Public Employees’ Retirement Board

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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.

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 “any time before retirement.” Unfortunately, estimates have stacked up for those “just curious” about the cost to purchase service with no intention to buy.

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 “retirement” 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.

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.

(Cont. on page 3)
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 articles 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.

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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 website 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

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 LR321, LR256
November 17, 2004 LR322, LR391
December 7, 2004, LR255, LR323

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

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<tr>
<th>Registration information will be sent to all eligible members at their home address in January.</th>
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<td>Omaha - February 9</td>
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<td>Lincoln - February 10</td>
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<td>O. maha - February 16</td>
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<td>Lincoln - February 17</td>
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<td>S. Sioux City - March 2</td>
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<td>Norfolk - March 3</td>
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<td>G. Island - March 16</td>
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<td>Lincoln - March 22</td>
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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, div-

orced, 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.

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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.

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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.