

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 706

Introduced by Lindstrom, 18.

Read first time January 23, 2019

Committee: Nebraska Retirement Systems

- 1 A BILL FOR AN ACT relating to the Class V School Employees Retirement
- 2 Act; to amend section 79-9,103, Revised Statutes Cumulative
- 3 Supplement, 2018; to authorize a freeze of cost-of-living
- 4 adjustments for one year as prescribed; and to repeal the original
- 5 section.
- 6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-9,103, Revised Statutes Cumulative Supplement,
2 2018, is amended to read:

3 79-9,103 (1) Any annuity paid on or after September 1, 1983, to a
4 member who retired prior to February 21, 1982, pursuant to the Class V
5 School Employees Retirement Act, or to such member's beneficiary, or to a
6 person who retired under the provisions of the retirement system
7 established by statute for employees of Class V school districts in
8 effect prior to September 1, 1951, or to such person's beneficiary, shall
9 be adjusted by the increase in the cost of living or wage levels between
10 the effective date of retirement and June 30, 1983, except that such
11 increase shall not exceed the sum of one dollar and fifty cents per month
12 for each year of creditable service and one dollar per month for each
13 completed year of retirement as measured from the effective date of
14 retirement to June 30, 1983. No separate adjustment in such annuity shall
15 be made as a result of the changes made in section 79-9,113 pursuant to
16 Laws 1983, LB 488. If a joint and survivor annuity was elected, the
17 increase shall be actuarially adjusted so that the joint and survivor
18 annuity remains the actuarial equivalent of the life annuity otherwise
19 payable.

20 (2) In addition to the cost-of-living adjustment provided in
21 subsection (1) of this section, any annuity paid on or after September 1,
22 1986, pursuant to the act or pursuant to the provisions of the retirement
23 system established by statute for employees of Class V school districts
24 in effect prior to September 1, 1951, and on which the first payment was
25 dated on or before September 1, 1985, shall be adjusted by the increase
26 in the cost of living or wage levels between the effective date of
27 retirement and June 30, 1986, except that such increase shall not exceed
28 (a) three and one-half percent for annuities first paid on or after
29 September 1, 1984, (b) seven percent for annuities first paid on or after
30 September 1, 1983, but before September 1, 1984, or (c) ten and one-half
31 percent for all other annuities.

1 (3) In addition to the cost-of-living adjustments provided in
2 subsections (1) and (2) of this section, any annuity paid on or after
3 September 1, 1989, pursuant to the act or pursuant to the provisions of
4 the retirement system established by statute for employees of Class V
5 school districts in effect prior to September 1, 1951, and on which the
6 first payment was dated on or before September 1, 1988, shall be adjusted
7 by the increase in the cost of living or wage levels between the
8 effective date of retirement and June 30, 1989, except that such increase
9 shall not exceed (a) three percent for annuities first paid on or after
10 September 1, 1987, (b) six percent for annuities first paid on or after
11 September 1, 1986, but before September 1, 1987, or (c) nine percent for
12 all other annuities.

13 (4) In addition to the cost-of-living adjustments provided in
14 subsections (1), (2), and (3) of this section, any annuity paid on or
15 after September 1, 1992, pursuant to the act or pursuant to the
16 provisions of the retirement system established by statute for employees
17 of Class V school districts in effect prior to September 1, 1951, and on
18 which the first payment was dated on or before October 1, 1991, shall be
19 adjusted by the increase in the cost of living or wage levels between the
20 effective date of retirement and June 30, 1992, except that such increase
21 shall not exceed (a) three percent for annuities first paid after October
22 1, 1990, (b) six percent for annuities first paid after October 1, 1989,
23 but on or before October 1, 1990, or (c) nine percent for all other
24 annuities.

