

RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS SJP • SEPTEMBER 2016

New Patrol Plan Benefit Tier

The passage of LB467 added a 2nd tier of benefits to the Nebraska State Patrol Plan. The new benefit tier **only affects members joining the plan on or after 7/1/2016.**

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TIER ONE represents benefits for members participating prior to 7/1/2016.

TIER TWO represents benefits for members joining the plan on or after 7/1/2016.

Several of the plan provisions for Tier One and Tier Two members are identical. The differences between Tier One and Tier Two impact contribution rates, how the plan determines final average monthly compensation, the cost-of-living adjustment, and Deferred Retirement Option Plan (DROP) participation.

members are matched by the employer at 100%

Final Average Monthly Compensation

Monthly retirement benefits are calculated using total years of creditable service and the highest 12-month periods of salary (final average monthly compensation).

not actually rendered. In addition, for any officer employed after January 4, 1979, compensation **does not include** compensation for unused sick leave or unused vacation leave converted to cash payments.

Tier Two Members

- Final average monthly compensation is calculated using the *five* highest twelve-month periods of service.
- Compensation **does not include** unused sick or vacation leave, *holiday compensatory time, compensatory time, or similar benefits converted to cash payments, insurance premiums converted into cash payments, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered.*

Contribution Rate

Tier One Members

- Contribute 16% of compensation.

Tier Two Members

- Contribute 17% of compensation.

Contributions made by both Tier One and Tier Two

Tier One Members

- Final average monthly compensation is calculated using the *three* highest twelve-month periods of service.
- Compensation **does not include** insurance premiums converted into cash payments, reimbursement for expenses incurred, fringe benefits, or bonuses for services

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Lancaster Joins PERB



Pamela Lancaster

Pamela Lancaster has been appointed by Governor Ricketts and approved by the Unicameral as the new County representative on the Public Employees Retirement Board (PERB). Mrs. Lancaster has been a Hall County Supervisor for the past 20 years, often serving as Chairman. She was President of the Nebraska Association of Counties in 2010. She received her BA in Education from UNK and specialist degrees in the Disadvantaged Child and Reading from the University of Guam while teaching for the Department of Defense. She presently serves on two National Association of Counties Committees representing Veterans and Workforce Development.

The staff at NPERS welcomes Pamela Lancaster to the PERB!



During the 104th Legislature, second session, the following bills impacting the School, Judges, and State Patrol retirement plans were passed and signed into law.

LB 447 – School

As amended by AM1979 & AM2282, LB 447 removed the statutory language allowing payment of disability retirement benefits to individuals who work less than 20 hours as a school employee. Disability retirement benefits now cease if a member returns to active service as a school employee or if a physician certifies the member is no longer disabled for service as a school employee.

In addition, the bill removed the ½ year of service vesting provision for members who are actively employed on or after age 65. All new plan members, regardless of age, now require a minimum of five years of service credit to vest in the plan. This provision applies to:

- New members hired on or after 7/1/2016.
- Members who have taken a refund or retirement and are hired or rehired on or after 7/1/2016.

This bill also transfers investment authority from the Omaha School Employees Retirement System (OSERS) Board of Trustees to the Nebraska Investment Council, and makes the Public Employees Retirement Board/NPERS the pass through agency for OSERS payment processing fund.

AM1979 added language from LB 922 & LB 986 to this bill.

LB 467 – Patrol

As amended by AM1865, LB 467 made several changes to the Nebraska State Patrol plan. **Please refer to the companion article in this newsletter.**

LB 790 – Judges & School

The bill alphabetized the statutory definitions for the Judges and School plans.

LB 803 – Judges

This bill updated the portion of the \$42 Clerk of the District Court docket fee remitted to the Nebraska Retirement Fund for Judges. Previously, \$2 of the fee was remitted to the Judges Retirement Fund. This bill increased the amount to \$4 effective 7/1/2016. On 7/1/2017, the amount increases to \$6.

LB 922 – Retirement Board

The bill staggered the terms of board members in order to prevent more than two terms from expiring in the same year. In addition, the bill clarified the Governor has the authority to remove members of the Public Employees Retirement Board “for cause after notice and an opportunity to be heard.”

Provisions of this bill were amended into LB 447.

LB 986 – Retirement Board

In addition to annual actuarial reports, this bill requires an experience study to review actuarial assumptions be conducted at least once every four years, or at the request of the Nebraska Retirement Systems Committee. If the Public Employees Retirement Board does not adopt all of the recommendations in the experience study “the board shall provide to the committee within ten business days after the board’s decision at a public meeting a written explanation describing the board’s analysis and factors considered in reaching its decision.”

In addition, the bill required a confidential, initial and final draft of actuarial valuation reports and experience studies be provided to the Governor and the Nebraska Retirement Systems Committee.

Provisions of this bill were amended into LB 447.

New Patrol Tier (cont’d from p. 1)

- Increases in salary are capped at 8% per year (for retirement purposes) when determining the final average monthly compensation used to calculate retirement benefits.

Cost-Of-Living Adjustment (COLA)

After a full year of retirement, members are eligible for an annual benefit increase designed to help offset the loss of purchasing power due to inflation. The COLA is based on the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous fiscal year.

