Retirement News

Nebraska Public Employees Retirement Systems SJP • August 2010

Providing Information to School, Judges and Patrol Members

In this issue...

NPERS
Nebraska Public Employees Retirement Systems
Director: Phyllis Chambers
Retirement News
Editor: John Winkelman
Asst. Editor: Angela Hatcher
npers.ne.gov

Did You Review Your Statement?

Account statements are mailed to School, Judges, and Patrol members each year around the first week of August. These statements are an important tool to inform members of personal account information and provide an opportunity to alert us of any discrepancies. When reviewing your statement, NPERS requests you give special attention to the following sections:

NEBRASKA SCHOOL EMPLOYEES RETIREMENT
ACCOUNT STATEMENT- As of June 30, 2010

1 Zaphod Beeblebrox
1234 Elm Street
Lincoln, NE 68501

2 Retirement No. 100001
Date of Birth 02/29/1960

COMPENSATION AND YEARS OF CREDITABLE SERVICE

Your compensation is used for two reasons: (1) your retirement benefit will be based on your three highest eligible 12-month periods of compensation (Final Average Monthly Compensation), and (2) your member contribution of 7.28% (July 1, 2009 to August 31, 2009) and 8.28% (September 1, 2009 to June 30, 2010) (Neb.R ev.S tat. §7 9-958) will be calculated using your compensation. According to NPERS records, your compensation for retirement plan purposes for the past fiscal year (contributions posted from July 1 – June 30) was:

July 1, 2009	June 30, 2010	$35,824.00

3 *(Zeros will appear in the above dollar fields if you were inactive and did not contribute to the plan during the fiscal year listed.)*

Your benefit is also based on the years of creditable service you have accumulated in the School System. NPERS records show that you have **14.39 estimated** years of service through 06/30/10, which are **subject to verification with your employer.**

If you received a refund of your account, you must repay the refund in order to receive credit for those years (§ 79-921). *Refunded years currently in repayment status **will not** be reflected in this statement until the payment is completed.*

1 Name and Address

If you are an active employee, please notify your employer to make corrections. If you have ceased employment (inactive member) then corrections must be submitted by you, in writing, directly to NPERS. Inactive members who have created an online account may also make addresses changes via the NPERS website.

2 Retirement Number and Date of Birth

Your NPERS retirement number can be used in lieu of your social security number to provide identification when completing certain forms or contacting our office. If your date of birth is in error, please call our office.

3 Salary and Service

The salary listed is for the *fiscal year and only found on statements for School plan members*. Years of service represents your *total years of plan participation*. Salary and service are the two primary variables used to calculate your monthly benefit upon retirement so it is critical this information is correct in our system. If you believe this information is in error, please contact our office.

Free Credit Report?

When applying for a loan, mortgage, or credit card, your credit history is a major factor in the approval process. Your credit report will not only help determine eligibility, but also affect interest rates and terms of repayment. Approval and terms for mortgages, auto loans, credit cards, and even student loans are based on the risk associated with the applicant. Individuals with positive credit reports are often offered lower interest rates, potentially saving thousands of dollars in interest. Credit reports can even impact applying for employment. Some employers go as far as checking credit reports before making an offer to prospective candidates. It's clear that creating and maintaining a solid credit ranking is in your best interest, but how does one go about reviewing their credit history?

By law, you are entitled to one free credit report every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian, and TransUnion. This means you can get up to three free reports each year, one from each company.

You've probably seen the TV spots for FreeCreditReport.com. You know, the commercials with the band playing the catchy little jingles. Be aware this is *not* the website that offers free credit reports in conjunction with the above law. When you order a credit report from FreeCreditReport.com, you initiate membership in an automatic monthly credit monitoring service. If you don't cancel membership within 7 days, you will be billed for each month you continue membership.

The website to visit for a **free** annual credit report is AnnualCreditReport.com. This is the official website established to help consumers obtain a free annual credit report. It allows you to request a report once every 12 months from each of the three credit reporting agencies listed above. The downside is that it doesn't provide you with access to your credit *score*. For that, you'll either have to pay or use one of the "free" trials.

Many financial experts recommend checking your credit history *at least* once every year to confirm your identity has not been compromised. For some consumers an annual review may be adequate, but there may be times when a random credit inquiry is in order.

