your contributions at any time by completing and signing a Deferred Compensation Plan Change Form. Submit this form to your employer who will make any necessary payroll deduction and forward the form to NPERS. Most changes you make to your DCP contributions (start, increase, decrease, or re-start) will be effective the calendar month following NPERS' receipt of your DCP Enrollment Form or Change Form. If you elect to stop making contributions, they will cease the first pay period *following* NPERS' receipt of a DCP Change Form to stop deferrals.

The forms necessary for enrolling in or making changes to your DCP account may be obtained from your employer or from NPERS, or printed from the website at **npers.ne.gov**.

Value of Pre-Tax Savings

The following calculation illustrates how participation in DCP lowers your reported salary, which reduces your income taxes. Participation in DCP is a way to boost your personal savings and add to your financial security.

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**
Difference in Take-Home Pay		**$80**

Deferring Leave Payout At Termination/Retirement

If you have previously established a DCP account, you may elect to defer accumulated sick pay and vacation pay, or back pay to your account before terminating employment.

To defer pay from accumulated leave, you must complete, sign and submit a DCP Change or Enrollment Form to your employer. NPERS must receive the DCP Change or Enrollment Form t**he calendar month prior to your date of termination.**

Sick or vacation pay 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 omit that information.

Age 50 Catch-up Provision

During the year you attain age 50 and any year thereafter, you may contribute an *additional* $5,500. For example, if you are age 50 in 2013, your maximum contribution would be the standard $17,500 *plus* the $5,500 age 50 "catch-up" or $23,000. This provision **cannot be implemented simultaneously** with the Three-Year Catch-up Provision. The catch-up amount is adjusted for inflation periodically.

Three-Year Catch-up Provision

If you did not defer the maximum amount allowed in all previous years for which you were eligible and an employee (beginning January 1, 1979), you may defer additional amounts in order to "catch up" to the maximums allowed for those prior years (including all rules regarding maximums in effect at that time).

You may elect to catch up contributions if you are *within three years* of your anticipated retirement, which cannot be earlier than age 55 in the Plan. The total deferral cannot exceed twice the annual maximum for that year and you may not utilize the three-year catch-up provision during the calendar year in which you elected to retire. To begin the three-year catch-up, you must notify NPERS *within three years or less* of your anticipated date of retirement. This provision may be utilized **one time only**. You may continue to work beyond the retirement date you designated, but you cannot utilize the three-year catch-up provision again. Contact NPERS for additional information and to request a Catch-up Provision Worksheet.

FORMULA: CONTRIBUTION LIMITS								
	Normal Limitation Deferral	+	Age 50 Additional Catch-Up	=	Age 50 Max Deferral	OR	3-Year Catch-Up
2013 Formula	$17,500	+	$5,500	=	$23,000	OR	$35,000

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; and a State of Nebraska Cash Balance plan. Nebraska Counties are not eligible.]
§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

- You must be actively employed by the State of Nebraska.
- You must have enrolled and made at least one contribution to your Nebraska DCP account.
- After the transfer has occurred, your initial monthly contribution to your Nebraska DCP account must be equal to or greater than the amount you were contributing to the transferring plan.
- You may not contribute more than the annual dollar limit for all deferred compensation 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 (as listed above) 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, contributing to the State of Nebraska DCP. **Exception:** State Employees may rollover funds from Cash Balance after termination provided they established a DCP account prior to terminating employment with the State.
- 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.
- Incoming rollovers are not allowed from employees of Nebraska Counties that participate in the State of Nebraska DCP.
- Amounts rolled into your DCP account will not count toward the annual limit on deferrals. (See "Contribution Limits.")
- Amounts rolled from other retirement accounts may be subject to early withdrawal penalties if distribution is made prior to retirement age.

INVESTMENT OF CONTRIBUTIONS

The Public Employees Retirement Board (PERB) selects the investment funds available to Deferred Compensation participants, and the Nebraska Investment Council selects the money managers for each fund. There are currently 13 investment options. These investment options may change from time to time. Each year NPERS will publish an Annual Investment Report outlining the current investment options. This report is available on the NPERS website and members may contact NPERS to request a written copy. For additional investment assistance, NPERS offers an Investment Education video on the NPERS website. Members who do not have internet access may request a copy of this video in DVD format.

