NSEA-RETIRED ADVOCATE

Check us out at
www.nsea.org/retired

January 2013: V8, I-2

The "simple actuarial equation"

Roger Rea,
NSEA-Retired
President

The main purpose of our retirement plan is to provide economic security once members retire or become disabled. In 2011, the Nebraska School Employees Retirement System paid more than $33 million each month to beneficiaries of the plan. Those payments result from the money derived from the contributions and earnings of the retirement fund money. The Nebraska Investment Council invests the contributions from employees, employers, and the state of Nebraska in assets designed to produce the return needed to pay for the promised benefits. To allow for fluctuations in short-term investment performance, the investments for retirement systems are typically managed to provide a long-term return rate that will be slightly above the returns that are needed to provide the promised benefits.

The actuary for the retirement system uses the long-term assumed rate of return to determine what the contribution rates should be for the various groups that make contributions to the retirement plan. There is one rather simple equation used by the actuary: the money coming into the retirement system must equal the money going out of the retirement system. Otherwise there is no "balance" to the system. While many items go into the calculation to determine actual contribution rates, this one, simple equation drives all of the work. In equation form: Income = Outgo

There are only two sources of income for our retirement system (contributions and investment income) and two sources of outgo (benefit payments and expenses of the retirement system). Again, in equation form: Contributions + Investment income = Benefits + Expenses or, as actuaries use the equation: $C + I = B + E$

This fundamental actuarial equation must, in the long run, always hold true. Any shortfall in one of the variables must be made up for in the other variables. Since members of the retirement system have great interest in the benefit payments, the equation is often re-arranged to see just what factors determine benefit payments. When rearranged, the benefits equation is: $B = C + I – E$ (benefits = contributions plus investment income minus expenses). Let's examine each of the three terms on the right side of this equation.

(See **The President**, Page 2)

(**The President)**

Expenses for retirement systems are generally low and stay relatively fixed. That part of the equation is almost impossible to change in any significant way. Even if we could change the expense portion, there is not a lot of money to be realized by efficiencies when compared to the large value of the benefit payments. The result: benefits depend almost entirely on contribution rates and investment income. If either investment income or contributions are lower than needed, the other variable must be increased in order to hold benefits constant.

For many years, the assumed rate of return for our retirement system has been 8% per year. An 8% return is sufficient to pay for our current retirement benefit. Over the past 30 years, the retirement system has averaged more than an 8% return, but in the past few years the returns have been lower than 8% -- significantly lower. The actual returns for the past five years have been: (-5.8%), (-19.1%), +13.6%, +23.3%, and +0.8% – a five year average of less than 3%. That means that contribution rates have had to increase in order to keep balance in the actuarial equation. Again, B = C + I – E. If investment income is too low, contributions must increase to keep the equation in balance.

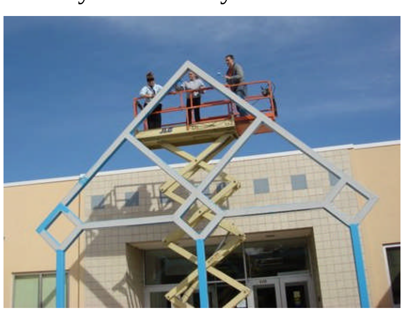
Why is this important? Projections by both the investment consultant and the actuary for the retirement system indicate that the current investment mix is not likely to earn 8% over the next ten years. The actuary has recommended that the assumed rate of return be lowered from 8% to 7.75% starting in July 2013, the start of the new fiscal year for the state. If that lower long-term investment rate is factored into the actuarial equation, then benefits for new hires may need to be adjusted downward in order to keep balance in the equation. (Benefits for current retirees as well as current active employees are legally protected at current levels.) An alternative to changing benefits for new hires would be to modify the investment mix for the retirement system to increase the probability that earnings will be 8% or more.

It is important to note that the current benefits for our retirement system cost about 11.5% of payroll, and that current contributions from all sources (members, school districts, and the state) are 20.66% of payroll. The contributions over and above 11.5% of payroll are used to pay the unfunded liabilities created by the investment shortfall of the past decade. The need for additional income to keep our retirement system "actuarially sound" is not because the benefits are too generous. The need for additional income is to pay for the past decade of poor investment performance. The investment performance can be improved by changing the investment mix.

