

LEGISLATURE OF NEBRASKA
ONE HUNDREDTH LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 596

Introduced by Kopplin, 3

Read first time January 17, 2007

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend section 79-9,103,
2 Reissue Revised Statutes of Nebraska, and section
3 79-947.01, Revised Statutes Cumulative Supplement, 2006;
4 to change provisions relating to benefits and annuity
5 payments for school employees as prescribed; to repeal
6 the original sections; and to declare an emergency.
7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-947.01, Revised Statutes Cumulative
2 Supplement, 2006, is amended to read:

3 79-947.01 (1) Beginning July 1, 2000, and each July 1
4 thereafter, current benefits paid to a member or beneficiary shall
5 be adjusted so that the purchasing power of the benefit being
6 paid is not less than seventy-five percent of the purchasing power
7 of the initial benefit. The amount of the adjustment shall be
8 equal to the difference in the percentage change in the Consumer
9 Price Index for Urban Wage Earners and Clerical Workers during the
10 benefit payment period and one hundred thirty-three and one-third
11 percent, such percentage times the initial benefit, less the total
12 of all previous supplemental benefit and cost-of-living adjustments
13 granted. The adjustment pursuant to this subsection shall not cause
14 a current benefit to be reduced.

15 (2) (a) Beginning July 1, 2000, and until July 1, 2001,
16 the current benefit of a member or the beneficiary of such a member
17 shall be increased annually by the lesser of (i) the change in the
18 Consumer Price Index for Urban Wage Earners and Clerical Workers
19 published by the Bureau of Labor Statistics of the United States
20 Department of Labor for the prior year or (ii) two percent.

21 (b) Beginning July 1, 2001, the current benefit to a
22 member or the beneficiary of such a member shall be increased
23 annually by the lesser of (i) the change in the Consumer Price
24 Index for Urban Wage Earners and Clerical Workers published by the
25 Bureau of Labor Statistics of the United States Department of Labor

1 for the prior year or (ii) two and one-half percent.

2 (3) The state shall contribute to the Annuity Reserve
3 Fund an annual level dollar payment certified by the board. For
4 the 1996-97 fiscal year through the 2010-11 fiscal year, the annual
5 level dollar payment certified by the board shall equal 81.7873
6 percent of six million eight hundred ninety-five thousand dollars.

7 (4) The retirement board shall adjust the annual benefit
8 adjustment provided in this section so that the total amount of all
9 cost-of-living adjustments provided to the eligible retiree at the
10 time of the annual benefit adjustment does not exceed the change
11 in the National Consumer Price Index for Urban Wage Earners and
12 Clerical Workers published by the Bureau of Labor Statistics for
13 the period between June 30 of the prior year to June 30 of the
14 present year. If the consumer price index used in this section
15 is discontinued or replaced, a substitute index published by the
16 United States Department of Labor shall be selected by the board
17 which shall be a reasonable representative measurement of the cost
18 of living for retired employees.

19 (5) In addition to the adjustments provided in
20 subsections (1), (2), and (4) of this section, the current benefit
21 to a member or beneficiary of such member, and for which the first
22 payment was dated on or before June 30, 2007, shall be subject to
23 adjustment of the greater of (a) the annuity payable to the member
24 or beneficiary as adjusted, if applicable, under the provisions
25 of subsection (1), (2), or (4) of this section or (b) ninety

1 percent of the annuity which results when the original annuity that
2 was paid to the member or beneficiary, before any cost-of-living
3 adjustments under this section, is adjusted by the increase in the
4 Consumer Price Index for Urban Wage Earners and Clerical Workers
5 for the period between the commencement date of the annuity and
6 June 30, 2007.

