



Cash Balance vs. Defined Contribution

NPERS (402) 471-2053, (800) 245-5712
Sterling Financial (402) 970-9300, (877) 970-9300

Why LB687?

Nebraska PERS Benefit Review Study

Maximum Salary Replacement (age 65)



NPERS Objectives



- ✓ Compare Cash Balance to Defined Contribution
- ✓ Help you assess your “risk tolerance”
- ✓ We are here to provide information, not personalized advice



Your Objectives



- ✓ Listen and learn
- ✓ Identify your expectations at retirement
 - lump sum, annuity, defer, rollover, etc.
- ✓ Complete risk tolerance quiz
- ✓ Consider which plan is right for you
- ✓ Decide by **December 1, 2002**



Cash Balance vs. Defined Contribution



Same

- Eligibility
- Contribution rates
- Vesting
- Retirement age

Different

- Rate of return/risk
- Investment choices
- Disbursement options



Rate of Return/Risk

New Cash Balance

- Federal mid-term plus 1.5%
 - 1985-2001, average of 8.42%
- Minimum of 5%
- Potential plan improvements



Current Defined Contribution

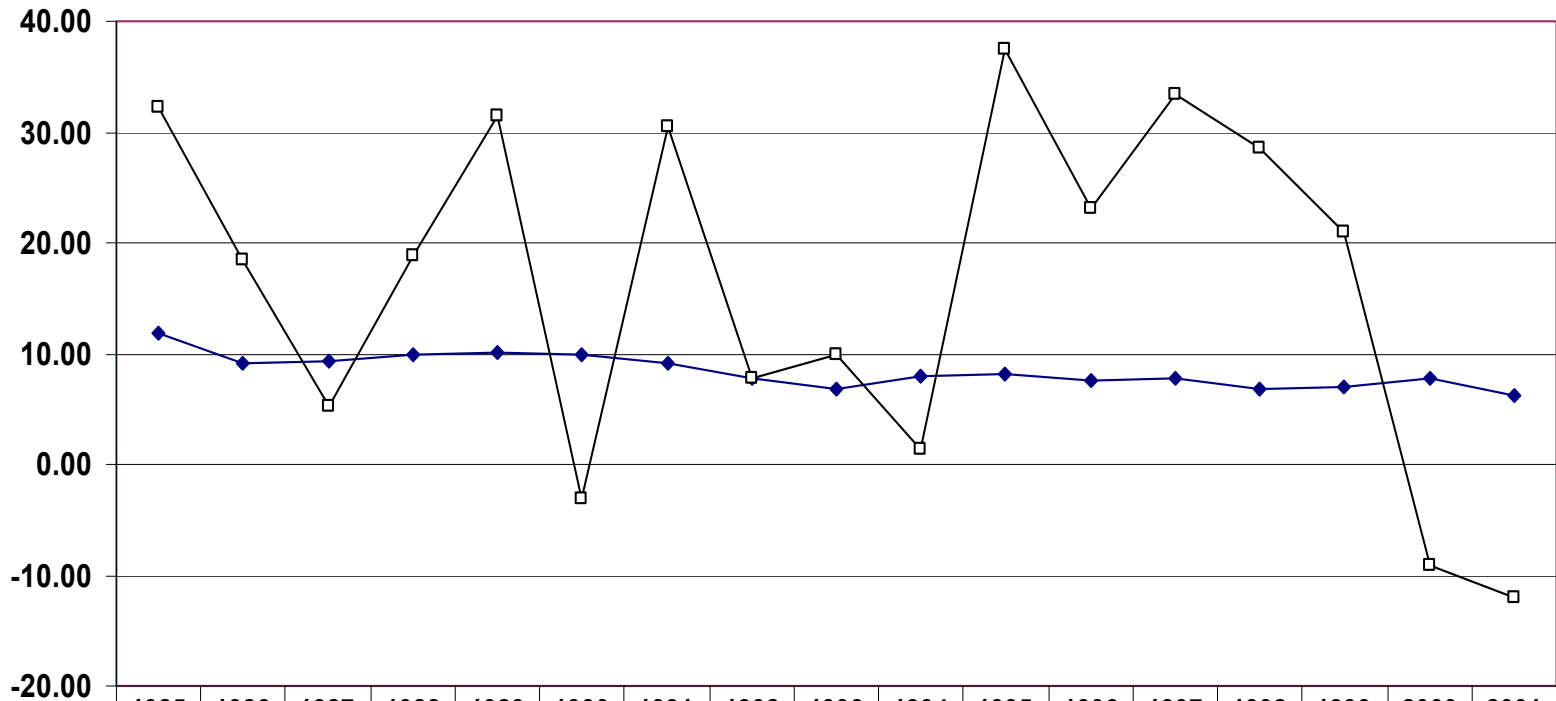
- Contingent on market performance and investment choices
- Retirement benefit directly tied to market fluctuations
 - Account balance may increase *or* decrease
 - 1985-2001 S&P 500 average of 16.17%



Rate of Return/Risk

Investment Return Comparison, 1985-2001

Return %



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
◆ Mid-term + 1.5%	11.92	9.13	9.27	9.94	10.09	9.84	9.09	7.84	6.88	7.88	8.16	7.64	7.75	6.83	6.90	7.72	6.26
□ S&P 500	32.16	18.47	5.23	18.81	31.49	-3.17	30.55	7.67	9.99	1.31	37.43	23.07	33.36	28.58	21.04	-9.15	-11.95



Rate of Return/Risk

Refer to 4%, 5%, 8% & 10% chart





Investment Choices

New Cash Balance

- Investment Council decides
 - School, Judges & Patrol plans have averaged 11% returns over the last 20 years

Current Defined Contribution

- You decide
 - 11 Member account fund choices
 - 3 Employer account fund choices



Disbursement Options

New

Cash Balance

- No systematic withdrawal
- Lump sum, defer, rollover
- Improved annuity

Current

Defined Contribution

- Systematic withdrawal available
- Lump sum, defer, rollover
- Annuity



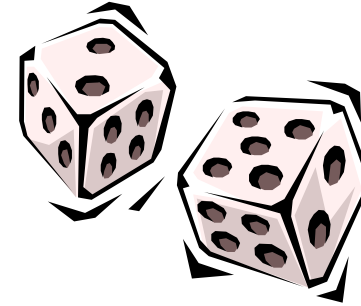
Disbursement Options

Refer to annuity chart



Your Risk Tolerance

Are you....



Conservative? Moderate? Aggressive?

Investment Risk Quiz can help determine your investment style and tolerance for risk.



Your Risk Tolerance

Refer to risk quiz



Key Points Summarized



New Cash Balance

- ✓ Account guaranteed
- ✓ No investment choices
- ✓ Guaranteed 5% minimum rate of return
- ✓ Improved annuity
- ✓ Potential for improvements

Current Defined Contribution

- ✓ No account guarantee
- ✓ Investment choices
- ✓ Potential higher investment returns, no 5% minimum guarantee



Factors to Consider



- ✓ Your risk tolerance
- ✓ Your retirement expectations
- ✓ Age
- ✓ Projected future returns
- ✓ Other investments
 - Deferred Compensation Plan
- ✓ Personal decision



Make Your Choice

- You must decide by **December 1, 2002**
 - *Convert to Cash Balance or keep Defined Contribution?*
 - Election forms available
 - No choice is a choice!
 - Automatic default to Defined Contribution

Which plan is right for you?



Only you can make that decision.



Who to Call

Sterling Financial

- Omaha (402) 970-9300
- Toll free (877) 970-9300

NPERS

- Lincoln (402) 471-2053
- Toll free (800) 245-5712

