

Retirement Roundup

"Providing Information to Judges, State Patrol and School Employees"

Nebraska Retirement Systems

Vol. 19, No. 4, Spring 2004

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Funding of the School, Judges and State Patrol Plans

by Anna Sullivan

Questions have been raised about the funded status of our pension plans due to a recent asset projection given to the Legislature for planning purposes. NPERS' latest actuarial valuation reports, as of June 30, 2003, show that the **School, Judges and State Patrol Retirement Plans** continue to be well funded. The pension assets for these plans have suffered market losses in the past three years due to the general market downturn nationwide. However, the assets are well diversified and so we have minimized those losses. The investment returns for the past three years were: - 4.3% in 2001; - 6.18% in 2002; and a positive 5% on June 30, 2003. Although these losses may seem small compared to many investment portfolios, the returns have had an impact on the contributions needed, at least for the short-term, for these three defined benefit pension plans. The *good news* is that as of December 31, 2003, the pension assets returned **23.6%** on a calendar year basis and nearly **12%** for the six months from July to December of 2003. So, we are starting to see a *significant* turnaround in the investment returns.

In order to pay for the benefits provided by these three defined benefit plans, members contribute during each year from their salaries and the employers match those contributions. However, the primary source of funding for a defined benefit plan is the investment return on those contributions. We assume an annual return of 8% per year and so if investment returns are lower than expected, there are times when additional contributions may need to be added to make-up for investment returns that are below 8%.

"... our pension plans continue to be well-funded and there is no reason to be overly concerned..."

Recently, to assist the State's planning process we had our consulting actuary project NPERS' funded status through the end of our plan year as of June 30, 2004, given a variety of investment return scenarios. Although we can only guess what our actual investment returns will be, the projection estimates that unless we return

32% on our investments as of June 30, 2004, there will likely be an additional contribution required for the **School** and the **Patrol Plans** for the year beginning July 1, 2005. If there is no change to the Judges' benefits this year, we would not expect there to be a need for additional contributions to the **Judges' Plan**, according to the actuary.

If additional contributions are needed in 2005, NPERS will submit a funding request to the Governor and the State Legislature as part of our annual budget. The Governor and the Legislature would then decide whether to fund the additional contributions with an appropriation from general tax receipts or possibly by requiring a shared contribution from members and employers.

Given the uncertainty around the State's tax receipts at the current time, we cannot say how the additional contributions, if needed, would be funded. What is certain is that our pension plans continue to be well-funded and there is no reason to be overly concerned about the need for an additional contribution being required. Our hope is that the economy continues to recover and our investment returns become more predictable than what we have experienced in the past three to four years. □

Behind the Scenes

The main objective of Education Services is to keep you, the Plan member, informed. Many of you have attended the Retirement Planning seminars, where you have encountered part of the Education Services team. In addition to the retirement seminars, Education Services produces the publications and the forms our office generates and sees that members and employers receive the necessary materials. The team also makes this information available on our web site at www.npers.ne.gov.

Jan has been a state employee for 19 years and began working with NPERS in 1999 as one of our seminar presenters. In 2001 she became manager of Education Services where she is also the public information officer.

Nadine and John make up the seminar presentation team. In addition to their quirky sense of humor, both John and Nadine have a vast knowledge of NPERS' six Retirement Plans, making

Education Services

L to R: Pam, Jan, John, Michelle and Nadine

them the perfect pair to present the seminars. You need to attend a retirement seminar to appreciate their ability to keep a serious topic light and easy to understand. With 24 years of state employment, Nadine began working as a seminar presenter in 1999 and was joined by John in 2001. Also the agency web master, John worked in the insurance industry prior to coming to work for NPERS.

Pam started working with NPERS in 1988 as the receptionist. In 1991 she accepted her current position with Edu-

cation Services. In addition to processing seminar registrations, Pam is the graphic artist/desktop publisher for the office, responsible for designing forms and publications, including the Retirement Roundup. She also serves on various committees in the office.

Michelle began working in our Benefits department in 1999. She then moved to Data Purification and came to her current position in Education Services in 2001. Michelle's priority is to respond to member and agency requests for publications and forms. She also assists with other mailings, seminars, and is the "back-up" to our office receptionist. Her willingness to help others makes Michelle a great asset to the Education Services team.