Currently the retirement funds have a 30% allocation to fixed income investments (bonds) that are projected to earn about 2% for the next few years. There are several fixed income investments, not currently in the investment mix for the retirement system, that are projected to return more than 2% in the near term. NSEA and NSEA-Retired are working together to urge the investment council to examine alternative fixed-income investments to improve the projected return. The goal is to improve investment performance so as to minimize any needed changes in benefits or contribution requirements.

Make no mistake about it, our retirement benefits depend upon having a solid rate of return. The actuarial equation, C + I = B + E, always holds true.

NSEA-Retired has supported the Student Education Association of Nebraska (SEAN) on its Outreach to Teach activity for several years. Pictured below are SEAN members painting, cleaning, and sprucing up the Cedar Bluffs School.



ATTENTION

INTERGENERATIONAL MENTORING PROGRAM

SIGN UP TODAY!

Friday, Feb. 15, 2013: 1:00 PM – 7:30 PM

Saturday, Feb. 16, 2012: 8:30 AM – 1:00 PM

Workshop held at NSEA in Lincoln

Must be in attendance both days. All meals provided.

Housing & Gas Stipend for participants who live outside of Lincoln

For more information, or to sign up, contact: Maureen Nickels at 1.800.742.0047 or email: maureen.nickels@nsea.org

The mentoring experience can last a lifetime!

Art Tanderup Describes the Personal Benefits of Mentoring

Art Tanderup, NSEA-Retired Treasurer, the MENTOR, and Katelyn Lyon, the MENTEE.

Wow, I finally retired after a long career as an educator. What an exciting time this will be! We have dreamed and saved for our retirement years. I have always looked forward to spending more time with family and friends, having a second career that I also enjoy, doing more volunteer and church work, and traveling.

I soon realized that there was a void in my life. All of us know how hard it was to walk out those school doors one last time. We have spent our careers with students and educators. We have a wealth of knowledge and experience that has just been put in a box to be stored away. Fortunately, there is hope for us "eduholics." We can become involved in the NSEA-Retired / SEAN Intergenerational Mentoring program.

The IG program helps retired educators keep that box of knowledge and experience out of storage. At the same time we build relationships with students while providing them with a non-threatening resource.

The IG program begins with a two-day workshop. Relationships are built through a series of activities and assessments. Every student is paired with a retired teacher. Together they make plans for the upcoming semester, year, or maybe two years. The communication process begins. Email, text, facebook, Facetime, Skype, and phone calls are quite common between the mentee and mentor. Sometimes, a sandwich or ice cream leads to great discussions. These discussions cover a variety of topics from personal life, to NSEA/NEA resources, to lesson plans, to classroom management, to name but a few of the things that can be shared with beginning teachers. Besides helping a student become a great educator, life long friendships are built.

My mentee this year is Katelyn. She attends Wayne State College and will student teach in 2013-14. She is a hard working young woman with a triple major. She has been active in SEAN as well. Based on her experiences so far, I know that she will be a great educator. I have learned much from her and look forward to working with her and other students. Yes, there is life after retirement for this "eduholic."

Lobby Day is February 5, 2013 —by Roger Rea NSEA-Retired President

Tuesday, February 5, 2013 will see NSEA-Retired members gathering in Lincoln to address legislative concerns. NSEA-Retired has been working with a coalition of retiree groups to bring some tax relief for retirees. Nebraska is one of five states that fully taxes all Social Security benefits to the extent allowed by federal law. An article elsewhere in this newsletter gives details on the coalition's work.

Lobby Day will start with an issue awareness training to familiarize NSEA-Retired members with the bills that are up for consideration this year. Data provided by the 2010 Federal Census, showing an out-migration of retirees from Nebraska to more tax-friendly states, will also be shared. First-time attendees to Lobby Day will have an orientation session at 8:30 a.m. on how to effectively lobby your senators prior to the issue awareness session. Registration and training will take place in the 4th floor conference room of NSEA, 605 S. 14th Street, Lincoln, NE. The tentative agenda for Lobby Day is at the left.

8:30 a.m. – Registration and coffee (first-time lobbyist training)

9:00 a.m. –Issue awareness training

10:15 a.m. – Observe Unicameral and visit with Senators

12:00 noon – Lunch and guest speaker at NSEA Office

1:30 p.m. – Committee hearings or capitol tours (optional)

MARK the DATE
Register now at
www.nsea.org/retired
Please join us.

There is no registration fee for members to attend Lobby Day. Guests are asked to pay $10 to cover the costs of the program.