25 (5) In addition to the cost-of-living adjustments provided in
26 subsections (1), (2), (3), and (4) of this section, any annuity paid on
27 or after September 1, 1995, pursuant to the act or pursuant to the
28 provisions of the retirement system established by statute for employees
29 of Class V school districts in effect prior to September 1, 1951, and on
30 which the first payment was dated on or before October 1, 1994, shall be
31 adjusted by the increase in the cost of living or wage levels between the

1 effective date of retirement and June 30, 1995, except that such increase
2 shall not exceed (a) three percent for annuities first paid after October
3 1, 1993, (b) six percent for annuities first paid after October 1, 1992,
4 but on or before October 1, 1993, or (c) nine percent for all other
5 annuities.

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

19 (7) In addition to the cost-of-living adjustments provided in
20 subsections (1), (2), (3), (4), (5), and (6) of this section, any annuity
21 paid on or after September 1, 1998, pursuant to the act or pursuant to
22 the provisions of the retirement system established by statute for
23 employees of Class V school districts in effect prior to September 1,
24 1951, and on which the first payment was dated on or before October 3,
25 1997, shall be adjusted by the increase in the cost of living or wage
26 levels between the effective date of retirement and June 30, 1998, except
27 that such increase shall not exceed (a) three percent for annuities first
28 paid after October 1, 1996, (b) six percent for annuities first paid
29 after October 1, 1995, but on or before October 1, 1996, or (c) nine
30 percent for all other annuities.

31 (8) Beginning January 1, 2000, and on January 1 of every year

1 thereafter, for employees of Class V school districts who were members
2 prior to July 1, 2013, a cost-of-living adjustment shall be made for any
3 annuity being paid pursuant to the act, or pursuant to the provisions of
4 the retirement system established by statute for employees of Class V
5 school districts in effect prior to September 1, 1951, and on which the
6 first payment was dated on or before October 3 preceding such January 1
7 adjustment date. The cost-of-living adjustment for any such annuity shall
8 be the lesser of (a) one and one-half percent or (b) the increase in the
9 consumer price index from the date such annuity first became payable
10 through the August 31 preceding the January 1 adjustment date as reduced
11 by the aggregate cost-of-living adjustments previously made to the
12 annuity pursuant to this section.

13 (9) Beginning January 1, 2014, and on January 1 of every year
14 thereafter, for employees of Class V school districts who became members
15 on or after July 1, 2013, a cost-of-living adjustment shall be made for
16 any annuity being paid pursuant to the act and on which the first payment
17 was dated on or before October 3 preceding such January 1 adjustment
18 date. The cost-of-living adjustment for any such annuity shall be the
19 lesser of (a) one percent or (b) the increase in the consumer price index
20 from the date such annuity first became payable through the August 31
21 preceding the January 1 adjustment date as reduced by the aggregate cost-
22 of-living adjustments previously made to the annuity pursuant to this
23 section.

24 (10) Beginning September 1, 1999, the actuary shall make an annual
25 valuation of the assets and liabilities of the system. If the annual
26 valuation made by the actuary, as approved by the board of trustees,
27 indicates that the system has sufficient actuarial surplus to provide for
28 a cost-of-living adjustment in addition to the adjustment made pursuant
29 to subsection (8) or (9) of this section, the board of trustees may, in
30 its discretion, declare by resolution that each annuity being paid
31 pursuant to the act, or pursuant to the provisions of the retirement

1 system established by statute for employees of Class V school districts
2 in effect prior to September 1, 1951, and on which the first payment was
3 dated on or before October 3 of the year such resolution is adopted,
4 shall be increased beginning as of the January 1 following the date of
5 the board of trustees' resolution by such percentage as may be declared
6 by the board of trustees, except that such increase for any such annuity
7 shall not exceed the increase in the consumer price index from the date
8 such annuity first became payable through the applicable valuation date
9 as reduced by the aggregate cost-of-living adjustments previously made to
10 the annuity pursuant to this section.