This group of knowledgeable yet fun-loving individuals are truly dedicated to bringing retirement education to our members. □

Where Would Your Money Go?

When was the last time you updated your beneficiary designation with NPERS? Have any of the following happened since you joined the retirement plan:

- Have you gotten married or divorced?
- Have you had a child?
- Has a family member died?
- Has a named beneficiary changed address?

If you answered yes to any of the questions, you should complete a new Beneficiary Designation Form right away and mail to NPERS. Any new Beneficiary Designation Form received will automatically replace what we have on record for you.

Workshops for School Employer Contacts



NPERS will hold employer education workshops again this year in June for **School Employer**

Contacts and any administrative personnel such as bookkeepers, payroll contacts, human resource/personnel representatives, business managers, etc.

There is no charge for the workshop, although lunch is available for \$6. A registration brochure will be mailed to every school, and may

also be copied from our web site at www.npers.ne.gov.

2004 School Employer Education Workshops

Omaha	June 8
Lincoln	June 9
Norfolk	June 17
Gering	June 29
North Platte	June 30
Kearney	July 1

Give yourself peace of mind knowing that if you were to die unexpectedly before having a chance to retire, your retirement benefit would be distributed according to your wishes.

Ask your personnel contact for a new form, copy it from our web site at www.npers.ne.gov, or call us at **800-245-5712** or **402-471-2053**.

Legislative Update

The sixty-day session of the Legislature adjourned on April 15. Many issues consumed the Legislature's time, and only late in the session did many bills advance to Final Reading, among them significant retirement legislation.

LB 514: As adopted by the Legislature on April 7 and signed by Governor Johanns on April 13, the bill temporarily increases the member and the employer contribution rate in the **State Patrol Plan** from the current 11% of monthly compensation to 12%. The increase would begin July 1, 2004, and would terminate on June 30, 2005. The provision resolves the shortfall of \$434,202 which existed this year, but would not address any future funding concerns.

LB 679: As introduced last year, the bill enhanced benefits for the **Judges' Plan** including a joint and survivor benefit and an early retirement benefit. Provisions similar to the joint and survivor benefit in LB 679 (also contained in LB 1208) and for an increase in member contributions for judges appointed after the operative date (and an opt-in procedure for judges currently serving as in LB 1208) were amended into NPERS' technical bill, LB 1097, on April 13.

LB 960: Changed the makeup of the **Public Employees Retirement Board** (the board which oversees NPERS). The bill was advanced to General File with a committee amendment which increases the number of members to eight (2 school, 1 judge, 1 patrol, 1 county, 1 state, 2 public). LB 960 was a speaker priority bill. Another bill dealing with the board makeup, LB 1115, was indefinitely postponed by the Retirement Committee. The provisions of the committee amendment to LB 960 were amended into LB 1097.

LB 961: Changed the **School Plan** requirement that semi-annual statements be sent by registered mail, thus saving about \$166,000 each biennium by utilizing first class mail instead. The bill was adopted by the Legislature on March 11 and was signed by the Governor on March 19.

LEGAL CORNER

by NPERS Legal Counsel,
Joe Schaefer

With spring's arrival, the number of members (especially members of the School Plan) who are contemplating retirement increases. And as a part of that contemplation, questions about whether a retiree may return to work subsequent to retirement also increase. Perhaps a quick review of the provisions in Nebraska statutes would be helpful. (Note: This article is a "short and dirty" review and should not be taken as legal advice for your specific situation.)

The Nebraska **School Employees Retirement System** (and **Judges' and State Patrol**) statutes contain a definition of "termination of employment" which is consistent with the federal definition. (The School, Judges', and State Patrol Plans all are qualified plans under federal Internal Revenue Code section 401(a) and are subject to federal provisions.) The **School Plan** statutory definition requires that a termination be a "*bona fide separation from service of employment.*" "Bona fide" means in good faith, real, not feigned. The definition further instructs us that termination of employment "does not include ceasing employment if the member subsequently provides service on a regular basis in any capacity for any school district other than a Class V school district within one hundred eighty calendar days after ceasing employment . . ." This prohibition contains two qualifications which bear discussion:

- One may *not* provide service *in any capacity*; and
- Service may *not* be provided *on a regular basis*.

