

Retirement Roundup

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

Nebraska Retirement Systems

Vol. 19, No. 6, Fall 2004

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Pension Funding

The Public Employees Retirement Board (PERB) has requested additional funding from the State of Nebraska for the School Employees' Retirement System and the State Patrol Retirement System, as recent news stories have reported. An estimated \$15 million is needed for the **School Plan** and \$1.5 million for the **Patrol Plan** for the fiscal year 2005-2006.

The PERB's request does not mean these plans are in financial trouble. Members should not worry about the security of their retirement benefits. The PERB and the State of Nebraska are committed to maintaining the strong, secure pension plans we currently have. That's why the funding is needed.

The overall downturn of the financial markets in the past three years has affected our pension investment returns, as it has for many others. Despite a great bounce back for our year-end June 30, 2004, realizing a 14% return, additional contributions are necessary to help make-up for some of the previous market losses.

Optional Service Credit

NPERS provides cost estimates to **School Plan** members who are interested in purchasing optional service credit (OSC). OSC may be purchased for out-of-state service, a leave of absence, 12-month preretirement service (air time), or to repay a refund. Several issues continue to create abnormal delays in our response time in calculating estimates for members interested in "buying" creditable service.

As a policy, we handle members' correspondence according to the date received. But, July, August and September are our busiest "retire-

All retirement benefits are pre-funded so that when a member eventually retires the benefit is fully funded for the rest of his/her life. The School Plan currently has over \$5.1 billion in assets, and the State Patrol Plan with its much smaller membership, over \$217 million.

The contributions of members, employers, and the State are invested in a well-diversified portfolio. The investment returns provide a very important source of funding for these plans. Thus, when the returns are less than expected, as in any pension plan, it is sometimes necessary to make additional short-term contributions to safeguard the future financial security of the plan.

The dollars requested by the PERB are estimates. The exact dollar amounts needed for the School and Patrol Plans will not be known until late November or early December when the annual actuarial valuation reports will be completed.

Questions about your pension plan should be directed to the Nebraska Public Employees Retirement System offices at **800-245-5712**, or in Lincoln at **471-2053**. □

ment" months when School Plan members typically retire. So, requests from members planning to retire during that time period each year are put straight to the "top of the pile." Unfortunately, estimates have stacked up for those "just curious" about the cost to purchase service with no intention to buy.

A 2001 law expanded the time window for a member to purchase refunded service from "within 3 years of joining or rejoining the Plan" to a much more flexible, "any time before retirement." This change alone prompted over 200 requests for estimates for the cost of purchasing service.

(Cont. on page 3)

Behind the Scenes

The last area to be featured in our "Behind the Scenes" segment is our Administrative Team.

Our Director, Anna Sullivan, has been with NPERS since 1976 when she started working with the Judges and State Patrol Plans. She then took over what is now known as Education Services, and was responsible for beginning our Preretirement seminar program. Anna accepted the position of Deputy Director in 1994 and became the agency Director in 1998. It is her great leadership ability and experience that makes NPERS a success.

NPERS' Legal Counsel, Joe Schaefer, joined us in August of last year. Joe is responsible for managing pension legal issues and for keeping our office up to date on all legislative matters. He oversees the requests and approval of Qualified Domestic Relations Orders (QDROs). In addition, he writes arti-

Administrative Team



L to R; Joe, Anna, Teresa and Sheila

cles for the "Legal Corner" segment of the Retirement Roundup. Whether it's concerning a member, a form, or a personnel issue, Joe is always willing to counsel the NPERS staff.

Teresa Zulauf has been a state employee for over 9 years. She was our agency's Internal Auditor for approximately 18 months beginning in 1999 and just recently returned to fill the position again. Teresa's role as Internal Auditor is to assure that laws, regulations, policies and procedures are being followed by the agency. Her guidance is appreciated by

other staff members. She is always willing to help with the day-to-day questions that may arise.

The Administrative Assistant for the agency is Sheila Linder. Sheila has been with NPERS for over four years. Her title does not even begin to describe her duties for our agency. Sheila assists our Director and Board Members during our monthly Board meetings, she assists with all QDROs that come through the office, she is our personnel clerk and she is the "complaint department" for the agency environmental issues. Sheila is a priceless commodity to the agency as well as a kind and generous person.

Our Administrative Team is made up of four highly capable individuals who are each a valuable asset to the agency.