INVESTMENT OPTIONS

- Money Market Fund
- Conservative Premixed Fund
- Age-Based Fund
- Large Company Value Fund
- Investor Select Fund
- Stable Value Fund
- Moderate Premixed Fund
- S & P 500 Index Fund
- Small Company Stock Fund
- Bond Market Index Fund
- Aggressive Premixed Fund
- Large Company Growth Fund
- International Stock Index Fund

If you do not make an investment election, your contributions will be invested by default in the Stable Value Fund.

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.

There are additional trading restrictions on the Stable Value Fund. A direct transfer between the Stable Value Fund and a "competing fund," specifically the Money Market Fund, is not allowed. Transfers between such "competing funds" via another fund are restricted for three months.

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	Enter changes through the Ameritas online account access via the NPERS website. Instructions on creating an online account are available on the NPERS website.
Mail or Fax	Complete an Investment Election Form, available from your employer or NPERS, or downloaded from the NPERS website, and submit to NPERS by mail or fax to 402-471-9493.

Changes received by mail or fax will be processed within three business days of receipt. Changes made online are processed daily after the close of the market. There is no fee assessed for these 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 each calendar quarter. These statements give a detailed summary of contributions, investment earnings or losses, record-keeping 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. **It is the member's responsibility to review all statements and immediately report any discrepancies to NPERS.**

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.

Once distributed, retirement benefits may be awarded by a court if a plan member is convicted of or pleads no contest to a felony defined as an assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and is subsequently found liable for civil damages. Any benefit or annuity payments deemed "reasonably necessary for the support of the employee or appointee or any of his or her beneficiaries" may be exempt from attachment.

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.*

If you terminate employment and do not withdraw your funds, you are responsible to report any address changes directly to NPERS, in writing with your signature, to ensure you receive your quarterly statements and other items mailed to you.

FEES

ACCOUNT FEES

There are three separate fees assessed to member accounts.

- Record-keeping fee
- NPERS' administrative fee
- 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-keeping 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.

When a member takes a *total* distribution of his/her account through a direct payment, rollover, or annuity, the record-keeper assesses a final distribution fee. A $35 fee will be assessed when the amount of the final distribution is between $100 and $200, and a $50 fee assessed for final distributions over $200. No fee is charged if the account is under $100. For participants taking periodic withdrawals, the fee will be charged on the *final* distribution that depletes the member's account.

Administrative Fee

A portion of NPERS' operational costs are reimbursed from administrative fees. NPERS may also assess this fee in the form of basis points against plan assets. A basis point is one one-hundredth of a percent. For example, if a member has $10,000 in his/her account, a charge of 10 basis points in expenses would cost approximately $10 per year. 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. The fees range from as low as 0.03% on some index funds to 0.37% on the more actively managed choices like the Small Company Stock Index Fund. 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 DCP account balance if you were to die before terminating or retiring and selecting a payment option. At the time you join the Plan, your employer will provide you with a Beneficiary Designation Form. The form must be properly *completed, signed, notarized,* and *received* by NPERS to be in effect. You may *change* your beneficiary designation at any time and should always be sure your beneficiary information is *current* and up to date at NPERS.

COMPLETING THE BENEFICIARY DESIGNATION FORM

- You may name primary and contingent beneficiary(ies).
- You may name the same beneficiary(ies) you named for your State (or County) Retirement Plan, or you may name different beneficiary(ies).
- Your DCP 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 an heir(s) of deceased beneficiary(ies) *per stirpes*.
- Only if all your named, primary beneficiary(ies) have predeceased you will any of your benefits go to your contingent beneficiaries.
- If you name no beneficiary(ies), your benefits will be paid to your estate.

To change or update your beneficiary designations, you should request a Beneficiary Designation Form from your employer or from NPERS, or print a form from the website at **npers.ne.gov**. When NPERS receives your properly completed, signed and notarized form, it will cancel any previous beneficiary designation. **Be sure to fill out the form completely.** If information is missing or not properly completed, the form will be returned to you and a new form provided for re-submission.

