

Retirement Roundup

Judges, State Patrol & School Employees I

New Service Purchase Bill Passes

LB724, the bill authorizing school plan members to purchase up to five additional years of service credit becomes law on September 13, 1997.

To qualify, all of the following conditions must be met:

1. You must currently have a minimum of five years of service credit to purchase up to five years.
2. You must be employed by a public school and acquire one-half year of service credit after September 13, 1997, to qualify for the terms of LB724. (Fiscal year = July through June.)
3. At the time you enter into a service purchase agreement you must be within twelve months of retirement. "Retirement" is defined in the school retirement laws as "qualifying for and accepting a school retirement allowance." This means you must be within twelve months of reaching age 60 or have 35 years of creditable service. A member who has 35 or more years of service may elect to retire at any age. However, if that

member is younger than age 60 the benefit amount is significantly reduced under current law.

4. If you do not "retire," which means you do not leave the employment of the school and begin receiving benefits, by the twelfth month from the date of your service purchase agreement, the purchase will be canceled and all payments for the purchase returned.
5. The cost of the service purchase must be actuarially determined so that the full cost is borne by the purchaser. The law says the school district may agree to share in the cost of the purchase as part of the member's agreement to retire. The law requires that the "agreement" between the member and the district specify how much of the total cost of purchase will be shared by the district.

Continued on page 2

In this issue...

Deferred Compensation Plan	2
Legislative Update	3
New Plan Booklets	4
Judges Seminar	4
Seminar Calendar	4
Interest Credit Rate	5
Noncertified Decision	5
Federal Relief for Pensions	6

Progress on Backlog

We have good news to report on the backlog of requests from school plan members. In mid-April we had over 800 requests backlogged with an average response time of over 40 days. Today, we have approximately 250 requests yet pending with an average response time of 20 days. Our progress has been remarkable considering a very busy "retirement season" this summer. We have processed nearly 540 school retirement applications since June compared to 454 at this time last year.

Credit must be given to those in our office who have worked six and seven days a week and ten to twelve hours per day. Since January a total of 3,265 overtime hours have been worked in addition to the work of two temporary employees who were able to provide support services.

Special recognition goes to the following individuals who have worked many hours of overtime, with much personal sacrifice:

- | | |
|----------------|--------------|
| Ninna White | Maria Davis |
| Iona Plautz | Louise Weyer |
| Tammy Louviere | |

Continued on page 4

Attention: Judges and State Patrol Officers!

The State of Nebraska offers a voluntary retirement plan known as the Deferred Compensation Plan (DCP) for all state employees, including you. In addition to your regular pension you have the option of setting aside additional money for retirement on a tax-deferred basis through DCP.

The federal government regulates our DCP under Section 457 of the Internal Revenue Code. It allows you to defer up to \$7,500 or 25% of your gross compensation (whichever is less) into DCP while you are employed with the State.

If you realize you need to save more for retirement and are looking for a tax-deferred way to do it, contact the Retirement Office for more information.

We will send you a DCP booklet which describes the provisions of the plan and an Investment Information Booklet describing the new investment options available under the plan. □



Purchase Bill (Cont. from page 1)

To purchase one year of service a member who is age 60 would pay approximately 20% of the average of his/her high three years of gross compensation. If that member's purchase qualifies him/her for the "Rule of 90" the cost is even higher than 20% of compensation per year. To qualify for the "Rule of 90" a member with 25 years could buy 5 more to total 30 years. At age 60 with 30 years of creditable service, the member would be eligible for unreduced benefits they would not have been eligible to receive without the purchase. The high cost of this service purchase, according to our actuary, is due in part to the ability to buy into the rule of 90 and the nearness of the member's actual retirement at the time of purchase.

6. To start the process contact our office **in writing** and provide us your expected 1997-98 gross compensation and your anticipated retirement date. We will check our records to be sure your public school service prior to July 1986 has been verified, before calculating your cost. If verification is needed we may ask your assistance in contacting your school district or any previous district to obtain the needed verification of service. At the time we provide you a cost estimate we will also send you an Application for Purchase of Service and information on the methods of payment available to you.