11 (11) Except for the adjustments pursuant to subsection (13) of this
12 section, the consumer price index to be used for determining any cost-of-
13 living adjustment under this section shall be the Consumer Price Index -
14 All Urban Consumers, as published by the Bureau of Labor Statistics of
15 the United States Department of Labor. If this consumer price index is
16 discontinued or replaced, a substitute index published by the United
17 States Department of Labor shall be selected by the board of trustees,
18 which shall be a reasonable representative measurement of the cost of
19 living for retired employees. An annuity as increased by any cost-of-
20 living adjustment made under this section shall be considered the base
21 annuity amount for the purpose of future adjustments pursuant to this
22 section. In no event shall any cost-of-living adjustment be deemed to
23 affect or increase the amount of the base retirement annuity of a member
24 as determined under section 79-999 or 79-9,100.

25 (12) Any decision or determination by the board of trustees (a) to
26 declare or not declare a cost-of-living adjustment, (b) as to whether the
27 annual valuation indicates a sufficient actuarial surplus to provide for
28 a cost-of-living adjustment, or (c) pursuant to the selection of a
29 substitute index shall be made in the sole, absolute, and final
30 discretion of the board of trustees and shall not be subject to challenge
31 by any member or beneficiary. In no event shall the Legislature be

1 constrained or limited in amending the system or increasing the benefits
2 of members under the system, nor shall the board of education or board of
3 trustees be constrained from supporting any such change to the system,
4 notwithstanding the effect of any such change upon the actuarial surplus
5 of the system and the ability of the board of trustees to declare future
6 cost-of-living adjustments.

7 (13) The Legislature finds and declares that there exists in this
8 state a pressing need to attract and retain qualified and dedicated
9 public school employees and that one of the factors prospective public
10 school employees consider when seeking or continuing public school
11 employment is the retirement system and benefits the employment provides.
12 The Legislature further finds that over the past decades, as reflected by
13 the Medical Price Index published by the United States Department of
14 Labor, the cost of medical care, including the cost of medications and
15 insurance coverages, has increased at a rate in excess of that by which
16 the Consumer Price Index - All Urban Consumers has increased. The
17 Legislature further finds and declares that there accordingly exists a
18 need to adjust the amount of retirement benefits paid to retired public
19 school employees in order to assist them in meeting the increased cost of
20 medical care. Therefor, in addition to the cost-of-living adjustments
21 provided in subsections (1) through (12) of this section, commencing on
22 October 3, 2001, and on October 3 of every year thereafter, a medical
23 cost-of-living adjustment shall be paid to any annuitant who became a
24 member prior to July 1, 2016, and has been paid an annuity from the
25 retirement system for at least ten years through the October 3 adjustment
26 date. The cost-of-living adjustment shall be paid in the form of a
27 supplemental annuity providing monthly payments equal to the amount which
28 results when (a) the fraction, not to exceed one, that results when the
29 annuitant's years of creditable service at his or her retirement date is
30 divided by twenty, is multiplied by (b) the product of ten dollars times
31 the number of years, including attained one-half years, that such

1 annuitant has received annuity payments from the retirement system
2 through the October 3 adjustment date. The supplemental annuity being
3 paid to an annuitant shall increase by ten dollars on October 3 of each
4 subsequent year to reflect the additional year of annuity payments to the
5 annuitant until the total amount of the supplemental annuity is two
6 hundred fifty dollars. In no event shall the medical cost-of-living
7 adjustment for any annuitant pursuant to this subsection result in the
8 payment of a supplemental annuity exceeding two hundred fifty dollars per
9 month. The supplemental annuity paid to an annuitant pursuant to this
10 subsection shall cease at the death of the annuitant regardless of the
11 form of retirement annuity being paid to the annuitant at the time of his
12 or her death.

13 (14) Upon approval by the board of trustees, no cost-of-living
14 adjustment provided in subsections (1) through (13) of this section shall
15 be made for any annuity paid during the period between January 1, 2020,
16 and December 31, 2020.

17 Sec. 2. Original section 79-9,103, Revised Statutes Cumulative
18 Supplement, 2018, is repealed.