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

CIRCUMSTANCES FOR BENEFICIARY REVIEW

We recommend reviewing your beneficiary designation when:

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

DISTRIBUTION OF ACCOUNT

Your contributions and earnings in the Plan may (but are not required to) be distributed (paid out) upon certain conditions.

CONDITIONS FOR DISTRIBUTION OF ACCOUNT

- Termination of employment or retirement
- Occurrence of a severe and unforeseen emergency
- "De minimus" withdrawals per IRS §457 regulations (see "De Minimum Withdrawals")
- Death
- Attaining the age of 70½, whether employed or not employed (**if you are no longer employed by the State of Nebraska**, you must take a required minimum distribution at age 70½).

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 age 70½, or
- request **distribution** of your DCP account.

THE FOLLOWING PAYMENT OPTIONS ARE AVAILABLE

- Monthly annuity (proof of age is required)
- Lump sum distribution paid directly to you (included in your taxable income)
- Rollover distribution paid 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 age 70½)
- Combination of the above

If you request distribution of your account, NPERS will provide you with the necessary form. When you select a payment option, 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. If you select an annuity, payments will be retroactive to your annuity start date.

When your contributions and earnings are distributed, the funds are taxed as ordinary income in the year in which you receive them. (See "Taxation.")

The recordkeeper charges a final distribution fee when you take a total distribution of your account through a lump sum distribution, rollover distribution, or monthly annuity. (See "Fees.")

Monthly Annuity Options

You may use all or part of your account to purchase an annuity. Your monthly annuity payment will be determined by the dollar amount you annuitize, your age on the date your payments are to begin, and the annuity option you select. When you select an annuity, your investment funds are liquidated and you are paid a monthly payment amount that never changes. You may request an estimate of annuity payment amounts by writing to or calling NPERS.

When you select an annuity option, your age must be verified before payments can begin. A legible copy of your birth certificate will be considered sufficient proof of your age. When a survivor option is selected, NPERS requires your spouse's or non-spouse's proof of age, and if married, a copy of your marriage license. You may request an annuity estimate by writing to NPERS.

WARNING

You **CANNOT** change your option after your annuity start date. Therefore, NPERS suggests you request estimates of benefits under the following options before you make your selection.

OPTION 1

Life Only Annuity

Provides a monthly payment ***for your lifetime*** with no refund or death benefit. There is no beneficiary designation under this option.

OPTION 2

Modified Cash Refund Annuity

Provides a monthly payment ***for your lifetime***. If you die before receiving payments equal to the amount used to purchase the annuity, the remaining balance will be paid in a lump sum to your beneficiary(ies) or estate. You may list as many beneficiaries as you wish and change them at any time after retirement.

OPTION 3

Period Certain and Continuous Annuity

Provides a monthly payment ***for your lifetime,*** with a potential death benefit for a period of five, ten, or fifteen years to your beneficiary(ies) or estate. You may list as many beneficiaries as you wish and change them at any time after retirement.

OPTION 4
Joint and Survivor Annuity Provides a monthly payment ***for your lifetime,*** and a percentage of that benefit to your spouse after your death. Your spouse will be your sole, permanent beneficiary. Should he/she predecease you or you divorce, you cannot select another beneficiary. NPERS will require legible proof of age for your spouse and a legible certified copy of your marriage license.

OPTION 5
Non-Spousal Joint and Survivor Annuity Provides a monthly payment ***for your lifetime.*** When you die, your surviving beneficiary will receive 50% of your benefit, paid monthly for his/her lifetime. You may designate only one person as your permanent beneficiary (this cannot be your spouse) and you cannot change your beneficiary after commencement of the benefit. NPERS will require legible proof of age of your beneficiary.

OPTION 6
Designated Period Annuity Provides a monthly payment for a designated period of 5, 10, 15, or 20 years. There is NO guaranteed lifetime payment under these options. If you die prior to the end of the designated period, your beneficiary(ies) or estate will receive the remainder of the benefit payments. You may list as many beneficiaries as you wish and change them at any time.

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 20% federal tax withholding and, for Nebraska residents, 5% Nebraska state withholding. (See “Taxation.”)

