

Retirement Roundup

Judges, State Patrol & School Employees

Nebraska Retirement Systems

Vol. 14, No. 2, Spring 1999

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NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

Benefit Improvements for School, Judges and State Patrol Retirees

LB 674, as amended, improves the benefits provided by the School, Judges and State Patrol Retirement Systems. The bill adopts a two-step cost of living adjustment (COLA) for retirees in the School, Judges and State Patrol Retirement Systems beginning July 1, 2000. In addition, it increases the annuity factor used in computing retirement benefits for current school employees.

COLA

The first step of the COLA provides that the retiree's benefit will not fall below a certain level after being adjusted for inflation. For the School and Judges plans, the floor is 75% of the purchasing power of the member's initial benefit. For State Patrol retirees, the floor is 60% of the member's initial benefit. The following example will help demonstrate how the COLA will work.

Assume the member retired in 1980 with an initial benefit of \$1,000 per month. By July 1 of the year 2000, the member's benefit has only 50% of the purchasing power that it did in 1980 due to inflation. In other words, the member would need a benefit of \$2,000 per month in the year 2000 to have the same purchasing power as \$1,000 provided in 1980. LB 674 provides that the benefit shall be brought up to 75%

Important!

We are mandated by legislation to send school members your 1999 fund statement, by certified mail to your home address. In order for us to do this, we must have your current address on file.

To assure that you receive your statement this year, you must submit your address, in writing, to our office immediately. Please use the form provided on page four to update your address.

NOTE: If you have updated your address with us in the past year, you do not need to resubmit this information. □

Share Your Time And Talents!

While most retirees enjoy additional time for outdoor and leisure time activities, the sharing of our life long skills or abilities with others could make retirement extra special.

Some activities reported by happy retirees include: helping at a library, teaching cooking skills at a vocational center, piano lessons to children, serving as coordinator for the sheriff's search and rescue team, fund raisers for the Boy Scouts, teaching accounting to owners of small businesses, teaching a second language to others, working at state parks, etc.

What services can you render to your community? Make a positive difference in your life and the lives of others.

(Continued on page 4)



If We Knew You Were Coming, We'd Have . . .

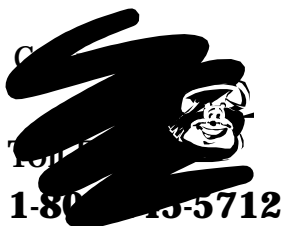
It's always nice to have members come up to our office to do business. It gives us a chance to meet you up close and personal and you have the opportunity to put a face with the voice or letter, which sometimes makes it easier to ask any questions you may have!

Since we often have several visitors in the office at once, it is a good idea to make an appointment in advance. If we know you are coming, it will allow us to prepare information on your account ahead of time, hopefully making your visit brief and productive. Scheduled appointments will also reduce your waiting time. "Walk-ins" are also welcome, however, you may have to wait longer for the next available specialist.

Another thing to consider when visiting our office is, if your spouse is also a school retirement member and you will be inquiring about both accounts, you will need to allow extra time.

Be sure when you are coming in to review your account or apply for retirement, you bring any necessary information needed to complete your records; birth certificate, marriage certificate, spouse's birth certificate, beneficiary information, etc. The documents you need will depend on which option you are planning to select or what your purpose is for coming in.

We are here to help you in whatever way we can and will strive to make your visit a pleasant one!



Salary Verification Impacts Benefits

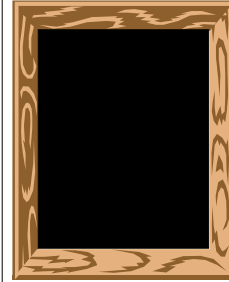
Retirement benefits under the School Employees Retirement Act are based upon the member's "Final Average Compensation," which is defined as the member's total compensation subject to required deposits for the three fiscal years in which such compensation was the highest divided by thirty-six.

Compensation is defined as gross wages or salaries payable to the member for personal services performed during the plan year. Our fiscal year and our plan year is July through June, while many school employees are paid on a September through August basis for service performed from September through June. This has caused some confusion about the salaries being used for benefit computation purposes.