Perhaps you have decided to make a major credit based purchase like a new car or home. The last thing you want is a blip on your credit report that will deny your application. Generally it is a good idea to check your report far enough in advance to allow enough time to dispute any discrepancies that may derail your plans.

Always check if you suspect your identity has been stolen. If you start receiving correspondence or calls regarding purchases you did not make or accounts you didn't open, then immediately request a credit report. If you discover unauthorized accounts, promptly report this to the three credit reporting agencies listed above.

If you have been denied a loan or credit card, you are entitled to a free copy of your credit report. Upon receipt, review your credit history for any inaccurate information. If you find an error, you will need to file a dispute with the credit reporting agency.

To file a dispute, you must notify both the credit reporting company and the person or company that has provided the incorrect information about you. The Federal Trade Commission website (www.ftc.gov) outlines the process involved.

Step One

Tell the credit reporting company, in writing, what information you think is inaccurate. Include copies (NOT originals) of documents that support your position. In addition to providing your complete name and address, your letter should clearly identify each item in your report you dispute, state the facts and explain why you dispute the information, and request that it be removed or corrected. You may want to enclose a copy of your report with the items in question circled. Send your letter by certified mail, "return receipt requested," so you can document what the credit reporting company received. Keep copies of your dispute letter and enclosures.

Credit reporting companies must investigate the items in question — usually within 30 days — unless they consider your dispute frivolous. They also must forward all the relevant data you provide about the inaccuracy to the organization that provided the information. After the information provider receives notice of a dispute from the credit reporting company, it must investigate, review the relevant information, and report the results back to the credit reporting company. If the information provider finds the disputed information is inaccurate, it must notify all three nationwide credit reporting companies so they can correct the information in your file.

When the investigation is complete, the credit reporting company must give you the results in writing and a free copy of your report if the dispute results in a change. This free report does not count as your annual free report. If an item is changed or deleted, the credit reporting company cannot put the disputed information back in your file unless the information provider verifies that it is accurate and complete. The credit reporting company also must send you written notice that includes the name, address, and phone number of the information provider.

If you ask, the credit reporting company must send notices of any corrections to anyone who received your report in the past six months. You can have a corrected copy of your report sent to anyone who received a copy during the past two years for employment purposes.

If an investigation doesn't resolve your dispute with the credit reporting company, you can ask that a statement of the dispute be included in your file and in future reports. You also can ask the credit reporting company to provide your statement to anyone who received a copy of your report in the recent past. You can expect to pay a fee for this service.

Step Two

Tell the creditor or other information provider, in writing, that you dispute an item. Be sure to include copies (NOT originals) of documents that support your position. Many providers specify an address for disputes. If the provider reports the item to a credit reporting company, it must include a notice of your dispute. And if you are correct — that is, if the information is found to be inaccurate — the information provider may not report it again.

Nebraska Retirement Plan Gets Solid Rating From Pew Center

How well has Nebraska managed our retirement plans for public sector employees? A February report entitled "The Trillion Dollar Gap" issued by the Pew Center on the States gives Nebraska high marks. The study graded all 50 states on how well they managed their retirement systems and their current funded status. Pew assessed plans using three criteria and awarded each state up to four points. Those who earned four points were considered "solid performers". Two or three points earned the designation "in need of improvement". Anything lower was listed as "cause for serious concerns".

Sixteen states, including Nebraska, received a perfect score of four out of four points and were awarded the title of Solid Performer. The grade of Solid Performer was earned by demonstrating adequate funding, having a manageable unfunded liability, and consistently making actuarially required contributions. Unfortunately, 19 other states were listed as "cause for serious concerns".

