NEBRASKA RETIREMENT SYSTEMS COMMITTEE

INTERIM REPORT
Legislative Resolution 338

Examine Public Employee Retirement Systems Administered by Public Employees Retirement Board

Senator Elaine Stuhr, Chair
Jason W. Hayes, Legal Counsel

January 3, 2007

INTRODUCTION

The Nebraska Retirement Systems Committee was designated by the Legislature to conduct an interim study, as proposed in LR 338, 99th Neb. Leg., 2nd Sess. (2006). (See LR 338 attached hereto). The Committee was further instructed upon the conclusion of its study, to make a report of its findings, together with its recommendations, to the Legislative Council or Legislature. The following constitutes the report of the Nebraska Retirement Systems Committee.

PURPOSE

The purpose of this study is to examine the five public employee retirement systems administered by the Public Employees Retirement Board. The study shall examine issues as they relate to the funding needs of the various retirement systems and the administration of each system.

METHODOLOGY

The focus of the findings has been narrowed to include the following: (1) a comparison of the Nebraska public retirement plans administered by the Public Employees Retirement Board; and, (2) information on the cash balance benefit option.

An Interim Hearing was held on November 21, 2006, to discuss the five public employee retirement systems administered by the Public Employees Retirement Board, which include: the School Employees Retirement System, the State Patrol Retirement System, the Judges' Retirement System, the County Employees Retirement System, and the State Employees Retirement System.

The findings and recommendations of this interim report arise out of information and testimony given at that hearing.

FINDINGS

The purpose of this study is to examine the five public employee retirement systems administered by the Public Employees Retirement Board. The study shall examine issues as they relate to the funding needs of the various retirement systems and the administration of each system.

The following documents have been attached to this report representing the findings for the purposes of this interim study:

(1) Comparison of all five Nebraska Public Retirement Plans, see Comparison of Nebraska Public Retirement Plans 2007;

(2) Comparison of Nebraska state defined benefit plans, including the School Employees Retirement System, the State Patrol Retirement System, and the Judges' Retirement System, see Nebraska State Defined Benefit Plans 2007;

(3) Comparison of Nebraska state defined contribution plans, including the State Employees Retirement System and the County Employees Retirement System, see Nebraska State Defined Contribution Plans 2007;

(4) Credit rate and dividend information for the cash balance benefit option for the County Employees Retirement System and the State Employees Retirement System, see County Employees and State Employees Cash Balance Option.

SUMMARY OF ATTACHMENTS

1. Comparison of Nebraska Public Retirement Plans 2007.
2. Nebraska State Defined Benefit Plans 2007.
3. Nebraska State Defined Contribution Plans 2007.
4. County Employees and State Employees Cash Balance Option.
5. Legislative Resolution 338, 99th Neb. Leg., 2nd Sess. (2006).

ACKNOWLEDGEMENTS

The Committee acknowledges the following individuals and groups who provided information for this interim study:

Dave Slishinsky, Buck Consultants, of Denver, Colorado.

Comparison of Nebraska Public Retirement Plans 2007

	School	State Patrol	Judges	State	County
	% of Pay	% of Pay	% of Pay	% of Pay	% of Pay
Required Contribution Amount					
Annual Normal Cost	11.09%	27.93%	21.25%	n/a	n/a
Annual Contribution to Amortize UAAL*	5.49%	4.84%	0.45%	n/a	n/a
Total Required Contribution Amount (A)	**16.58%**	**32.77%**	**21.70%**	**n/a**	**n/a**
Amounts to be Contributed					
1 **Employee Contribution Rate**	7.86%	13.00%	6.30%	4.80%	4.50% †
2 **Employer Contribution Rate**	7.94%	15.00%	18.56%	7.49%	6.75% †
State Appropriation for COLA Benefit	0.43%	0.51%	0.44%	n/a	n/a
State Additional Appropriation	0.70%	0.87%	n/a	n/a	n/a
3 **Total Amounts to be Contributed (B)**	16.93%	29.38%	25.30%	12.29%	11.25% †
Additional Required Contribution (A-B)	**-0.35%**	**3.39%**	**-3.60%**	**n/a**	**n/a**

* UAAL is Unfunded Actuarial Accrued Liability.

** State Patrol members and employer do not contribute to social security; total OASDI is 12.4%.

† County Law Enforcement Officers receive supplemental 1% or 2% depending on size of county. Less than 85,000 is 1%; greater than 85,000 is 2%. Employer match is 100% of supp. amount.