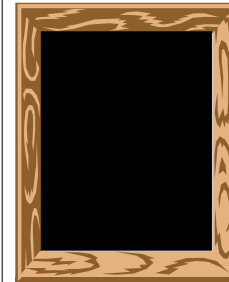
Chapter 23 of the Retirement Systems' rules and regulations provides that compensation is to be allocated to the fiscal year in which the service was rendered, not the fiscal year the compensation was paid to the employee. For a school employee who works September through June, with pay received through July and August, the July and August pay is included in the fiscal year (July-June) period in which the service was rendered. This process of reallocation of salaries is carried back throughout the school employees' final years to ensure that the proper 36 months of compensation are taken into account in determining retirement benefits. **Under no circumstances shall a school employee receive a retirement benefit based upon Final Average Compensation that includes compensation encompassing more than 36 months of creditable service.**

The salary verification and reallocation procedure adopted by the Retirement Systems sometimes results in actual benefits being less than the estimate of benefits provided. The estimates are based upon salary figures provided by

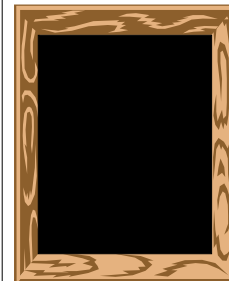
Meet some of our staff...



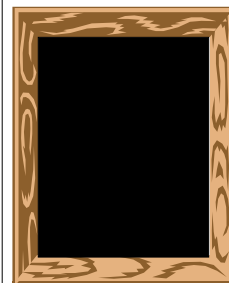
Lori, School Retirement



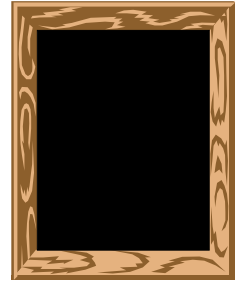
Marie, Information Dept.



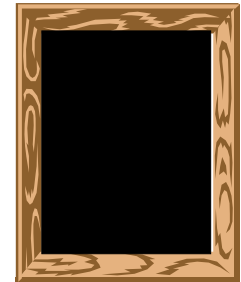
Vicki, County Retirement



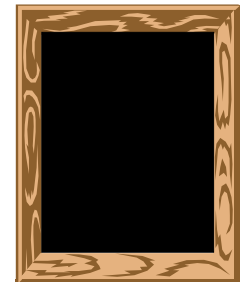
Mitch, School Retirement



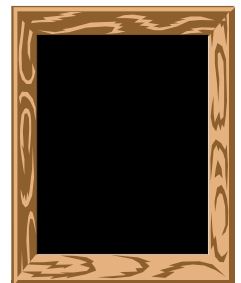
Mitch, Agency Attorney



Kris, Accounting



Kim, Accounting



Norene, Accounting

(Continued on page 4)

1999 Legislative Update

The following is a summary of retirement related legislation being considered during the 1999 session which affects our School, Judges and State Patrol Plan members. Each bill's status as of April 23, 1999, is also provided. Remember that most of these bills are only proposed legislation at this time. These bills could be amended or indefinitely postponed (killed) during the session. We will keep you posted on the progress of these bills in future newsletters.

LB 82 - (Indefinitely Postponed)

Provides an 18-month window for members of the school employees retirement system to elect to repay previously refunded contributions and reinstate previously forfeited service.

LB 123 - (Indefinitely Postponed)

Provides a deduction from federal adjusted gross income, for state income tax purposes, for pension and deferred compensation income.

LB 537 - (Indefinitely Postponed)

Provides that the funds necessary in connection with the administration and operation of the deferred compensation program shall be a direct obligation of the State (i.e. General Fund appropriation). Currently, all DCP expenses are deducted from participant account balances.

LB 538 - (On General File, Retirement Committee Priority Bill)

Amends the definition of "Final Average Compensation" in the School Retirement Plan. Excludes from the benefit calculation compensation received by the member that exceeds the member's compensation with the same employer for the preceding fiscal year by more than 10% unless the increase in compensation is due to a change in position. Amends the definition of "School Employee" to explicitly exclude "Substitute School Employees." Defines "Substitute School Employee" as "a person hired by a public school on an intermittent basis to assume the duties of regular school employees due to the

temporary absence of the regular school employees."

Adopts a new definition of "Disability" in the School Retirement Plan. Under current law, a school employee may receive disability retirement benefits if the physician certifies that the member is "physically or mentally incapacitated for the further performance of duty as a school employee and ought to be retired." Disability is re-defined in the proposed legislation as "an inability to engage in a substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of a long and indefinite duration." This definition mirrors the definitions in the County and State plans and is similar to the definition in the Social Security laws.

LB 545 - (Held in Committee)

Revises the definition of "termination of employment" in the School Employees Retirement Act. Under current law, a termination has not occurred, and an employee is thus ineligible to receive retirement benefits if the employee returns to active work with a school during the school year immediately following the employee's termination date. LB 545 revises the definition to state that any member returning to work on either a temporary-substitute or part-time basis not exceeding a total of five-hundred paid hours in one school year shall not be considered as returning to active work, if the member was previously employed on a full-time basis.

LB 620 - (Indefinitely Postponed)

Changes age requirements for retirement in the Judges Retirement System. Re-introduction of LB 796 from last session.