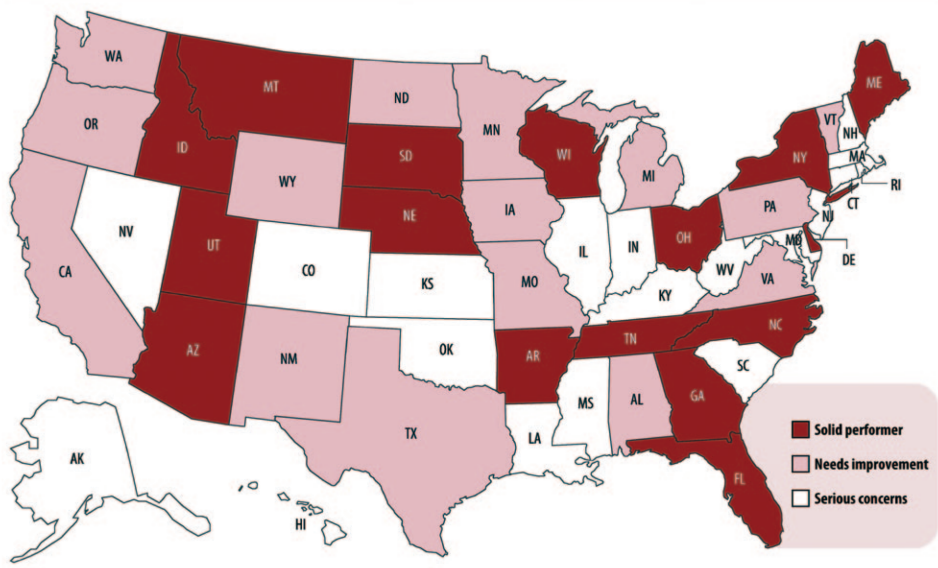
Alarmingly the study finds a nationwide collective liability of more than $3.35 trillion for pensions, health care and other retirement benefits promised to public sector employees. To meet this liability, states have accumulated only $2.35 trillion in assets. This has created a shortfall of more than $1 trillion that state and local governments must deal with over the next 30 years.

The report identifies three major causes of the underfunding:

1. Failure to adequately fund plans at actuarially recommended levels.
2. Increasing benefits without fully considering long term costs, or how to cover these obligations.
3. Providing subsidized retiree health care without funding it.

Each year an actuarial study is performed for each retirement plan administered by NPERS to determine funded status. The accepted "threshold" funded ratio is 80%. Anything lower than 80 is considered under-funded. In previous years, when faced with potential funding shortfalls in the School, Judges or State Patrol plans the Unicameral has taken swift action and increased contributions to those plans. As of the most recent studies (2009), the School funded ratio is 86.6%, the Judges 102.0%, and the State Patrol 89.8%.

HOW WELL ARE STATES MANAGING THEIR PENSION OBLIGATIONS?



SOURCE: Pew Center on the States, 2010.

It can be tempting to enrich benefits or reduce funding during strong economic conditions. The report notes happier times: "*In the 1990s, states enjoyed strong returns and pension assets shot up so dramatically that by 2000, some pension funds began to lower contribution rates because they were over-funded.*"

Unfortunately, the 2008–2009 economic downturn left many pension funds in the red… "*The recession, which officially began in December 2007, dealt a severe blow to all state pension systems. In calendar year 2008, public sector pension plans experienced a median 25 percent decline in their investments.*"

The market returns have had a negative impact on our School, Judges and Patrol funds. Thankfully, Nebraska has demonstrated a careful approach to increasing or adding benefits. Improvements have been made over the years, but the importance of maintaining a strong funded status has always been given first priority. As a result, our plans are in a much better financial footing than many other states.

"*The recession exacerbated the challenges—but many states entered the recent downturn with fundamental weaknesses in their retirement systems that stemmed from earlier mistakes and decisions. States that were prudent in the past might ride out this financial storm without being forced to make drastic changes, but those that were not likely will have to make some painful choices.*"

As to the third point, more than half of the shortfall arises when states offer some form of subsidized retiree health coverage. In other states these benefits, along with other non-pension related expenses, account for a $587 billion liability in the coming years, with only $32 billion currently on hand. Nebraska does not offer subsidized retiree health coverage. Subsequently this is not an issue affecting our funded status.

In light of the recent economic downturn, it's nice to see our Nebraska School, Judges and State Patrol plans are still on sound financial footing. A common sense approach to managing our benefits and investments has placed us in the top tier of state retirement systems.

To read the full report, visit the PEW Center on the State's website or follow this link: http://downloads.pewcenteronthestates.org/The_Trillion_Dollar_Gap_Final.pdf

Our thanks to the PEW Center for permission to reprint content from this report.

