

# Retirement Roundup

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

Nebraska Retirement Systems

Vol. 22, No. 2, Winter 2007

## PUBLIC EMPLOYEES' RETIREMENT BOARD

Denis Blank  
Chairperson  
State Member

Roger Rea  
Vice Chairperson  
Member-at-large

Richard Wassinger  
County Member

Glenn Camerer  
Judge Member

Mark Shepard  
School Member

Dale Kahla  
School Member

Glenn Elwell  
Patrol Member

Donald Pederson  
Member-at-large

David C. Bomberger  
Ex-officio member

## In this issue...

Legislative Update ..	2
Value of DB .....	3
DCP Update .....	4
Seminar Calendar ...	4

## Under New Management



We are pleased to announce that the Public Employees Retirement Board (PERB) has selected **Phyllis Chambers** as the new Director of NPERS.

As Director, Phyllis will serve as an Ex-officio member on the Board of the Nebraska Investment Council. She also serves on the Board of Directors for the Lincoln Airport Authority, and has been the Chairperson on three different occasions. Her previous employment has been with the Hartford Life Insurance Company, where she managed deferred compensation plan accounts for 75 Nebraska counties as well as the State of Nebraska.

Prior to joining Hartford, she worked as Trust Operations Officer for First Nebraska Trust

Company, was a stockbroker at Piper Jaffray, Inc., and served as President of the Cornhusker Better Business Bureau.

Ms. Chambers holds a Bachelor of Science degree and a Masters of Business Administration degree from the University of Nebraska-Lincoln. She has been active in many civic and volunteer organizations in Lincoln, including serving on the Starbase Nebraska Board, the UNL Alumni Association Board, Lincoln Downtown Rotary Club Board, Lincoln Chamber of Commerce, Airports Council International, and the Lincoln Public Schools Advisory Committee.

We welcome Phyllis to our agency and look forward to developing a long, successful relationship between her, our staff and our members. □

## Best Wishes Charles



After serving 10 years on the PERB and 4 years as Chairman, **Charles Peters** has retired.

Mr. Peters has seen many changes at NPERS. During his tenure, Charles participated in the selection of two Directors for NPERS as well as the implementation of our information system, PIONEER.

Current PERB member, **Denis Blank** has been elected as the Chairperson of the Board. Member-at-large, **Roger Rea** will serve as Vice Chairperson.

Members of the Retirement Systems, NPERS staff and members of the PERB join in extending our best wishes and appreciation to Mr. Peters for his dedicated service. □

## New Board Member



NPERS is pleased to welcome **Donald Pederson** as our newest PERB Member-at-large.

Mr. Pederson, former Nebraska Senator representing District 42, served in the Legislature for 10 years. Donald is with the Baskins, Pederson and Troshinski Law Firm in North Platte. He remains a member of the Nebraska Bar Association, Nebraska Bank Attorneys Association and the Lincoln County Bar Association. He belongs to the Rotary Club of Lincoln, the Nebraska Educational Telecommunications Foundation Board, the State Historical Foundation and several other community organizations.

NPERS welcomes Mr. Pederson to the PERB and looks forward to working with him. □



# Legislative Update

by Joe Schaefer, Legal Counsel

A number of legislative bills with implications for Nebraska's Retirement Systems have been introduced and are now before the Legislature. The session is scheduled to end May 31, 2007, and *NPERS will update the progress of this legislation in the next Retirement Roundup*. The new legislation includes the following:

## School Plan –

**LB 499** requires a state contribution be made to the **Class V School Retirement System** any time an actuarially-required contribution is made to the **School Employees Retirement System**. The bill contains a formula whereby the amount would be calculated. The bill also requires a contribution of 7.3% of monthly compensation for members of the Class V Retirement System, and an employer contribution of at least 101% of the member contribution.

**LB 596** provides for an adjustment to the annuities of **School** and **Class V School** plan members so that the current annuity is not less than 90% of the original annuity amount as adjusted by the Consumer Price Index for Urban Wage Earners and Clerical Workers for the period from the date of the original annuity until June 30, 2007.

**LB 612** further defines compensation for the **School** plan members. It would add a new subsection that deals with two exceptions to the requirement that compensation which exceeds 107% of the previous year's compensation will not be considered during the 60 months immediately prior to retirement. The first exception change [(f)(i)(B)] allows compensation over 107% if the district's collective bargaining resulted in an average increase of more than 7% over the previous year. The second one [(f)(i)(D)] allows compensation that resulted because the employee obtained an education degree (for instance, completed a Masters).

**LB 613** changes contribution percentages for employees and employers in the **School** plan. Employees currently contribute 7.83% of monthly compensation and the employers match at 101% (about 7.91%). The rates were scheduled to go back down to 7.25%, employee, and about 7.32%, employer, on September 1, 2007. This bill would establish the rate at 7.30% for employees and change the employer match to 108% of the employee amount (about 7.88%) instead of going down to the old rates.