Nebraska State Defined Benefit Plans 2007

School Employees Retirement System

		% of Pay	
Required Contribution Amount			
Annual Normal Cost	$145,944,843	11.09%	
Annual Amortization of the UAAL*	$72,245,083	5.49%	
Total Required Contribution Amount (A)	**$218,189,926**	**16.58%**	
Amounts to be Contributed			
Employee Contribution Rate	$103,050,892 *	7.86%	weighted rate
Employer Contribution Rate	$104,498,606 *	7.94%	weighted rate
State Appropriation for COLA Benefit	$5,639,235	0.43% *	
State Additional Appropriation	$9,212,723 *	0.70%	
Total Amounts to be Contributed (B)	**$222,401,456**	**16.94%**	
Additional Required Contribution (A-B)	**($4,211,530)**	**-0.36%**	

State Patrol Retirement System

		% of Pay		2005-07	2007-
Required Contribution Amount					
Annual Normal Cost	$6,718,400	27.93%			
Annual Amortization of the UAAL*	$1,165,213	4.84%			
Total Required Contribution Amount (A)	**$7,883,613**	**32.77%**			
Amounts to be Contributed					
Employee Contribution Rate	$3,127,737 *	13.00% **		13%	12%
Employer Contribution Rate	$3,608,928 *	15.00% **		15%	13%
State Appropriation for COLA Benefit	$123,516	0.51% *			
State Additional Appropriation	$210,220	0.87% *			
Total Amounts to be Contributed (B)	**$7,070,401**	**29.38%**			
Additional Required Contribution (A-B)	**$813,212**	**3.39%**			

Judges' Retirement System

		% of Pay	
Required Contribution Amount			
Annual Normal Cost	$3,489,056	21.25%	
Annual Amortization of the UAAL*	$74,563	0.45%	
Total Required Contribution Amount (A)	**$3,563,619**	**21.70%**	
Amounts to be Contributed			
Employee Contribution Rate	$1,034,521 *	6.30%	weighted rate †
Expected Court Fees	$3,048,009	18.56% *	
State Appropriation for COLA Benefit	$72,244	0.44% *	
State Additional Appropriation	n/a	n/a	
Total Amounts to be Contributed (B)	**$4,154,774**	**25.30%**	
Additional Required Contribution (A-B)	**($591,155)**	**-3.60%**	

* Computations are based on previously rounded numbers and represent approximate amounts.

** State Patrol members and employer do not contribute to social security; total OASDI is 12.4%.

† Judge members with joint survivor annuity benefit, contribute 8% and members without contribute 6%. Members in the plan for 20 plus years, pay a lower rate of either 4% with joint survivor annuity benefit, or 0% without benefit.

Nebraska State Defined Contribution Plans 2007

State Employees Retirement System

Income Amount for Rate Change

	% of Pay
Amounts to be Contributed	
Employee Contribution Rate	4.80%
Employer Contribution Rate (156% match)	7.49%
State Additional Appropriation	n/a
Total Amounts to be Contributed	12.29%

County Employees Retirement System

	County Employee	Law Enforcement Officer < 85k county	Law Enforcement Officer > 85k county
	% of Pay	% of Pay	% of Pay
Amounts to be Contributed			
Employee Contribution Rate	4.50%	5.50% *	7.50% *
Employer Contribution Rate (150% match)	6.75%	7.75% *	8.75% *
State Additional Appropriation	n/a	n/a	n/a
Total Amounts to be Contributed	11.25%	13.25%	16.25%

* County Law Enforcement Officers receive supplemental 1% or 2% depending on size of county. Less than 85,000 is 1%; greater than 85,000 is 2%. Employer match is 100% of

County Employees and State Employees Cash Balance Option

Cash Balance Credit Rate

	Q1	Q2	Q3	Q4	Annual Rate
2003	5.00%	5.00%	5.00%	5.15%	5.04%
2004	5.02%	5.00%	5.61%	5.12%	5.19%
2005	5.26%	5.59%	5.36%	5.58%	5.45%
2006	5.98%	6.22%	6.55%	6.32%	6.27%
2007	6.08%				

Cash Balance option pays a credit rate, which is the greater of 5% or the applicable federal mid-term rate, as published by the IRS as of the first day of the calendar quarter, plus 1.5%, compounded annually.

Cash Balance Dividend

	Rate	Balance as of:	Employed on:	Paid on	Amount Paid
2003	n/a	n/a	n/a	n/a	n/a
2004	3.088%	12/31/03	9/30/04	9/30/04	$6,801,286.65
2005	2.800%	12/31/04	4/18/05	6/30/05	$6,845,702.09
2006 State	13.500%	12/31/05	12/31/05	10/27/06	$41,505,456.02
2006 County	16.400%	12/31/05	12/31/05	10/27/06	$14,801,902.56

Public Employees Retirement Board has granted dividends in 2004, 2005, and 2006 to members with the Cash Balance Option. The dividends were calculated based upon the account balances on the last day of the prior year. Members had to be employed on the date the dividends were paid.

NINETY-NINTH LEGISLATURE

SECOND SESSION

LEGISLATIVE RESOLUTION 338

Introduced by Nebraska Retirement Systems Committee: Stuhr, 24, Chairperson; Bourne, 8; Erdman, 47; D. Pederson, 42; Synowiecki, 7

PURPOSE: The purpose of this study is to examine the public employee retirement systems administered by the Public Employees Retirement Board, including the State Employees Retirement System, the County Employees Retirement System, the School Employees' Retirement System, the Nebraska State Patrol Retirement System, and the judges retirement system. The study may also examine the Class V School Employees Retirement System administered under the Class V School Employees Retirement Act.

The study will examine issues as they relate to the funding needs, benefits, contributions, and the administration of each retirement system.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NINETY-NINTH LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Nebraska Retirement Systems Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.