Changes to Judges' Plan

Since the June meetings, changes have received final approval and have been implemented

NPERS delivered two retirement planning seminars in June to members of the **Judges' Plan**. The presentations provided an overview of the Plan and outlined changes due to the passage of LB 1097. In addition, a representative of Sterling Financial Advisors provided a financial planning presentation for those in attendance.

To summarize, LB 1097 created two primary changes to the Judges' Plan. The Joint and Survivor (Spousal) annuity option will provide an improved benefit and contribution rates will change to help fund this increased benefit. Under the new provisions, members will contribute 8% of compensation for 20 years, then 4% thereafter. All *active* judges have the *option* of electing into the new provisions, or keeping the current benefit

and contribution rates. All *new* judges will participate under the new provisions.

Those attending the seminars received a personalized benefit estimate demonstrating the actual dollar amount change to the Joint and Survivor option if they were to elect the new provision. Each estimate used the member's current salary, designated beneficiary, retirement age of 65, and the 3.5% formula factor. In addition, Beneficiary Designation Forms and a Judges Election Form were provided. Members who did not attend were mailed personalized estimates.

Since the Judges' meetings, the Attorney General has released Opinion No. 04023 (August 18, 2004) in which he states "the operative date of July 1, 2004 for commencing the increased contribution amounts and enhanced spousal benefits

is constitutionally permissible." We are thus proceeding with the implementation of the legislative changes contained in LB 1097 (2004). *The 90-day period for members to elect participation in the new provisions (benefit and contribution increases) began on July 1, 2004, and will end on September 28, 2004.*

Opinion No. 04023 also concluded that July 1, 2004, is the date on which the new contribution rates commence for judges who elect to participate in the new benefit provisions.

Additional election and beneficiary designation forms are available on our web site at www.npers.ne.gov.

NPERS would like to thank those who attended the seminars, and the Court Administrator's office for their valuable assistance. □

Service Credit *(from page 1)*

It was necessary to have an actuarial re-evaluation of the methodology used to calculate service purchases to ensure the Plan was not negatively impacted, while simultaneously serving our members in the best way possible.

Also, during the past four years NPERS has been implementing PIONEER, a technology system. As with any new system, unexpected issues have caused delays although the accuracy and efficiency of our work improves daily. We are nearing completion of the project.

Actuarial factors used in the calculations vary for each plan member and the formulas are very complex, thus providing accurate estimates is very time consuming.

And last, but not least, we had four of our Benefits Processing staff recently terminate employment with our agency.

Filling these positions has created an opportunity to reorganize the Benefits department in a way to devote more staff resources to OSC purchases. Currently, we have around 365 requests in the queue for estimates to purchase OSC and NPERS receives more requests from members daily.

NPERS is devoted to providing the best customer service possible to our plan members. Soon our response time to OSC requests will match that demand. Meanwhile, your patience is appreciated. If you have questions, call NPERS at **800-245-5712** or **402-471-2053**. □

LEGAL CORNER

by NPERS Legal Counsel,

Joe Schaefer

Update on Interim Study Resolutions

The Nebraska Retirement Systems Committee of the Legislature has scheduled hearings for the interim studies referenced to the committee. The studies are listed in the order in which the committee has prioritized them. (The Public Employees Retirement Board has selected LR321, LR255, and LR322 as its own priorities.) Hearing information is provided after the study descriptions.

LR321 (Stuhr) The study will examine the definition of retirement compensation and the limits placed upon compensation increases for members of the **School Plan**. Included in the study will be the appropriate rate of limitation, characterization of items as compensation or as fringe benefits, and the impact such decisions would have on the annual normal costs to the plan.

LR256 (Stuhr) The study will examine the creation of annuity plans under section 401(a) of the Internal Revenue Code by school districts, and the impact such plans may have on the **School Plan**.

LR255 (Stuhr) The study will examine the creation of a medical cost-of-living-type retirement benefit for *retired* members of the **School Plan**, including the adequacy of benefits and the effect of a medical COLA if inadequacies are found.

LR322 (Stuhr) The study will examine the allocation of administrative costs assessed by the Public Employees Retirement System upon **County Plan** and **State Plan** accounts. Investment and pension management fees as charged in the private sector will be analyzed and compared to the NPERS fee structure.

LR323 (Stuhr) The study will look at the five public employee retirement systems administered by the Public Employees Retirement Board (**School, Judges, Patrol, State, and County**), the funding needs of the various plans, and the administration of each system.

LR391 (Erdman) The study will analyze and compare *law enforcement* retirement plans and benefits of other states and political subdivisions.