Please register for Lobby Day on the NSEA-Retired web page, ***www.nsea.org /retired***, or call Rebecca Smith at 1.800.742.0047. The deadline for registration and to attend the luncheon is Friday, Feb.1, 2013.

NSEA-Retired is currently seeking a parking area for members who attend Lobby Day. Parking details will be posted with registration information on the NSEA-Retired web page.

NSEA-Retired spring elections – nomination forms are on-line now!

NSEA-Retired will hold state-wide elections in March for delegates to NSEA Delegate Assembly, NEA Representative Assembly, for two officers for the NSEA-Retired Board of Directors (secretary and treasurer), as well for three District Directors for the Board (one each for Metro, Panhandle and Tri Valley). The positions on the Board of Directors are for three-year terms, beginning August 15, 2013. NSEA Delegate Assembly will be held at the Younes Conference Center in Kearney on April 19 and 20, 2013. NEA Representative Assembly will be held in Atlanta, GA from July 1-6, 2013.

Fourteen NSEA-Retired delegates to NSEA Delegate Assembly will be elected as follows: Metro District, four; Capitol District, three; Elkhorn District, two; Tri Valley District, two; Panhandle District, one; Sandhills District, one; and one at-large, state-wide delegate. A member filing as a district delegate may also file for the at-large delegate position. Candidates for office must reside in the district for which they file for election.

Four NSEA-Retired delegates will be elected to attend NEA Representative Assembly. Two delegates will be elected as state-wide, at-large delegates. One delegate will be elected by the combined retired membership of Capitol, Elkhorn, Panhandle, Sandhills, and Tri Valley Districts; and one delegate will be elected by the retired membership in Metro District. A member filing as a district delegate candidate may also file as an at-large delegate candidate.

The president of NSEA-Retired serves as a delegate to both NSEA Delegate Assembly and NEA Representative Assembly by virtue of office.

Members of NSEA-Retired who wish to be candidates for any of the posts must complete and return a nomination form before February 9, 2013. Members filing for any office on NSEA-Retired Board of Directors or as a candidate for NEA Representative Assembly must also submit a biography of no more than 50 words.

Nomination forms can be found on-line at ***www.nsea.org /retired***. The nomination forms are pdf files, and can be completed and downloaded on-line. The completed forms can either be emailed (as an attachment) to ***rebecca.smith@nsea.org*** or mailed to her at the address listed on the form. Names of candidates filing for election will be posted on the NSEA-Retired web page and updated each Friday until the filing deadline. You may call Rebecca at 1.800.742.0047 if you need additional information.

Medicare rates set for 2013

By: Roger Rea, NSEA-Retired President

Medicare Part B has a premium that participants pay. That premium changes each year. The new Medicare Part B premium for 2013 (as well as the new deductible amounts) were announced in mid-November, too late to be included in the Medicare seminars that NSEA-Retired and Blue Cross of Nebraska held in October. The 2013 premium for Medicare Part B (which covers doctor services) will be $104.90 per month, a $5 increase from the 2012 rate. Most individuals on Medicare pay their Part B premium through their Social Security check; the new premium amount will automatically be deducted from your January 2013 check.

Medicare Part B premiums paid through Social Security have a "hold harmless" clause which limits the dollar amount of the Part B premium increase to no more than the dollar amount increase in your Social Security check.

This year Social Security recipients will see a 1.7% increase in their benefit checks which will be slightly more than the premium increase for Medicare Part B. Additional information is available on the Medicare web page, ***www.medicare.gov***.

NSEA-Retired Blue-Senior Classic, the Medicare supplement underwritten by Blue Cross of Nebraska and endorsed by NSEA-Retired, will have no increase in the medical premiums for 2013, and an increase of $3.53 per month for individuals who have selected dental coverage. The new rate tables for NSEA-Retired BlueSenior Classic were mailed to all subscribers in December 2012 and are posted on the NSEA-Retired web page.

All of the presentation materials for the Medicare seminars as well as the EHA early-retiree seminars have been updated to reflect the 2013 rates and are posted on the NSEA-Retired web page, ***www.nsea.org/retired***. A total of 242 members attended one of the four Medicare seminars held in October 2012. NSEA-Retired and Blue Cross of Nebraska will present seminars in October 2013 that will outline changes in Medicare for 2014.