7 Sec. 2. Section 79-9,103, Reissue Revised Statutes of
8 Nebraska, is amended to read:

9 79-9,103 (1) Any annuity paid on or after September 1,
10 1983, to a member who retired prior to February 21, 1982, pursuant
11 to the Class V School Employees Retirement Act, or to such member's
12 beneficiary, or to a person who retired under the provisions of
13 the retirement system established by statute for employees of Class
14 V school districts in effect prior to September 1, 1951, or to
15 such person's beneficiary, shall be adjusted by the increase in
16 the cost of living or wage levels between the effective date of
17 retirement and June 30, 1983, except that such increase shall
18 not exceed the sum of one dollar and fifty cents per month for
19 each year of creditable service and one dollar per month for each
20 completed year of retirement as measured from the effective date of
21 retirement to June 30, 1983. No separate adjustment in such annuity
22 shall be made as a result of the changes made in section 79-9,113
23 pursuant to Laws 1983, LB 488. If a joint and survivor annuity was
24 elected, the increase shall be actuarially adjusted so that the
25 joint and survivor annuity remains the actuarial equivalent of the

1 life annuity otherwise payable.

2 (2) In addition to the cost-of-living adjustment provided
3 in subsection (1) of this section, any annuity paid on or after
4 September 1, 1986, pursuant to the act or pursuant to the
5 provisions of the retirement system established by statute for
6 employees of Class V school districts in effect prior to September
7 1, 1951, and on which the first payment was dated on or before
8 September 1, 1985, shall be adjusted by the increase in the cost of
9 living or wage levels between the effective date of retirement and
10 June 30, 1986, except that such increase shall not exceed (a) three
11 and one-half percent for annuities first paid on or after September
12 1, 1984, (b) seven percent for annuities first paid on or after
13 September 1, 1983, but before September 1, 1984, or (c) ten and
14 one-half percent for all other annuities.

15 (3) In addition to the cost-of-living adjustment provided
16 in subsections (1) and (2) of this section, any annuity paid on
17 or after September 1, 1989, pursuant to the act or pursuant to
18 the provisions of the retirement system established by statute for
19 employees of Class V school districts in effect prior to September
20 1, 1951, and on which the first payment was dated on or before
21 September 1, 1988, shall be adjusted by the increase in the cost of
22 living or wage levels between the effective date of retirement and
23 June 30, 1989, except that such increase shall not exceed (a) three
24 percent for annuities first paid on or after September 1, 1987, (b)
25 six percent for annuities first paid on or after September 1, 1986,

1 but before September 1, 1987, or (c) nine percent for all other
2 annuities.

3 (4) In addition to the cost-of-living adjustment provided
4 in subsections (1), (2), and (3) of this section, any annuity paid
5 on or after September 1, 1992, pursuant to the act or pursuant to
6 the provisions of the retirement system established by statute for
7 employees of Class V school districts in effect prior to September
8 1, 1951, and on which the first payment was dated on or before
9 October 1, 1991, shall be adjusted by the increase in the cost
10 of living or wage levels between the effective date of retirement
11 and June 30, 1992, except that such increase shall not exceed (a)
12 three percent for annuities first paid after October 1, 1990, (b)
13 six percent for annuities first paid after October 1, 1989, but
14 on or before October 1, 1990, or (c) nine percent for all other
15 annuities.

16 (5) In addition to the cost-of-living adjustment provided
17 in subsections (1), (2), (3), and (4) of this section, any annuity
18 paid on or after September 1, 1995, pursuant to the act or pursuant
19 to the provisions of the retirement system established by statute
20 for employees of Class V school districts in effect prior to
21 September 1, 1951, and on which the first payment was dated on
22 or before October 1, 1994, shall be adjusted by the increase in
23 the cost of living or wage levels between the effective date of
24 retirement and June 30, 1995, except that such increase shall not
25 exceed (a) three percent for annuities first paid after October 1,

1 1993, (b) six percent for annuities first paid after October 1,
2 1992, but on or before October 1, 1993, or (c) nine percent for all
3 other annuities.