We suggest you consider whether the purchase is a good investment, financially. Compare the cost of purchasing one year of service to the increase that year will make to your

monthly retirement benefit. When LB724 was introduced it was intended to give members an opportunity to retire earlier by purchasing additional service years. The additional service would presumably increase their monthly benefit enough to make early retirement affordable.

Under current law, every year of service credit you add will increase your retirement benefit by 1.8% of your average compensation at retirement (this is less if your benefit must be reduced due to early retirement). For example, a member with 30 years of creditable service would be entitled to a benefit of 54% of average compensation. By adding one more year that percentage increases to 55.8% of average compensation as a retirement benefit. It is also important to remember, a monthly retirement benefit is paid to you for your lifetime.

Hopefully, the above information will help you decide whether to request to purchase service under LB724. You may want to discuss this with your financial advisor. If you have questions relating to cost or the process please contact our office at 1-800-245-5712 or in Lincoln, at 471-2053. **Remember, to receive a cost estimate, we need a written request from you.** □



"The longer we live, the more we learn it is not who has the most ~ it is who makes the most of what he has."

1997 Legislative Update

Since our last newsletter the State Legislature passed three major bills affecting members of the School, Judges and State Patrol members, four bills were indefinitely postponed (killed) and the remainder will “carryover” until the 1998 session that will begin in January. There were also six legislative resolutions introduced (LR’s) to initiate studies to be conducted during the interim by the Legislative Retirement Committee.

Summary of Legislation Passed

LB623 - technical corrections (clean-up) bill requested by the Retirement Office which includes the IRC section 415 changes passed by Congress in August of 1996. - **Effective March 27, 1997.**

LB624 - includes revised definition of “regular interest” (see article this issue), revised definition of “service” and “termination of service.”

The major provision of this bill is that of allowing retirees to return to work covered by the Retirement System and continue receiving retirement benefits. The retiree will be considered a “new employee” for purposes of retirement with no recognition of previous service. Careful examination of this provision combined with the definition of “termination of service” makes it clear that school retirees must have a minimum of a one year break in service before they can return to work without interrupting their benefits. - **Effective September 13, 1997.**

(Note: this bill includes other

provisions not related to members of our Judges, State Patrol and School Employees Retirement Systems which we have not mentioned in this summary.)

LB724 - (See **Purchase of Service article this issue.**) - **Effective September 13, 1997.**

Carryover Legislation

LB’s 365 & 650 - These are both bills that would provide a benefit increase for retired state patrol officers or surviving spouses. (Actuarial study is needed.)

LB532 - This bill would set a minimum benefit for school retirees, based on years of creditable service. (Actuarial study is needed.)

LB796 - Would allow unreduced benefits for judges who retire at age 60 with 20 years of creditable service and increase court fees to help fund the change. (Actuarial study is needed.)

LB822 - Establishes the “Rule of 85” provision by the year 2000 for school plan members. (Actuarial study is needed.)

LB840 - This bill would allow school plan members to purchase up to ten years of service during which the employee held a valid nonmembership.

Note: The rules of the Legislature require actuarial studies on all retirement legislation that is expected to have a fiscal impact on the retirement plan affected. The legal counsel for the Retirement Committee of the Legislature has indicated that actuarial study costs will be borne by interested parties and not

by the Legislature or its committees.

Bills Indefinitely Postponed (Killed):

LB147 & LB491 - Both of these bills would have allowed special service purchases for school employees, the first for Community College service and the second for private school service.

LB567 - State Patrol spousal language change. A portion of this bill was amended into LB624.

LB725 - Would have increased state funding of the School Retirement System.

Legislative Interim Study Resolutions:

LR146 - Study regarding retirement benefits, records kept by public entities and the means this information is conveyed to the Public Employee’s Retirement Board.

LR147 - Study of the Nebraska Judge’s Retirement System.