If you are turning 65 sometime in 2013 and would like additional information about Medicare as well as the changes in Medicare Part D (the prescription drug benefit), please visit the NSEA-Retired web page to view or download the presentation handouts from the sessions held in 2012

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NSEA-Retired Fall Conference at St. Benedict Center

Darrel Draper

A number of entertaining and instructive sessions were attended by nearly 100 NSEA-Retired members. Dr. Richard O'Brien, Creighton University Medical Center, give an update on the Affordable Care Act—what it provides and what it holds for the future. Darrel Draper, a re-enactor with the Nebraska Humanities Council, appeared as Peter Sarpy, a Nebraska pioneer, fur trader, and the namesake for Sarpy County.

See page 8 of this issue for details on the Spring Conference at the Younes Conference Center in Kearney, on April 18, 2013.

Dr. Richard O'Brien

EHA conducts "Dependent Eligibility Verification"

—by Roger Rea, NSEA-Retired President

Health insurance claims are the driver of health insurance premiums. The higher the level of claims that are filed for covered services, the higher the health insurance premiums must be to cover those claims. Educators Health Alliance (EHA), the Blue Cross insurance plan which insures almost all of the school districts in Nebraska, is currently conducting a Dependent Eligibility Verification (DEV) to ensure that all of the individuals who participate in EHA coverage are eligible to be members of the plan. This verification will only apply to individuals younger than 65 who are insured through EHA. Since the majority of NSEA-Retired members who are younger than 65 have a single health insurance policy (or two single policies in the case of a married couple), the majority of our members will not be involved in the DEV procedure.

EHA has contracted with Xerox HR Solutions to conduct the verification. DEV is a process that reviews and confirms the eligible status of EHA's family members. It is a standard, consistent process that removes dependents who do not meet the EHA plan guidelines for eligibility. Who qualifies as an eligible dependent? According to EHA guidelines, an eligible dependent can be: a spouse to whom you are legally married; your or your eligible spouse's married or unmarried child who is under age 26 (including a natural child, stepchild, legally adopted child, foster child, or a child for whom you or your eligible spouse are the legal guardian); you or your eligible spouse's unmarried child age 26 or older who is physically or mentally disabled and incapable of self-support; or a child who is recognized as an alternate recipient in a Qualified Medical Child Support Order (QMCSO).

Xerox contacted all EHA subscribers who have dependent coverage [employee and spouse; employee and child (ren); and employee, spouse and child(ren)] in December with a preliminary announcement of the DEV process. The initial verification forms were put in the mail about December 17, 2012 so that subscribers could begin the process of securing any required documentation to verify the eligibility of a dependent. A reminder notice will be sent to subscribers on January 30, 2013. All of the verification documents must be submitted to Xerox by February 22, 2013 (either postmarked by midnight on that date or submitted electronically by 11:59 p.m. on that date). The documents that are acceptable to prove dependent status are outlined on the notice that was mailed December 17.

If you submit paper forms for verification, Xerox will contact you within two weeks of receipt to confirm the outcome of the dependent status. If you submit forms online, Xerox will post the eligibility determination on a password-protected, secure web site about two days after submission for you to review. Dependents who are determined eligible will have no change in coverage.

Dependents determined not to be eligible will have coverage cancelled effective March 31, 2013. **If you do not respond to the inquiry, your dependent's coverage will be cancelled effective March 31, 2013.** There will be an appeal process for subscribers who disagree with the decision about dependency. Appeals will be handled on a case-by-case basis.

Xerox has conducted this kind of review for many health insurance plans across the country. It is estimated that premiums could be 1 to 2% lower for everyone if all ineligible dependents are removed from coverage. That could mean a savings of several million dollars for EHA – savings that would be passed on in the form of lower premium increases for EHA subscribers in the future. More details about DEV can be found on the EHA web page, ***www.ehaplan.org***.