Rollover Distribution Option

All or part of your account may be rolled over or transferred to another eligible §457 government plan, eligible retirement plan, or IRA (Traditional or Roth). With the exception of rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. You will be taxed when you eventually withdraw the money from the other plan. Roth IRA rollovers are subject to State and Federal income taxes *in the year of the rollover.* Members will be responsible for filing and paying taxes on the Roth IRA rollover. Under current law, qualified distributions taken from the Roth account are *tax-free* provided the member is age 59½ or older and the withdrawal is made at least five years after the Roth IRA was established and initially funded.

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.

NPERS is required by law to withhold 20% for federal and 5% for Nebraska state taxes (See “Taxation.”).

The SWO payment will cease when the account is fully depleted. If you die, the SWO payment will cease upon notification of your death. If a balance remains, it will be paid to your designated beneficiary.

CHARACTERISTICS OF SWO

- Minimum withdrawal — $100
- Can be directly deposited into your bank account
- If paid directly to you, federal taxes will be withheld at a 20% rate and, for Nebraska residents, Nebraska state taxes will be withheld at 5%
- Withdrawal amounts will be subject to required minimum distribution rules after reaching age 70½
- 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 age 70½ and have terminated employment.

While your account is deferred, it remains invested and is subject to market gains and losses. You continue to have the investment choices you had while employed and 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 always keep your address current with NPERS.

DEATH BENEFIT

Upon your death, your employer or beneficiaries should immediately notify NPERS. Any balance remaining in your account will be released according to your most recent Beneficiary Designation Form.

DEATH BENEFITS	
The following rules apply:	■ If you die after purchasing an annuity, the death benefit is regulated by the form of the annuity you chose. (See "Annuity Options.") ■ If an election has not been made ***within 120 days***, benefits will be paid to your beneficiary as a lump sum payment. ■ If you die without a designated beneficiary, payment will be made to your estate. ■ Proof of death must be provided before any payments will be distributed.

Surviving Spouse's Options

If you die before requesting a distribution and your spouse is the primary beneficiary, he/she may elect to have the benefits paid under any of the payment options with the exception of the Joint and Survivor annuity. (See "Payment Options at Termination/Retirement.")

WARNING
This election must be made *within 120 days* of your date of death.

Non-Spousal Options

If you die before requesting a distribution, and your primary beneficiary is not your spouse, he/she may elect either the Lump Sum Distribution Option, the Rollover Distribution Option, or the Systematic Withdrawal Option.

WARNING

This election must be made *within 120 days* of your date of death.

EMERGENCY WITHDRAWAL/ FINANCIAL HARDSHIP

If you suffer a severe, unforeseen emergency, you can apply to withdraw all or a portion of 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, credit card debt, payments of loans or federal or state taxes.

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. Under most circumstances, divorce proceedings are not considered an unforeseeable event.

Before it can be determined if the event is unforeseeable, you must 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, or by simply stopping your contributions to DCP. Distributions because of unforeseeable emergency 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. No contributions may be made during the six months following an emergency withdrawal.

Contact NPERS for additional information regarding Emergency Withdrawal/Financial Hardship. 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

If you terminate employment with the State of Nebraska, and later return to employment with the State of Nebraska, it will only be considered a bona fide separation from service as long as 120 calendar days have passed. If you take a distribution of your account and are reemployed with the State of Nebraska in any capacity before 120 calendar days have passed, you must repay any distribution you have received.

TAXATION

Your current contributions to your DCP account are not taxed when deducted from your salary and remitted to the Plan. This means the taxable income reported on your Wage and Earning Statement (IRS Form W-2) issued by your employer is reduced by the amount you contribute to your DCP account.

When your contributions and earnings are returned to you, either as an annuity or another form of distribution, the funds are taxed as ordinary income in the year in which you receive them. Payments are subject to both federal and state income tax. State income tax will be based on your state of residence when you receive payments.

Once you receive payments from your DCP account, the income will be reported to you on a 1099-R form each year in January for the payments received the prior year. A copy of that form 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 Distributions

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 distribution. Those amounts will be subject to taxation when you take a distribution from the rollover account. Roth IRA rollovers are subject to State and Federal income taxes in the year of the rollover. Members will be responsible for filing and paying taxes on the Roth IRA rollover. Under current law, qualified distributions taken from the Roth account are tax free provided the member is age 59½ or older and the withdrawal is made at least five years after the Roth IRA was established and initially funded.

