We’ve Moved!

As you may have heard, our office has moved! The move took place the last weekend in April. Thanks to the hard work and dedication of our Director and employees (and a great moving company), the move was accomplished with very few complications.

We are still in the process of getting ‘settled’ and it may take a while to get used to all the changes that are taking place for both our staff and our members. One thing you need to know is that it is now necessary for you to make an appointment when planning to visit our office. We recommend that you schedule your appointment at least one week in advance, whenever possible. Please call our receptionist, toll-free, at 1-800-245-5712 or, in Lincoln, call 471-2053 to schedule your appointment.

Below is a map of downtown Lincoln, showing our new location at:

1221 N Street, Suite 325.

Major Technology Initiative Underway

The Legislature and the Governor have granted spending authority for a major overhaul of the Retirement Systems computer systems this year as a part of the state budget package. We began in 1998 to develop a long-range plan addressing our technology needs. This plan is now under way.

Since 1995 we have struggled to keep up with the volume of member inquiries and retirement applications. Our delays in response time for members are primarily due to our lack of automated systems. Our increased workload and delays can also be attributed to an increase in the number of retirements in recent years. Therefore, we will only fall further behind as the “baby boomers” begin to retire unless we update and integrate our computer information systems.

We will be using a phased approach in our Technology Plan and are implementing changes to our administrative processes as well as our computer systems. With our move into our new office space, we have also completely reorganized our office administration.

This fall we will install an imaging system to help us manage the millions of pieces of paper and microfilm documents in member files. This system will streamline our handling of member requests by using “electronic” files and workflow software to track each member request.

Other improvements coming soon will be: implementation of a phone center to improve response time for member calls; an Internet “benefit calculator” to assist members in obtaining estimates in advance of retirement; and the ability to download forms from our Web Site.

NOTE: See important COLA information on page 2.
How the New Cola Works

A law passed last year by the State Legislature will provide an annual cost of living adjustment (COLA) beginning July 1, 2000, for retirees and beneficiaries of the school, judges and state patrol retirement plans. Retirees will receive a benefit increase based on the annual change in the consumer price index (CPI), but cannot exceed a maximum adjustment of two percent (2%). This means if the CPI is less than 2% you will receive the CPI rate, if the CPI is greater than 2%, you will receive a 2% COLA increase for the year.

There are two exceptions to the above COLA. You will either receive the above described increase OR you may fall into one of the following categories:

Category 1. If you retired from the School, Judges or Patrol Retirement Systems more than five years ago with 25 or more years of creditable service and your benefit is less than a specified accrual rate, a previous Retirement law is still in effect for you and your maximum adjustment will be three percent (3%) not the 2% maximum stated above. In other words, you will get the CPI rate, unless it exceeds 3%, then you will be capped at a 3% COLA increase for the year.

Category 2. If you have been retired for several years and have never received or have received only small COLA increases previously, you may qualify for an increase that would give you a partial “catch-up” for lost purchasing power since you retired.

The law now provides retired school members and retired judges a benefit increase if the purchasing power of the original benefit has eroded below 75% due to inflation. Retired State Patrol members who qualify will receive a benefit increase if the purchasing power of the original benefit has eroded below 60% due to inflation. (Note: this does not mean your benefit will increase by 60% or 75%, please read further.)

What is meant by the “purchasing power” of a dollar is the cost to purchase goods and services as measured each year by the consumer price index (CPI) published by the Department of Labor. We all know that a dollar today is not worth what a dollar ten or fifteen years ago was worth. For example, the CPI tells us you must spend $1.44 today to purchase the same amount of goods purchased in 1987 for $1.00. When we apply this same concept to a monthly retirement benefit this means the purchasing power of the original benefit is only 69% of what it was in 1987. Under the new law the benefit will be increased up to the 75% purchasing power level minus any previous Cola’s received. In the above example the 75% of purchasing power is $1.33, the amount of the increase would be the difference between $1.44 and $1.33, or $.11 for every $1.00 in benefits.

For a retired State Patrol member the law provides a 60% purchasing power, not a 75%. For example: if a patrol member retired in 1981, today it would take $1.78 to purchase the same amount of goods originally purchased for $1.00. In this example the 60% purchasing power is $1.66. The amount of the increase would be the difference between $1.78 and $1.66, or $.12 for every $1.00 in benefits.

In summary:

We have used two examples above, one for someone who retired in 1987 and another who retired in 1981. Your increase, if you fall into the second category, will be based on the CPI factor in the year you personally retired. If your benefit has not eroded below 75% (school & judges) or 60% (patrol) you will receive the increase described in the first paragraph of this article or the first category if you retired with 25 or more years of creditable service.

IMPORTANT: This article is intended for informational purposes only. Our intent has been to explain to you HOW the new COLA law will work.