



**Ninety-Ninth Legislature - First Session - 2005**  
**Committee Statement**  
**LB 411**

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**Hearing Date:** January 27, 2005  
**Committee On:** Nebraska Retirement Systems

**Introducer(s):** (Stuhr, Erdman, Price, Synowiecki)  
**Title:** Change calculations for school employee retirement

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**Roll Call Vote – Final Committee Action:**

- Advanced to General File
  - X Advanced to General File with Amendments
  - Indefinitely Postponed
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**Vote Results:**

6	Yes	Senators Bourne, Erdman, Pederson, Price, Stuhr, Synowiecki
0	No	
0	Present, not voting	
0	Absent	

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**Proponents:**

Senator Elaine Stuhr  
Mike Dulaney  
Herb Schimek  
Allan Inzerello  
Anna Sullivan  
Brian Hale

**Representing:**

Introducer  
Nebraska Council of School Administrators  
Nebraska State Education Association  
Westside Community Schools  
Nebraska Public Employees Retirement Systems  
Nebraska Association of School Boards

**Opponents:**

**Representing:**

**Neutral:**

**Representing:**

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**Summary of purpose and/or changes:**

Legislative Bill 411 would make changes to the Nebraska School Employees Retirement System. Specifically, this proposal would modify Neb. Rev. Stat. §79-902(35)(a) for the purposes of determining retirement contributions, and §79-906 for the purpose of creating a self-reporting mechanism for school districts and school boards.

LB 411 changes the method of calculating compensation for members of the School Employees Retirement Plan who are not under a collective bargaining agreement. This measure is intended

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to address what has commonly been referred to as "salary spiking" by school employees in anticipation of termination of employment for purposes of retirement.

In the determination of compensation for members on or after July 1, 2005, LB 411 implements an annual compensation cap of 7% (for purposes of the retirement plan) for each of the last five years (60 months) of employment that precede actual retirement. This does not preclude an increase in compensation of greater than 7%, but no more than 7% would be counted toward calculation of retirement benefits in each of the last five years of employment.

The compensation cap would not apply to: (i) members who experience a substantial change in employment position (job or duty change); or, (ii) excess compensation occurring as the result of a collective-bargaining agreement between the employer and employee. Currently, both exceptions are found in existing state law.

In addition, if a member receives a compensation increase that exceeds 7%, then the employing school district is required to inform the Public Employees Retirement Board that said member has received an increase exceeding the 7% cap.

### **Summary of Sections**

- Section 1      Makes changes to definition of compensation for the purposes of the calculation of retirement benefits. Would establish a 7% cap on what would be permitted under the benefit calculation 60 months prior to retirement.
- Section 2      Provides for self-reporting on the part of school boards and districts, where each entity will report to NPERS when an employee's annual pay exceeds the 7% base.
- Section 3      Original sections are repealed.
- Section 4      Contains an emergency clause.

### **Explanation of amendments, if any:**

AM0104 would permit compensation for the purposes of calculating retirement benefits to exceed the 7% cap in the following instances: (1) when a school district's collective-bargaining agreement exceeds the 7% base amount then the cap would equal the rate contained within the collective-bargaining agreement; or, (2) when a school board makes a district wide benefit change that would affect either the entire certified class or non-certified class of employees.

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**Senator Elaine Stuhr, Chairperson**