Coalition on tax reform examines options

—by Roger Rea, NSEA-Retired President

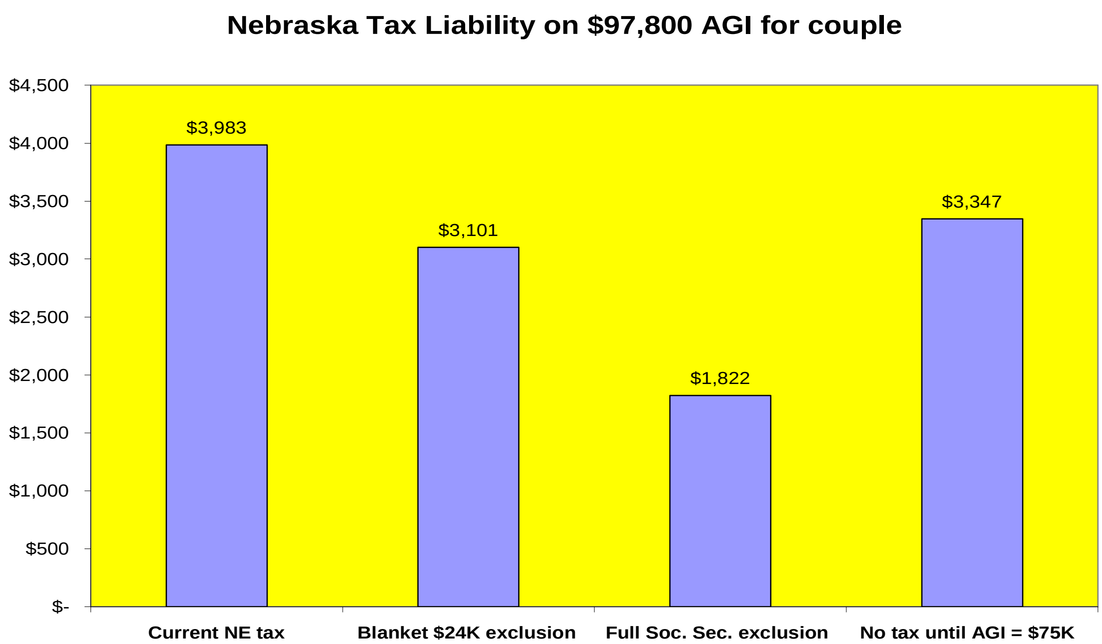
The coalition working to make Nebraska more "retiree friendly" continues to examine options to the current income tax structure for retirees. Nebraska is one of just five states in the nation which taxes Social Security benefits to the full extent allowed by federal law. Last year LB 976 was introduced by Sen. Jeremy Nordquist to exempt Social Security income from Nebraska state income tax. That bill was part of the final negotiations with the Governor on a tax package, but was not adopted. The coalition has met twice since the Unicameral adjourned to examine further options for the coming legislative session.

AARP-Nebraska did an analysis in the summer of 2012 on the impact of changing the way retirement income is taxed in Nebraska. The study looked at the tax structure for several of the surrounding states to see how retirees would fare if Nebraska were to tax retirement income in the same way as those states. Three different scenarios were examined: (a) exempting the first $24,000 of retirement income from state income tax (as is done in Colorado); (b) excluding all Social Security income from state income tax (as is done in Iowa); and (c) taxing Social Security income in staged amounts for individuals with incomes more than $60,000 for an individual and $75,000 for couples filing jointly (similar to what is done in Missouri).

Several different income levels were examined to see what effect these three options would have on the state income tax burden for retirees with a variety of incomes. While none of the proposed changes would bring the Nebraska tax burden down to the levels of our surrounding states for all income groups, for middle-income retirees some of the proposed changes reduce the tax burden to be comparable with our surrounding states.

As an illustration, for a hypothetical couple with a federal adjusted gross income (AGI) of $97,800 (with a taxable income of about $77,000), the current Nebraska income tax liability is $3,983. The graph shows the income tax burden on this couple under the three alternative taxing methods.

The coalition will continue to work with senators to find an equitable alternative to taxing retiree incomes at current levels.



Save the date!

NSEA-Retired Spring Conference

Where: Younes Conference Center Kearney
When: Thursday, April 18, 2013
Time: 8:30 a.m. – 3:30 p.m.

Keynote speaker: Curt Tomasevicz, US Olympic Bobsledder
Spotlight on Nebraska: Cherrie Beam-Clarke as Nebraska pioneer
Mariah Mohahan, *"Grit 'n Gumption"*

Breakout sessions:
Estate and Financial Planning; Healthy cooking demonstration; From making Moonshine to making award-winning Vodka; Health insurance after retirement (EHA options and Medicare transition); and MORE….

NSEA-Retired has arranged motel rooms for members who wish to attend the conference at a special conference rate of $99.95 per night. Contact the Hampton Inn, 118 3rd Ave., Kearney, 308-234-3400 to reserve a room. Be sure to ask for the NSEA-Retired conference rate.

No cost for members: Non-members and guests pay $10 per person
Full agenda available on-line about March 25
On-line registration begins after March 25
www.nsea.org /retired
Or: Call or email Rebecca at 1.800.742-0047 or ***rebecca.smith@nsea.org***

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