The Nebraska Investment Council

Investing in Uncertain Markets

by Jeffrey States, State Investment Officer

The Nebraska Defined Benefit Retirement Plans (collectively called the "Benefit Plans") have seen strong investment returns since they bottomed in early March of 2009. For the 12 months ending March 31, 2010 the Benefit Plans total return, minus investment fees, is in excess of 37.0%. This is a good sign for the financial health of the Benefit Plans, but we still have a long way to go to recover the losses experienced during the prior eighteen months.

Although the recovery has been strong in the past year, there is a great deal of uncertainty and disagreement about what lies ahead over the short-term. Since rising to its most recent peak of 1217 points on April 23, 2010, the S&P 500 has declined by approximately 15% through June 30. Projected returns over the next twelve months range from either a negative OR positive return of 12 to 15%. The differences in these expectations result from differing views on:

- The strength of the US and Global economies.
- The continuing European monetary and credit problems that began with Greece.
- High and rising levels of government debt in the US and other countries.
- Weak job growth and high unemployment.

What appears certain is no matter which outcome is correct; the markets will continue to be volatile.

In times like this it is important to remain focused on a long-term strategic investment plan and not try to time the market. No one can consistently predict the market. Most of the market's gains occur in just a few strong, but unpredictable, trading days. To benefit from the market's long-term performance, we need to be in the market for the long-term.

A successful investment strategy will consist of creating a plan and following it. When creating the investment strategy for Nebraska's Benefit Plans, the Investment Council:

- Reviews the long-term investment strategy and investment goals.
- Matches the investments to the level of risk that is comfortable.
- Diversifies the investments across the three asset classes—stocks, bonds and short-term investments to help protect the portfolio during market downturns.
- Diversifies within each asset class by owning different investments to offset company risk, interest risk, credit risk and other variable economic factors.
- Factors in dollar cost averaging.

The Nebraska Investment Council (NIC) will be performing an asset allocation study with the assistance of its investment consultant Ennis Knupp during the summer. This study will allow the NIC to consider its long-term investment objectives and return goals, tolerance for different types of risks and to consider changes in the asset allocation and investment structure.

Legal Corner

LEGISLATIVE UPDATE

On April 14th, the 2nd session of the 101st legislature was adjourned. During this 60 day session, only one bill affecting the retirement plans administered by NPERS was passed and signed into law – LB 950. The provisions relating to the School, Judges, and State Patrol retirement plans include:

Clarifies in the County, State and School retirement plans that a disability must have occurred while the member was a participant in the plan.

Provisions related to the passage of LB 403 in 2009 are amended into the C**ounty, Judges, State Patrol, School, State** and the **Deferred Compensation** retirement plans. Language in the bill states, "no employee… shall be authorized to participate in the retirement system… unless the employee (a) is a United States citizen or (b) is a qualified alien under the federal Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act existed on January 1, 2009, and is lawfully present in the United States."

Clarifies the definitions in the School plan for temporary, regular and substitute employees.

The definition of a temporary employee adds the following language, *"an employee... who is hired to provide service for a limited period of time to accomplish a specific purpose or task. When such specific purpose or task is complete, the employment of such temporary employee shall terminate and in no case shall the temporary employment period exceed one year in duration."*

The definition of a regular employee adds the following language, *"an employee... hired as described in this subdivision to provide service for less than fifteen hours per week but who provides service for fifteen hours or more per week in any three calendar months of a plan year shall immediately commence contributions and shall be deemed a regular employee."*

The definition of a substitute employee uses the following language, *"Substitute employee means a person hired by a public school as a temporary employee to assume the duties of regular employees due to the temporary absence of the regular employees. Substitute employee does not mean a person hired as a regular employee on an ongoing basis to assume the duties of other regular employees who are temporarily absent."*

Clarifies that retired, certificated School plan members hired by the Department of Education within 180 days of termination from their school employer will participate in the State plan.

Amendment AM2087 added language from LB 899. LB 899 would have repealed the sunset on a state contribution to the School, Patrol, and Judges plans which was set to occur after the 2010/2011 fiscal year. As amended in LB 950, the sunset is moved back to 2012/2013.

LB 950 contains an emergency clause and will go into effect "when passed and approved according to law", and its provisions are operative on July 1, 2010.

NPERS
Nebraska Public Employees
Retirement Systems
P.O. Box 94816
Lincoln, NE 68509
85-28-51
402-471-2053
800-245-5712
npers.ne.gov