The first qualification means that whether the service is performed as an employee, as an independent contractor, or as a volunteer, is not relevant—the question to be considered is whether you are providing services to a Nebraska public school. The second qualification is that the services not be regular. What is regular is determined based on the facts of the situation, on the frequency of the service, the duration of the service, and the duties performed. In any case, during the 180 day statutory period following your retirement, caution should be exercised if you are contemplating a situation which may cast doubt upon whether you have effected a "bona fide separation from service."

Members of the **State Patrol Plan** and the **Judges' Plan** are subject to similar provisions—returning to work before the statutory period has elapsed (in those cases, 120 days) may jeopardize retirement benefits.

And what happens if you do file a retirement and then return to service in contravention of the statute? *Retirement benefits will cease and any benefits received must be repaid.* This is a situation best avoided. To summarize, you should exercise due caution before engaging in an activity which might raise questions about whether your retirement was a *real* retirement or was merely a "purported" retirement. If you are concerned about your individual reemployment situation, write to NPERS for clarification before jeopardizing your retirement benefit.

LB 1097: Cleaned up various provisions of retirement statutes (**NPERS' technical bill**). LB 1097 was advanced to General File on March 4, 2004, with a committee amendment containing a couple of additional technical changes, as well as incorporating the provisions

of several other bills, including LB 679, LB 960, LB 961, LB 1013, LB 1030, LB 1098, and LB 1132. LB 1097 was a committee priority bill. It was adopted by the Legislature on the last day of the session, April 15.

(Continued on page 4)

Employee of the Year

Congratulations to our 2003 Employee of the Year, **Teresa Miller**. Teresa has been with NPERS nearly six years, where she is an essential part of our Member Services team.

Teresa strives to keep herself informed and up-to-date on the techniques and procedures in the office. She is always eager to assist her coworkers and volunteers for special projects or committees.

Her warm smile and outgoing personality make Teresa a pleasure to work with. Thank you Teresa, for your devotion and hard work!

Manager of the Year

We are proud to have **Pat Kuhry** as our 2003 Manager of the Year. After just two years as the manager of our Project Team, Pat has had a great impact on the success of our on-going technology plan as well as gaining the respect and admiration of his staff and coworkers.

His blend of humor and knowledge make Pat an asset to the agency. Thanks Pat, for all your hard work and dedication!

Speakers Available to Visit Your School

If your school or educational organization is planning a meeting, consider adding a speaker from NPERS to your agenda.

NPERS' retirement training specialists are available to visit your school to conduct an NPERS information meeting. Free of charge!

This is the perfect opportunity to learn more about your retirement plan, benefit payment options, planning for retirement, applying for benefits, purchasing service credit, and much more.

Call **Jan Fox** at **800-245-5712** or **402-471-2053** to request a speaker.



Summer 2004 Seminar Calendar

Sidney	-	June 2
North Platte	-	June 3
Grand Island	-	June 10
Kearney	-	June 11
Norfolk	-	June 16
Omaha	-	June 17
Omaha	-	June 22
Lincoln	-	June 23
Lincoln	-	June 29

Summer registration information was mailed to all eligible school members in April. **We cannot accept registrations by phone.** If you need a registration form, please contact NPERS or print from our web site at **www.npers.ne.gov**.

Legislative (Cont. from page 3)

LB 1098: Amended provisions of the survivor benefit for members of the **State Patrol Plan** to account for situations not explicitly addressed in the statute. LB 1098 was amended into LB 1097.

LB 1132: Made technical changes to provisions for administration of the **Class V (Omaha) School Service Annuity**. LB 1132 also was amended into LB 1097.

LB 1208: In the **Judges' Plan**, enhanced retirement benefits, increased court fees, and increased member contributions for newly-appointed judges. Also contained an opt-in provision for currently-serving judges. Provisions similar to LB 1208 were amended into LB 1097.

RETIREMENT ROUNDUP

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