4 (6) In addition to the cost-of-living adjustment provided
5 in subsections (1), (2), (3), (4), and (5) of this section, any
6 annuity paid pursuant to the act or pursuant to the provisions
7 of the retirement system established by statute for employees of
8 Class V school districts in effect prior to September 1, 1951,
9 and on which the first payment was dated on or before October
10 1, 1994, shall be subject to adjustment to equal the greater of
11 (a) the annuity payable to the member or beneficiary as adjusted,
12 if applicable, under the provisions of subsection (1), (2), (3),
13 (4), or (5) of this section or (b) ninety percent of the annuity
14 which results when the original annuity that was paid to the member
15 or beneficiary (before any cost-of-living adjustments under this
16 section), is adjusted by the increase in the cost of living or wage
17 levels between the commencement date of the annuity and June 30,
18 1995.

19 (7) In addition to the cost-of-living adjustment provided
20 in subsections (1), (2), (3), (4), (5), and (6) of this section,
21 any annuity paid on or after September 1, 1998, pursuant to the act
22 or pursuant to the provisions of the retirement system established
23 by statute for employees of Class V school districts in effect
24 prior to September 1, 1951, and on which the first payment was
25 dated on or before October 3, 1997, shall be adjusted by the

1 increase in the cost of living or wage levels between the effective
2 date of retirement and June 30, 1998, except that such increase
3 shall not exceed (a) three percent for annuities first paid after
4 October 1, 1996, (b) six percent for annuities first paid after
5 October 1, 1995, but on or before October 1, 1996, or (c) nine
6 percent for all other annuities.

7 (8) Beginning January 1, 2000, and on January 1 of
8 every year thereafter, a cost-of-living adjustment shall be made
9 for any annuity being paid pursuant to the act, or pursuant to
10 the provisions of the retirement system established by statute
11 for employees of Class V school districts in effect prior to
12 September 1, 1951, and on which the first payment was dated on
13 or before October 3 preceding such January 1 adjustment date. The
14 cost-of-living adjustment for any such annuity shall be the lesser
15 of (a) one and one-half percent or (b) the increase in the consumer
16 price index from the date such annuity first became payable through
17 the August 31 preceding the January 1 adjustment date as reduced
18 by the aggregate cost-of-living adjustments previously made to the
19 annuity pursuant to section 79-9,103 and pursuant to subsections
20 (8) and (9) of this section.

21 (9) Beginning September 1, 1999, the actuary shall make
22 an annual valuation of the assets and liabilities of the system.
23 If the annual valuation made by the actuary, as approved by
24 the trustees, indicates that the system has sufficient actuarial
25 surplus to provide for a cost-of-living adjustment in addition to

1 the adjustment made pursuant to subsection (8) of this section,
2 the board may, in its discretion, declare by resolution that
3 each annuity being paid pursuant to the act, or pursuant to
4 the provisions of the retirement system established by statute
5 for employees of Class V school districts in effect prior to
6 September 1, 1951, and on which the first payment was dated on or
7 before October 3 of the year such resolution is adopted, shall be
8 increased beginning as of the January 1 following the date of the
9 board's resolution by such percentage as may be declared by the
10 board, except that such increase for any such annuity shall not
11 exceed the increase in the consumer price index from the date such
12 annuity first became payable through the applicable valuation date
13 as reduced by the aggregate cost-of-living adjustments previously
14 made to the annuity pursuant to section 79-9,103 and pursuant to
15 subsections (8) and (9) of this section.

16 (10) Any annuity paid on or after July 1, 2007, to a
17 member who retired prior to July 1, 2007, or to such member's
18 beneficiary, shall be adjusted by an amount equivalent to the
19 original benefit adjusted for inflation using the consumer price
20 index as of July 1, 2007, minus the original benefit, then
21 multiplied by ninety percent. If a joint and survivor annuity was
22 elected, the increase shall be actuarially adjusted so that the
23 joint and survivor annuity remains the actuarial equivalent of the
24 life annuity otherwise payable.