NPERS is required *by law* to withhold **20%** for federal income taxes and, for Nebraska residents, **5%** for Nebraska state income taxes for distributions paid directly to you. The withholding for PERB approved emergency withdrawals is 10% federal and 5% Nebraska. These required withholdings may or *may not* satisfy your tax obligations for the year.

Taxation of Annuities

If you purchase a monthly annuity, NPERS will withhold federal taxes, and Nebraska state taxes for Nebraska residents, from each monthly check based on the withholding election you designate on a Withholding Certificate for Annuity Payments form submitted with your Request for Distribution Form. If you do not submit a withholding form, NPERS will withhold taxes at the rate of “married taxpayer with three exemptions.” You may change your withholding at any time by submitting a new withholding form.

If you are not a resident of the State of Nebraska, you may be subject to state taxes of the state of which you are a resident.

IRS Regulations

All distributions from your DCP account must comply with IRS regulations for §457 of the Internal Revenue Code.

With the exception of certain incoming rollovers, DCP distributions are *not* subject to a 10% federal tax penalty for early withdrawals.

Distributions are required to begin the year you reach age 70½ unless you have not separated from service. Payments may be delayed until April 1 following the year you reach 70½ or the year you terminate employment.

RETIREMENT SAVINGS TAX CREDIT

Low and moderate income 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 DCP 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). Income limits are adjusted each year for inflation and published by the IRS. Filing status and adjusted gross income limits will be included in the NPERS newsletters at the start of each year.

Don't confuse tax "credits" with "deductions." A deduction reduces the amount of your taxable income and you pay taxes on the remaining income at a percentage based on the IRS tax brackets. A credit reduces the final amount of taxes you owe dollar for dollar and provides *significantly* better savings. Even better, contributions made to a Deferred Compensation Plan reduce your taxable income (AGI) and may help you qualify for a higher Saver's Tax Credit.

YOU MAY TAKE THE CREDIT IF ALL OF THE FOLLOWING APPLY:
■ You must be at least age 18.
■ You are not a full-time student.
■ No one else claims an exemption for you on their income tax return.

For further information and full details on the "Retirement Savings Contributions Credit," please consult your own tax professional or access the Internal Revenue Service website at **www.irs.gov**.

ADMINISTRATION OF THE PLAN

The **Public Employees Retirement Board (PERB)** consists of eight members appointed by the Governor for five-year terms. Six 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, School Employees, State Employees and County Employees Retirement Systems, and the Deferred Compensation Plan. PERB meetings are normally scheduled on the third Monday of each month. Current PERB members and meeting dates may be found on the NPERS website.

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

The **Director** is hired by the PERB and directs NPERS in its administration of the various systems. The Director is subject to the approval of the Governor and a majority vote of the Legislature.

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

The **Nebraska Investment Council** is responsible for the investment and management of the systems' assets. The Council contracts with outside managers to invest the various funds.

The **record-keeper** is a company under contract with the PERB to maintain individual member accounts, provide quarterly statements, and allow for changes in investment allocations where applicable.

RELEASE OF INFORMATION

Member account information including name, address, account balances, beneficiaries, or payment options, will only be released under certain conditions.

CONDITIONS FOR RELEASE OF INFORMATION

- Your personal visit to NPERS with adequate proof of identity.
- Adequate proof of identity provided over the phone (not including beneficiaries).
- Written requests from the member.
- Request from a personal representative of a deceased member accompanied by a certified copy of letters of appointment which was certified no more than three months prior to the date of receipt.
- Court ordered release.
- Request from individual holding power of attorney with authorization to receive confidential information.
- Written release signed and dated by member (release date must be less than 12 months old).
- Request from guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship.

Beneficiary designation(s) are only provided to you upon your signed, written request or personal visit by you to NPERS (with adequate proof of identity).

Account information may be released to your employer for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws. Account information may be released as necessary under a qualified domestic relations order.

Fax Policy

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.
- DCP Enrollment and Change forms

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

Email Policy

General questions about DCP 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 plan. As a member of DCP, 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.

IMPORTANT

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

NPERS
Nebraska Public Employees
Retirement Systems

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