All hearings are at 1:30 pm at the State Capitol, Room 1525

October 5, 2004

November 17, 2004

December 7, 2004,

LR321, LR256

LR322, LR391

LR255, LR323

Spring 2005 Preretirement Seminar Schedule School Members - age 50 and over

Registration information will be sent to all eligible members at their home address in January.

Omaha	-	February 9	Omaha	-	March 23	Omaha	-	May 18
Lincoln	-	February 10	Omaha	-	March 30	Lincoln	-	May 19
Omaha	-	February 16	Columbus	-	March 31	Sidney	-	June 1
Lincoln	-	February 17	G. Island	-	April 6	N. Platte	-	June 2
S. Sioux City	-	March 2	Kearney	-	April 7	G. Island	-	June 8
Norfolk	-	March 3	Valentine	-	April 12	Kearney	-	June 10
Omaha	-	March 9	Norfolk	-	April 13	Norfolk	-	June 15
Lincoln	-	March 10	Scottsbluff	-	April 26	Omaha	-	June 16
Kearney	-	March 15	Scottsbluff	-	April 27	Omaha	-	June 21
G. Island	-	March 16	N. Platte	-	May 11	Lincoln	-	June 22
Lincoln	-	March 22	McCook	-	May 12	Lincoln	-	June 28

Important Reminders

As Autumn gets underway, NPERS would like to remind all members of the **School, Judges' and State Patrol Plans** of some very important retirement plan basics.

Beneficiary Designation – If you've had a change in status (gotten married, divorced, had a child or lost a family member) *run, don't walk* to your personnel department and get a new Beneficiary Designation Form or download from our web site at www.npers.ne.gov. Complete the form, include all current pertinent addresses and social security numbers, have your signature notarized, and return it to NPERS. Any new beneficiary form received will automatically replace what we have on record for you.

Current Address – Have you moved recently? Please notify *your employer* whenever your address changes. When your employer reports retirement contri-

butions to NPERS, any address changes automatically collect in our database. Without your current address, you will not receive your annual Benefit Statement or any other important information from NPERS.

Annual Benefit Statements – By now you should have received your annual Benefit Statement (providing we have your *current* address). The statements are meant to verify the many important records collected on your account which are needed to calculate your retirement benefit. Look your statement over carefully before filing it away with your other important papers, and notify NPERS of any discrepancies *in writing* within *90 days*.

NPERS' New Web Site – Log on to our new web site at www.npers.ne.gov and

access your personal retirement information. First you'll create your own web account, then you can log on anytime to check what we have on record for you.

Benefit Estimator – You can calculate your own retirement benefit estimates (even if you *haven't* created your own web account) on our web site at www.npers.ne.gov.

Call for an Appointment – If you'd like to talk face to face with a retirement specialist, call for an appointment. We recommend scheduling at least one month in advance to give our staff adequate time to research your records, obtain pertinent information from your employer and calculate benefit estimates. Spouses are welcome, and if you and your spouse are both plan members you can share an appointment time to review both accounts.

NPERS can be reached at **800-245-5712** or **402-471-2053**. Log on to our new web site at www.npers.ne.gov. □

Speakers Available

If your school or educational organization is planning a meeting, consider adding a speaker from NPERS to your agenda. Our retirement training specialists are available to visit your school to conduct an NPERS information meeting. Free of charge!

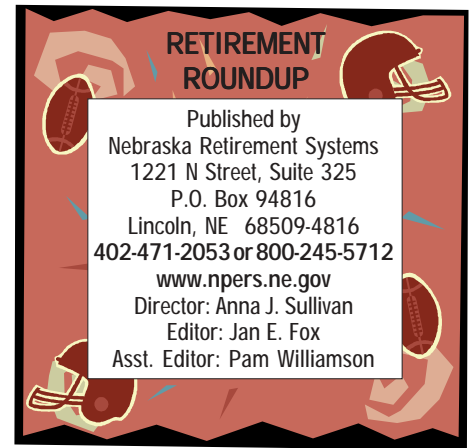
We'll explain how your plan works and talk about benefit payment options, planning for retirement, applying for benefits, purchasing service credit, and much more.

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

Patrol Increase

As of July 1, the contribution rate for both members and employers in the **State Patrol Plan** has increased *temporarily*. Passed by the Legislature last April, LB 514 changed the 11% monthly contribution rate to **12%**.

The increase will *terminate* on **June 30, 2005**. The provision in the law is intended to resolve the funding shortfall of \$434,202 in the Plan this year, however, will not address any future funding concerns.



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