LR148 - Study regarding creation of a uniform set of criteria to be used in determination of benefit adequacy for the retirement systems.

LR190 - Study to identify the consequences of adopting the “Rule of Eighty-Five” for school plan members.

LR194 - Study to review providing for cost-of-living adjustments for Nebraska State Patrol retirees.

LR283 - Study to develop cost projections for creation of a supplemental retirement plan for employees of the Legislature and other constitutional offices. □

New Plan Booklets Available Soon

Updated plan booklets for members of the **School Retirement Plan** and members of the **State Judges Retirement Plan** should be ready for distribution late this year.

We expect the judges' plan booklet will be ready for distribution at our October 15th, judges' retirement meeting. The school booklet should be available no later than December of this year. The school booklet is generally mailed in bulk to each school for distribution to all plan members. If you do not receive a booklet from your school district by the end of December 1997, call the Retirement Office.

State Patrol plan members were mailed a booklet in 1995 and an "insert" published in 1996 with the latest legislative changes. We are not planning to revise the State Patrol booklet until the 1998-99 fiscal year, assuming there are changes significant enough to warrant an update at that time.

If you are a State Patrol plan member and you do not have a recent copy of the plan booklet and our 1996 update, please contact the Retirement Office. □

Notice: Patrol Plan Members

You are eligible to attend any of the Preretirement Seminars we have scheduled each year in your area. If you are age 50 or within five years of retirement, you will receive a registration brochure for the "State Employee" seminars. (See calendar at right)

Backlog (Cont. from page 1)

Others who worked overtime when they could, took on extra duties or helped on the Workload Committee are: Lori Roberts, Tammy Lang, Jayme Starkweather, Jennifer Diaz, Patty Wissink, Penny Richter, Don Carpenter, Dean Gress, Helen Brodecky, Susan Fisher and Nancy Foster.

It has been a team effort, and though difficult at times, an opportunity for growth in our office. We are proud of our staff and the tremendous progress that has been made during this crisis.

A special thank you goes out to our Board for their support, to Senator Bob Wickersham, Chairman of the Legislative Retirement Committee and his legal counsel, Shawn Nowlan, for their support on our appropriations request. The Nebraska State Education Association was also very supportive during the legislative session as were Kate Morris of the Legislative Fiscal Office and Pat McCormally and Tom Ryan with the Governor's staff. In a time when much of State Government is downsizing we received appropriations in our budget this year and next, for an extra staff person to help with our school purchases of service.

Most of all we want to thank you, our plan members, who have patiently waited for a reply to your request. We are looking forward to another successful, but hopefully less hectic year!

Preretirement Seminar for Judges

The preretirement seminar is a one-day meeting that provides an excellent way to begin planning for retirement. Information is provided on your pension plan, including the latest on the Deferred Compensation Plan, financial planning, social security benefits, and estate planning.

This year's Judge's Preretirement Seminar is being held on Wednesday, October 15 at the Cornhusker Hotel from 8:00 a.m. to 4:00 p.m., during the Annual Bar Association Meeting.

For further information contact Janet Hammer at the Court Administrator's Office 471-3205. □



Fall 1997 Preretirement Seminar Calendars age 50 and over

School Employees

September 23	-	N. Platte
September 24	-	Kearney
September 25	-	G. Island
October 28	-	Lincoln
November 5	-	Lincoln
November 6	-	Omaha
November 12	-	Omaha
November 19	-	Norfolk
November 20	-	Fremont
December 4	-	Lincoln

State Employees

November 13	-	Lincoln
December 2	-	Lincoln

Note: Preretirement seminars will be held statewide next spring.

Interest Credit Rate Change

The laws defining how the rate of interest credited to member accounts is determined under the State Judges, State Patrol and School Employees Retirement System were modified this year under LB624. "Regular interest" previously was defined as "interest at such a rate as determined by the retirement board in conformity with actual and expected earnings on its investments." **This has been changed to say the following:**

"Regular interest means interest fixed at a rate equal to the bond equivalent yield, as published by the Secretary of the Treasury of the United States, of the average accepted auction price for the last auction of fifty-two-week United States treasury bills in effect on the last day of the preceding plan year, which may be credited monthly, quarterly, semiannually, or annually as the board may direct."