## Judges' Plan –

**LB 365** provides an early retirement benefit for members of the **Judges** plan. Under the bill, a judge may retire as early as age 62 and receive a reduced monthly retirement benefit. The benefit would be the actuarial equivalent of the normal retirement annuity except it would be reduced by 9% if the member retires at age 62, 6% at age 63, or 3% at age 64.

## School and Judges' Plans –

**LB 508** changes the periods in which members of the **Judges** plan and the **School** plan may make application for disability benefits and for death benefits. Under current law, the surviving spouse of a judge or a school employee must make application for certain benefits within 120 days of the member's death. If an application is not filed within the time period, the surviving spouse will only be entitled to the member contributions and regular interest. The bill would extend the application period to 12 months. For disability applications, current law requires the application to be made within one year of termination of employment, or in the case of School members whose disability is employment-related, five years. The bill would allow disability applications at any time prior to the date of normal retirement eligibility. The bill does not limit how many applications may be filed.

## State Patrol Plan –

**LB 303** adds a Deferred Retirement Option Plan (DROP) to the **State Patrol**

retirement plan. Under the DROP, a member who is at least age 50 and who has 25 years of service would be allowed to enter the program. Upon entry, both the member and the employer (State) would cease making the monthly contributions to the patrol retirement plan (currently 13%, employee, and 15%, employer). The member's retirement benefits would be calculated as of the DROP entry date, but the member would continue to work, and the member's monthly retirement benefits would be deposited in one or more investment accounts chosen by the member and maintained by the Nebraska Investment Council. The monthly benefit checks would continue to accumulate in the account(s) for up to 5 years, at which time the member would be required to retire. (Patrol members currently have a mandatory age 60 retirement provision.) Upon retirement, the monthly benefits would commence being paid to the member, and the member would have access to the DROP account(s) which had accumulated up to that date together with the investment earnings on them. The current cost-of-living adjust (COLA) for patrol plan retirees would not apply to the member during the time the member was participating in the DROP. Thus, after the DROP participation, the member would have a slightly smaller monthly retirement benefit, but would have the employee retirement contributions which were not made during the period, and would have up to 5 years of benefits and investment income to take as a distribution, rollover, or annuity.

**LB 324** continues the **State Patrol** contribution rates as they currently exist (13% of monthly compensation by the member; 15% of monthly compensation by the employer). Under existing statutes, the rates are scheduled to drop to 12%, employee; and 13%, employer, on July 1, 2007.

**LB 611** changes the **State Patrol** contribution rates effective after July 1, 2007, to 14% of monthly compensation by the member, and 16% by the employer.

(Continued on page 3)

## Legislative Update

(cont. from page 2)

### Other Bills of Interest –

**LB 329** reduces the years of experience necessary in the qualifications of the director of NPERS from the current 5 years to 3 years.

**LB 370** would require NPERS to conduct a survey of all **law enforcement** retirement systems in the state and file a report with the Retirement Committee of the Legislature not later than October 1, 2007. Such information as the types of retirement plans currently available to law enforcement officers and demographic information of the officers would be included in the survey. Political subdivisions of the state would be required to provide the information to NPERS. After the survey is complete, an actuarial analysis of the data would be conducted.

**LB 371** creates the Nebraska **Peace Officer** Retirement Act to be administered by NPERS. The plan is a defined benefit plan with provisions similar to the State Patrol plan and incorporates a DROP plan. Both the member and the employer would contribute 8% of monthly compensation. If an additional contribution was necessary to meet an unfunded actuarial liability, the political subdivisions would be required to contribute the additional amount.

**LB 372** creates the Nebraska **Law Enforcement Officer** Retirement Act to be administered by NPERS. The plan is a cash balance plan which requires members to contribute 6% of monthly compensation and employers to contribute 9%. The crediting rate on member accounts would be the greater of 5% or the federal mid-term rate plus 1½%. The employers would be liable for any actuarial liability which might result if the contributions were insufficient. □

## What Have You Done For Me Lately?

### *The Value of Your Defined Benefit Pension*

by John Winkelman

Have you noticed the increasing number of companies in the private sector abandoning their defined benefit (DB) pension plans in exchange for defined contribution (DC, often referred to as 401(k) plans)? Even in the public sector, elected officials in many states have introduced legislation to scrap their DB plans. Why?

Money. It always seems to come down to money doesn't it? You see, when an employer switches from a DB to a DC retirement plan, the risk and costs of providing employees the funds they'll need for retirement transfers from the *employer to the employee*. Let me explain.

Your DB pension provides you with a guaranteed source of income **for your lifetime**. Hence the moniker "defined benefit." In comparison, a DC plan only stipulates a set contribution percentage, and your account balance upon ceasing employment is your "benefit." If those funds become depleted (bummer, you've spent all your retirement money...), **that's all folks**.