Tier One Members

- The COLA increase is capped at 2.5%. If the CPI-W is less than 2.5%, Tier One members will receive the CPI-W, but if the CPI-W is higher than 2.5%, the COLA increase is limited to 2.5%.
- During retirement, if inflation erodes the value of the benefit below 60% of the original purchasing power, Tier One members will qualify for a COLA adjustment increasing the benefit to the equivalent of 60% of the purchasing power of the original benefit. The 2.5% cap does not apply for retirees who qualify for the 60% purchasing power COLA.

Tier Two Members

- The COLA increase is capped at 1.0%. If the CPI-W is less than 1.0%, Tier Two members will receive the CPI-W, but if the CPI-W is higher than 1.0%, the COLA increase will be limited to 1.0%.
- If the annual actuarial valuation report indicates the plan is fully funded with a sufficient actuarial surplus, the retirement board may elect to issue a supplemental lump-sum cost of living payment (COLP) *for that year*. The supplemental COLP cannot exceed 1.5%.
- There is no 60% purchasing power COLA for Tier Two members.

Deferred Retirement Option Plan (DROP)

Tier Two members are not eligible to participate in the Deferred Retirement Option Plan (DROP).



School Refund Repayment Deadline

Plan members who terminate employment in the Nebraska public schools are eligible to request a refund of their account. Refunds consist of contributions made by the member during participation in the plan, plus interest. Refunds do not include matching contributions made by the school district.

Members who take a refund usually do so in the belief they will never return to work in the Nebraska public schools—but what happens if they do? Once they resume plan participation they begin accruing “new” years of service, *but their prior years of service were erased when they took a refund.* Those “lost” years of service credit will not be used when calculating benefits at retirement, but they may be able to restore those years of service by repaying a refund.

The passage of LB1042 in 2014 established a limited time frame when a member may repay a refund. Time frames vary depending on member employment status at the time the legislation went into effect on April 17, 2014.

- Members hired or rehired on or after April 17, 2014, must submit requests and repay a refund **within five years** after returning to employment.

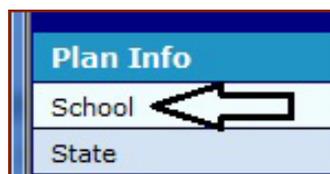
- Members who were actively employed and participating in the School plan as of the effective date of the bill have until April 16, 2020 to submit a request and repay a refund.

Requests to repay a refund will be allowed on a one-time basis. Members must be actively employed and participating in the plan in order to repay a refund. All refund repayments must be completed within the time frames established in statute or prior to termination, whichever is earlier.

...their prior years of service were erased when they took a refund.

The School Plan Info page on our website has a table to help you calculate an estimate of the cost to repay a refund. To use this table, you need to know the gross amount of your refund and the year it was issued. If you are unsure of this information, call our office and we can assist you.

You can locate this table using the navigation buttons on the left side of the website and clicking on the **School Plan Info** link:



Scroll down until you find the Repaying a Refund section and locate the “Click here to see repayment factors” link.

To get your estimated cost, locate the year you received the refund and multiply the gross amount of your refund by the factor for that year. This estimated cost represents a lump sum payment. Purchases made through payroll deduction or installment payments will require an additional finance charge.

The factors found on the website are updated once a year but the actual factors used to calculate repayments are adjusted each month. The website will give a good idea of the cost, but the longer a member waits to repay a refund the higher the price. Actual cost of repayment will be determined by NPERS upon receipt of a completed application to repay the refund.

NOTE: While this article refers to School members, the Judges and State Patrol Plans also provide provisions for returning members to repay a refund and restore service credit. Members in the School, Judge, and Patrol Plans may refer to their plan handbook for more detailed information on repaying a refund.

New DCP & DROP Record Keeper Fees

After completion of a formal Request For Proposal (RFP) process, the Public Employees Retirement Board (PERB) has awarded the contract for record-keeping services to Ameritas Life Insurance Corporation. The new five-year contract will go into effect October 1, 2016. The updated fees apply to Patrol members participating in the Deferred Retirement Option Plan (DROP) and all individuals participating in the State of Nebraska voluntary Deferred Compensation Plan (DCP). These fees do not apply to School Plan participants.

Under the terms of the new contract, the monthly record keeping fees for individuals participating in either DCP or DROP will be \$1.95. Partial distributions and systematic withdrawals from DCP accounts will be charged \$5 per distribution. Full (final) distributions of account balances greater than \$100 will be charged \$75 for both DROP and DCP accounts.

The plan recorder keeper will also assess a monthly fee of \$0.50 for delivery of statements or documents mailed to plan participants. Members can avoid this mailing fee by signing up for electronic distribution of correspondence.

NPERS handbooks offer a wealth of information for plan members, including information on the following topics:

- Member Benefits
- Beneficiary Designations/ Death Benefits
- Reemployment
- Payment Options
- Taxation of Benefits
- Fees
- Vesting

All handbooks are available in PDF format on the Publications/Videos page on the NPERS website.

npers.ne.gov

STATE PATROL & SCHOOL HANDBOOKS REVISED

The member handbooks for the both the State Patrol and School Retirement plans have been revised. The revision date for the Patrol handbook is 06/2016, and the revision date for the School handbook is 05/2016. You may access the current versions on the "Publications/Videos" page on the NPERS' website.

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FOR NEBRASKA SCHOOL, JUDGES, AND
STATE PATROL RETIREMENT PLAN MEMBERS
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Visit the NPERS website to download
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necessary forms, estimate your benefit,
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