This change takes effect September 13, 1997, when LB624 becomes law. The annual rate for the 1997-98 fiscal year, beginning with the quarter ending September 30, 1997, will be 5.65%. We post interest quarterly, but the rate will only change on an annual basis.

It is important to remind plan members of all three plans that your benefits at retirement **are not** based on the amount you contribute to the plan or on the interest your contributions earn. Under current law, your monthly retirement benefit is based

on a percent of the average of your high three years of compensation prior to retirement. The benefit you receive is directly related to the number of creditable years of service you have with the Retirement System. The more years you have, the greater the benefit you receive.

It has long been the position of the Public Employees Retirement Board (PERB), under the advice of our consulting actuary, that the rate should be a short-term rate. The reason is, the interest credit rate on member accounts only benefits members with shorter careers who withdraw their funds rather than take a retirement benefit.

Since there had been some question by members about the rate used by the PERB previously, the Legislature agreed to specify a method in the law. If you have questions about this law change, please contact the Retirement Office. □

PUBLIC EMPLOYEES' RETIREMENT BOARD	
Clark G. Nichols Chairperson	member-at-large
Julia Moeller Vice Chairperson	county employee
Robert Corner	state employee
Joseph B. Higgins	school employee
Charles Peters	member-at-large
Merritt Warren	retired member
Rex Holsapple	ex-officio member

Noncertified Members Await Court's Decision

As previously reported, the Nebraska Attorney General has filed a lawsuit in the Nebraska Supreme Court to determine the constitutionality of several state statutes which, if applied, could result in the expulsion of many current and former non-certificated school employees from the retirement system.

Between January 1, 1978, and June 30, 1978, non-certificated employees were given the option of joining the school retirement system, or opting out of the system, by filing an election form. If the employee elected out of the system, they were to be excluded until such time as they incurred a break in service. Upon reemployment after a break in service, membership was mandatory. Beginning about 1980, the retirement system erroneously began accepting membership applications from some non-certificated employees who had previously opted out of the system, even though the employees had not experienced a break in service. When this error was discovered, the Nebraska legislature passed Legislative Resolution 343 (1996) requesting the attorney general to file a lawsuit to ascertain whether the affected members have constitutionally protected contractual rights to remain members of the system and receive retirement benefits.

The Supreme Court has tentatively scheduled oral arguments in this case for the first week in November. We do not know when the court will issue an opinion, but we will inform the affected members when the opinion is issued. □

Federal Relief for Government Pensions

Recently, Congress addressed two major problems facing government pension plans in the Taxpayer Relief Act of 1997. The first change will now allow state and local government pension plans to be exempt from nondiscrimination provisions and participation requirements, effective immediately. The second change, allows state and local pension plans to determine which IRC Section 415 limit to use when accepting purchase of service payments. This second change will take effect on January 1, 1998.

The nondiscrimination rules and participation requirements would have required extensive data gathering requirements and complicated testing by our office to be sure our

plans did not permit highly paid employees to receive more favorable benefits. Prior to this change it was not clear how to test for nondiscrimination in our five separate plans and whether the plans had to be considered as one plan. With different benefit formulas permitted by our laws in each plan, this could have created serious problems for us.

The purchase of service limits change allows the administrator of the plan (the PERB) to use either the 415 (b) limits, which in 1997 is a benefit limit of \$125,000 or, the 415(c) limit, which is a maximum contribution limit to the plan of 25% of compensation or \$30,000, whichever is less. By electing to follow the 415 (b) limits, most plan members wishing to purchase service should not exceed the limits.

It is still very early in the implemen-

tation of these federal changes. The above interpretation is based on the best information we have to date. We will advise you of any clarifications and/or changes in our next issue of the "Roundup." □

RETIREMENT ROUNDUP

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