Hold on, cause it gets worse. In both a DB and DC plan, contributions are invested. Obviously the returns on those investments play a significant role toward providing adequate benefits. For example, in the Nebraska DB plans for **School, Judges and State Patrol** employees, investment returns account for a whopping 72% of the total available funds. To achieve those returns in a DB plan, the *employer* enlists the aid of **professional investors** and assumes the risk. In a DC plan, the *employee* must shoulder the responsibility to make smart investment decisions. The risk of making poor investment choices is theirs alone. While most individuals are *capable* of taking the time to learn how to make smart investment decisions, *many do not*. Poor investment choices equals less money for retirement and with no guaranteed benefit... welcome to a retirement of "beans and weenies."

But what about taxes!! If a DC plan is "cheaper" to offer than a DB plan, then couldn't you make the assumption that these savings could be manifested in lower taxes? Is it really the employers "fault" if a majority of employees fail to make sound investment choices? This argument may sound logical (if perhaps a bit cold hearted) but there are two important points that are getting overlooked.

First, you get what you pay for. I've often found spending that "little extra" is often worth the cost. Offering competitive salaries and benefits helps recruit and retain high quality employees. If you were to need open heart surgery, do you want the "cheapest" doctor? What value do we place on education, our judiciary and law enforcement?

Second, what happens to those pension funds? Currently there are over 14,000 retired DB plan members receiving benefits from NPERS and SURPRISE the vast majority of those retirees are <insert drum roll here> Nebraska residents! As of January 2007, 90.5% of pension checks issued for Nebraska's School, Judges and State Patrol Plans are issued to Nebraskans. **Nebraskans who use those dollars to purchase goods and services here in Nebraska, and that is a significant amount of money going into our local economy**. In the month of December alone, a total of **\$16,515,183** was issued by NPERS to retired DB plan members! Multiply that by 12 months and...well you get the picture.

As **School, Judges and State Patrol** employees, you have an excellent retirement benefit in your defined benefit plan. A retirement plan that benefits not only retirees but the entire state of Nebraska. □

## 2007 Preretirement Seminar Schedule

### School Members age 50 and over

Omaha	-	February 14
Lincoln	-	February 15
S. Sioux City	-	February 21
Norfolk	-	February 22
G. Island	-	March 7
Kearney	-	March 8
Lincoln	-	March 14
Omaha	-	March 15
Lincoln	-	March 21
Omaha	-	March 22
Columbus	-	March 27
Omaha	-	March 29
Kearney	-	April 11
G. Island	-	April 12
Valentine	-	April 19
Norfolk	-	April 20
Gering	-	April 24
Gering	-	April 25
N. Platte	-	May 8
McCook	-	May 9
Omaha	-	May 16
Lincoln	-	May 17
Sidney	-	May 30
N. Platte	-	May 31
Kearney	-	June 1
G. Island	-	June 6
Lincoln	-	June 7
Norfolk	-	June 13
Omaha	-	June 14
Lincoln	-	June 20
Lincoln	-	June 21
Omaha	-	June 26

Registration information was mailed to eligible members in January. If you need a registration form, you may print from our website at [www.npers.ne.gov](http://www.npers.ne.gov) or call our office.

## DCP Changes

Increases in contribution limits for the *voluntary* **Deferred Compensation Plan** (DCP) for State of Nebraska employees, a §457 plan under IRS code, were made permanent and indexed to inflation with the passing last August of the Pension Protection Act of 2006. Members of the **Judges and State Patrol Plans** are eligible to join. DCP is a *long-term* investment plan and not intended as a short-term savings account.

While \$25 is still the *minimum* amount a member may defer from salary and contribute to DCP pre-tax, \$15,500 will be the normal *contribution limit* for 2007. The amount will adjust for inflation every year thereafter. A member age 50 or older may contribute

up to an *additional* \$5,000 for a total of \$20,500. The deferral limit for the Three-Year Catch-up Provision (for members who did not defer the maximum amount allowed in all previous years) is \$31,000. The catch up is allowed within three years of a member's anticipated retirement, so cannot be started earlier than age 52. The "Age 50" and the "Three-Year Catch-Up" may not be implemented simultaneously. Also, in order to participate in the Three-Year Catch-Up, you must provide NPERS with W-2 documentation and receive authorization from us regarding the amount you will be allowed to catch up.

If you are interested in joining the voluntary Deferred Compensation Plan, or have any questions, please contact us. □

## Reminder:

If you move, make sure your employer has your new address.



## Retirement Roundup

Published by  
Nebraska Retirement Systems  
1221 N Street, Suite 325  
P.O. Box 94816  
Lincoln, NE 68509-4816  
402-471-2053 or 800-245-5712  
[www.npers.ne.gov](http://www.npers.ne.gov)  
Director: Phyllis Chambers  
Editor: Jan E. Fox  
Asst. Editor: Pam Williamson



PRSR STD  
U.S. POSTAGE  
PAID  
LINCOLN NE  
PERMIT 212

Nebraska Public Employees Retirement Systems  
P.O. Box 94816  
Lincoln, NE 68509-4816  
85-28-51