LB 673 - (Amended into LB 674)

State Patrol cost of living adjustment (COLA) bill; See summary of LB 674.

LB 674 - (Passed by Legislature, Effective day after signed by Governor) School Employees, Judges and State Patrol COLA bill; see detailed review on page 1 of this newsletter.

LB 675 - (Amended into LB 674)

Judges COLA bill; See summary of LB 674.

LB 676 - (Held in Committee)

Amends the School Service Annuity provisions to eliminate actuarial reduction for persons retiring under the rule of 85. Extends the period for a school employee to apply for disability retirement for up to five years from date of termination.

LB 703 - (Signed by Governor)

Requires all purchase of service payments be completed by the member's termination date. Current law requires payments be completed by the member's retirement date, which may be months or years after the employee has terminated employment.

Coordinates LB 532 COLA adopted in 1998 with other COLA's to ensure that total increase does not exceed change in Consumer Price Index (CPI). Establishes national CPI as standard to be applied.

LB 773 - (Held in Committee)

Amends the targeted COLA provisions in the State Patrol Plan adopted by LB 532 in 1998. Currently, the law would extend the COLA to a patrol retiree who had 25 years of service and whose benefit is less than or equal to \$30/month per year of service (e.g. 25 yrs. of svc. X \$30 = \$750/month). Under LB 773, the accrual rate is increased to \$90 (e.g. 25 yrs. of svc. X \$90 = \$2,250/month).

LB 848 - (Held in Committee)

Provides a state income tax adjustment for federal pension payments and payments under the Nebraska State Patrol Retirement Act.

LB 874 - (Indefinitely Postponed)

Eliminates the annual seven-tenths of one percent of compensation contribution the state makes to the School Employees Retirement System.

Seminar Cancellation Policy

You may have noticed, there has been a change in the cancellation policy for the Preretirement Seminars this year.

Registrants must give at least three working days notice to cancel their registration in order to receive a refund. This also applies if you want to transfer your registration to another date.

The main reason for this policy is that many of the sites where the seminars are held will request a final "count" three days prior to the seminars and will charge us based on that count. So, if someone cancels at the last minute, we still have to pay for that person.

We understand sometimes things happen that are beyond your control and you may have to cancel at the last minute. Although such a situation is unfortunate, we cannot issue a refund. □

1999 Summer Session Preretirement Seminars for School Members age 50 and over

June 3	-	Kearney
June 8	-	Lincoln
June 9	-	Omaha

Registration forms will be sent to eligible members approximately 4 weeks prior to first meeting.

Improvements - (Cont. from page 1)

of the purchasing power of the initial benefit (60% for State Patrol retirees). 75% of \$2,000 is \$1,500. The member would commence receiving \$1,500 per month with their July 2000 payment (\$1,200 for State Patrol retirees).

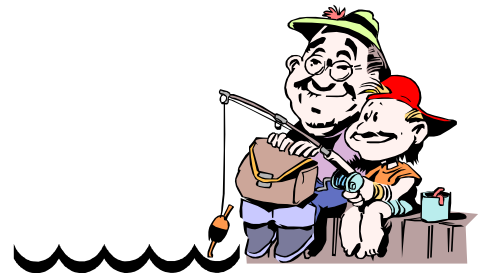
The second step of the COLA is an annual benefit adjustment equivalent to the **lesser** of the change in the Consumer Price Index (CPI) for the prior year, or two percent. For example, if the change in the CPI is 4%, the member will receive a 2% adjustment. If the change in the CPI is 1.3%, the member will receive an adjustment of 1.3%. Every School, Judge and State Patrol retiree will receive this annual adjustment.

Annuity Factor Increase

Members of the School Retirement System who terminate their employment and retire on or after the effective date of LB 674 will have their benefits calculated using a new annuity factor of 1.9%. The current factor is 1.8%. To be eligible for the 1.9% factor, the school employee must acquire one-half year of service credit after July 1, 1998, and be employed as a school employee on or after the effective date of the bill. The bill has the emergency clause so as to become effective the day after it is signed by the Governor. This should enable school employees retiring at the end of this school year to benefit from the increased annuity factor. □

Salary Verification - (Cont. from page 2)

the schools. These figures must be verified and allocated to the proper fiscal year prior to processing your Application for Refund. It is possible that the estimate is based upon 38 months of compensation instead of 36 if the school employee received their July and August payments in June. This is because the July and August payments for prior years have not yet been backed out of the system at the time the estimate is prepared. Please remember, an estimate of benefits is just that, an ESTIMATE. □



RETIREMENT ROUNDUP



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Address Change/Request Form

If you have not updated your address with our office in the last year, please complete this form and return it as soon as possible. Please print in black or blue ink.

Social Security Number Account Number

Name

Street Address

City, State, Zip

Signature

Return to:

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