25 ~~(10)~~ (11) Except for the adjustments pursuant to

1 subsection ~~(12)~~ (13) of this section, the consumer price index
2 to be used for determining any cost-of-living adjustment under
3 this section shall be the Consumer Price Index - All Urban
4 Consumers, as published by the Bureau of Labor Statistics of the
5 United States Department of Labor. If this consumer price index
6 is discontinued or replaced, a substitute index published by the
7 United States Department of Labor shall be selected by the board,
8 upon recommendation of the trustees, which shall be a reasonable
9 representative measurement of the cost of living for retired
10 employees. An annuity as increased by any cost-of-living adjustment
11 made under this section shall be considered the base annuity amount
12 for the purpose of future adjustments pursuant to this section. In
13 no event shall any cost-of-living adjustment be deemed to affect or
14 increase the amount of the base retirement annuity of a member as
15 determined under section 79-999 or 79-9,100.

16 ~~(11)~~ (12) Any decision or determination by the board
17 (a) to declare or not declare a cost-of-living adjustment, (b) as
18 to whether the annual valuation indicates a sufficient actuarial
19 surplus to provide for a cost-of-living adjustment, or (c) pursuant
20 to the selection of a substitute index shall be made in the sole,
21 absolute, and final discretion of the board and shall not be
22 subject to challenge by any member or beneficiary. In no event
23 shall the Legislature be constrained or limited in amending the
24 system or increasing the benefits of members under the system, nor
25 shall the board or trustees be constrained from supporting any such

1 change to the system, notwithstanding the effect of any such change
2 upon the actuarial surplus of the system and the ability of the
3 board to declare future cost-of-living adjustments.

4 ~~(12)~~ (13) The Legislature finds and declares that there
5 exists in this state a pressing need to attract and retain
6 qualified and dedicated public school employees and that one of the
7 factors prospective public school employees consider when seeking
8 or continuing public school employment is the retirement system
9 and benefits the employment provides. The Legislature further finds
10 that over the past decades, as reflected by the Medical Price
11 Index published by the United States Department of Labor, the cost
12 of medical care, including the cost of medications and insurance
13 coverages, has increased at a rate in excess of that by which
14 the Consumer Price Index - All Urban Consumers has increased.
15 The Legislature further finds and declares that there accordingly
16 exists a need to adjust the amount of retirement benefits paid to
17 retired public school employees in order to assist them in meeting
18 the increased cost of medical care. Therefor, in addition to the
19 cost-of-living adjustments provided in subsections (1) through ~~(11)~~
20 (12) of this section, commencing on October 3, 2001, and on October
21 3 of every year thereafter, a medical cost-of-living adjustment
22 shall be paid to any annuitant who has been paid an annuity from
23 the retirement system for at least ten years through the October
24 3 adjustment date. The cost-of-living adjustment shall be paid
25 in the form of a supplemental annuity providing monthly payments

1 equal to the amount which results when (a) the fraction, not to
2 exceed one, that results when the annuitant's years of creditable
3 service at his or her retirement date is divided by twenty, is
4 multiplied by (b) the product of ten dollars times the number of
5 years, including attained one-half years, that such annuitant has
6 received annuity payments from the retirement system through the
7 October 3 adjustment date. The supplemental annuity being paid to
8 an annuitant shall increase by ten dollars on October 3 of each
9 subsequent year to reflect the additional year of annuity payments
10 to the annuitant until the total amount of the supplemental
11 annuity is two hundred fifty dollars. In no event shall the
12 medical cost-of-living adjustment for any annuitant pursuant to
13 this subsection result in the payment of a supplemental annuity
14 exceeding two hundred fifty dollars per month. The supplemental
15 annuity paid to an annuitant pursuant to this subsection shall
16 cease at the death of the annuitant regardless of the form of
17 retirement annuity being paid to the annuitant at the time of his
18 or her death.

19 Sec. 3. Original section 79-9,103, Reissue Revised
20 Statutes of Nebraska, and section 79-947.01, Revised Statutes
21 Cumulative Supplement, 2006, are repealed.

22 Sec. 4. Since an emergency exists, this act takes effect
23 when passed and approved according to law.