

# COMMITTEE STATEMENT

## LB 674

HEARING DATE: March 3, 1999

COMMITTEE ON: Nebraska Retirement Systems

TITLE: (Wickersham, Bruning) Change provisions of the School Employees Retirement Act

### ROLL CALL VOTE – FINAL COMMITTEE ACTION

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Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

#### Vote Results:

Yes: Senators Bourne, Bruning, C. Peterson, Stuhr, Wehrbein, Wickersham

No

Present, not voting

Absent

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#### PROPONENTS

Senator William R. Wickersham

Herb Schimek

Duane Obermier

President

Mike Dulaney

John Bonaiuto

Phil Kaldahl

Korby Gilbertson

Franklin Mills

Anna Sullivan

Director

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#### REPRESENTING

Himself, Introducer

NE State Education Association

NE State Education Association

NE Council of School Administrators

NE Association of School Boards

Himself

NE School Food Service Association

Lincoln Area Retired Teachers Association

and NE State Retired Teachers Association

Public Employees Retirement Systems

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#### OPPONENTS

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#### REPRESENTING

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#### NEUTRAL

David Hayes

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#### REPRESENTING

Committee Actuary

## COMMITTEE STATEMENT

### SUMMARY OF PURPOSE AND/OR CHANGES: SUMMARY OF PURPOSE AND/OR CHANGES:

LB 674 provides for benefit improvements to the members of the School Employees Retirement System. The proposal includes an increase in the formula annuity factor to 1.9%, applicable to all future retirees. It further increases current and future benefit levels to 75% of the purchasing power of the initial benefit a member received (absent any COLA's received), commencing July 1, 2000. Future COLA's would then be provided to sustain the 75% purchasing power. Further, LB 674 provides an annual COLA of 2% or actual CPI, whichever is less. The net effect of the two COLA's would be that the retiree would receive the 2% COLA (or CPI if less) until the benefit dropped to a 75% purchasing power level. Then, the retiree would receive future COLA's equal to the full level of CPI, without limit.

#### Section by Section Summary

**Sec. 1 (§79-902)** - Technical change.

**Sec. 2 (§79-934)** - This section increases the formula annuity factor to 1.9% of the final average compensation for a member who acquired ½ year of service or more following July 1, 1999 and was employed as a public school employee under the retirement system on or after the effective date of this act.

**Sec. 3 (§79-947.01)** - Subsection (1) provides that beginning July 1, 2000 and each July 1 thereafter, current benefits paid to a member or beneficiary shall be adjusted to equal 75% of the annuity which results when the initial benefit (before COLA or supplemental benefits) is adjusted by the increase in change in the Consumer Price Index between the commencement date of the annuity and July 1 of each year the adjustment is made. This adjustment shall not cause a current benefit to be reduced.

Subsection (2) provides that beginning July 1, 2000, the current benefit of a member or beneficiary shall be increased annually by the lesser of (1) the change in the CPI or (2) 2%.

Subsection (3) terminates the School Employees Purchasing Power Stabilization Fund on July 1, 1999 and any remaining funds shall be transferred to the Annuity Reserve Fund. Beginning 1999-00, the state contributions, formerly paid to the School Employees Purchasing Power Stabilization Fund, shall be paid to the Annuity Reserve Fund.

Subsection (4) places the duty on the retirement board to adjust the annual benefit adjustment provided in this section so that the total amount of all COLA's provided to the retiree at the time of the benefit adjustment does not exceed the change in the CPI for the prior year.

**Sec. 4 (§79-975)** - Since the termination of the School Employees Purchasing Power Stabilization Fund under Section 3 of this bill, this section provides the refunds under the School Employees Retirement Reserve Fund not returned to the member shall be transferred to the Annuity Reserve Fund instead.

**Sec. 5** - Operative date section.

**Sec. 6** - Repealer.

**Sec. 7** - Repealer.

**Sec. 8** - Outright repealer.

## COMMITTEE STATEMENT

### Sec. 9 - Emergency Clause.

#### EXPLANATION OF AMENDMENTS, IF ANY:

1. The benefit formula factor of 1.9% will be increased affecting those who have acquired ½ year of service or more following July 1, 1998. The original bill stated that it would be increased for those who had ½ year of service or more following July 1, 1999. However, it will not apply to those members who retired before the effective date of this act.
2. **LB 673** is amended into this bill. LB 673 provides an increase in benefits to members and beneficiaries of the State Patrol Retirement System. It increases current and future benefit levels to 75% of the purchasing power of the initial benefit a member received (absent any COLA's received), commencing July 1, 2000. Future COLA's would then be provided to sustain the 75% purchasing power. Further, it provides an annual COLA of 2% or actual CPI, whichever is less. The net effect of the two COLA's would be that the retiree would receive the 2% COLA (or CPI if less) until the benefit dropped to a 75% purchasing power level. Then, the retiree would receive future COLA's equal to the full level of CPI, without limit.
3. **LB 675** is amended into this bill. LB 675 provides an increase in benefits to members and beneficiaries of the Judges' Retirement System. It increases current and future benefit levels to 75% of the purchasing power of the initial benefit a member received (absent any COLA's received), commencing July 1, 2000. Future COLA's would then be provided to sustain the 75% purchasing power. Further, it provides an annual COLA of 2% or actual CPI, whichever is less. The net effect of the two COLA's would be that the retiree would receive the 2% COLA (or CPI if less) until the benefit dropped to a 75% purchasing power level. Then, the retiree would receive future COLA's equal to the full level of CPI, without limit.
4. Technical language is also added. A successor consumer price index is allowed in the situation that the current CPI would no longer be used by the Department of Labor. In addition, reference is made to a "National" index so that it is clear which index is used.

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Senator