NSEA-RETIRED ADVOCATE

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LB987: "Half a loaf …."

Roger Rea,
NSEA-Retired
President

Several bills were passed in the Unicameral this year that will make important changes in the laws that govern the state. One bill of interest to retirees was LB987, which extends the exemption of a portion of Social Security income from state income tax. LB987 was passed by the legislature and signed into law by the governor on April 2, 2014.

The legislative Tax Modernization and Revenue Committees drafted LB987. The goal of the bill was to provide tax relief for citizens on Social Security and to index the tax brackets for all taxpayers for inflation for the first time. Both are laudable goals, and we owe a great deal to the senators who not only crafted the bill but who also shepherded it through the legislative process.

During the debate on LB987, there were angry outcries that the legislature was not doing enough about property tax, and some wanted property tax to be the central focus of at least one bill. But the reality is that the legislature has little-to-no control over property taxes.

Nebraska has not depended on property tax for any state revenue since the late 1960s when the personal property tax was abolished. Norbert Tiemann was governor when it was replaced with a combined sales tax and income tax structure. That was a very progressive move, and one that has served the state well. To imagine that the state can control property tax (which is levied entirely by local government) is to engage in fantasy. While there are measures that can be implemented to reduce dependence on the revenue from property taxes, there is no way for the state to eliminate property tax as such.

But the state can, and did, alter its approach to taxing Social Security benefits and provided tax relief for all citizens by indexing the tax brackets for inflation. Let's examine what LB987 does and does not do.

Adjusting tax brackets for inflation will slowly reduce the tax burden on all Nebraskans. The table shows the tax brackets and rates in the 2013 and 2014 tax years for various adjusted gross income levels (AGI) for single filers. For individuals who are married filing jointly, just double the AGI shown for each tax bracket in the table. While there is a general increase in the incomes for each bracket (which will result in a lower tax bill), the changes are modest. For 2015 and beyond, the tax brackets will be adjusted for inflation as measured by the CPI-U on August 31 of the previous year. Over time, all Nebraskans will benefit by indexing the tax brackets to inflation.

2013 taxable income	2014 taxable income	NE tax rate
Less than $2,400	Less than $3,000	2.46%
Up to $17,500	Up to $18,000	3.51%
Up to $27,000	Up to $29,000	5.01%
More than $27,000	More than $29,000	6.84%

(See **PRESIDENT**, page 2)

(PRESIDENT, from page 1)

The second part of LB987 exempts Social Security benefits from state income tax for individuals whose adjusted gross incomes are less than $43,000 (single) or $58,000 (married, filing jointly). The previous threshold for taxing Social Security benefits was an AGI of $25,000 (single).

It is often said that anyone with an AGI of less than $25,000 does not pay any tax on their Social Security income. However, the Nebraska Department of Revenue reports that in 2011 there were 10,560 individuals with incomes of less than $25,000 who paid Nebraska income tax on their Social Security benefits. Of the 126,390 Nebraskans who reported receiving Social Security benefits that year, 84,100 paid Nebraska income tax on at least part of that benefit. LB987 begins to address the issue, but there is still much work to be done to provide meaningful tax relief for Social Security beneficiaries.

LB987 had a fiscal note of $8.3 million for the 2014-15 fiscal year, meaning that the Department of Revenue estimated that the state would lose $8.3 million as a result of raising the tax brackets and raising the income threshold before Social Security benefits are taxed. The legislature did not break the lost revenue into its two component parts, raising tax brackets and exempting more Social Security income from taxation. However, AARP Nebraska estimates that between $4 and $7 million of the $8.3 million fiscal note is due to the additional exemption of Social Security income. Further, it is estimated that indexing the income brackets for inflation will provide an additional $13 million in tax savings for Nebraskans each year, and that about $2.5 million of that tax savings will go to taxpayers over 65. The tax savings provided by indexing tax brackets to inflation is projected to increase by about $13 million each year. By FY 2017-18 the "tax relief" provided by indexing tax brackets to inflation will grow to almost $52 million. In contrast, because the threshold for taxing Social Security income was not indexed to inflation, the tax relief for Social Security recipients will remain unchanged at between $4 and $7 million.

Nebraska lawmakers have never before adopted a tax policy that targets Social Security income for state income tax. Social Security became taxable at the federal level in 1984 as a means of providing additional money for the Social Security Trust Fund. The income threshold that had to be exceeded in 1984 before taxing Social Security benefits at the federal level was $25,000 for a single individual. If that figure had been adjusted for inflation, no federal tax would now be applied to Social Security benefits until the individual had an AGI of $56,300! In comparison, the $43,000 threshold income for taxing Social Security benefits contained in LB987 appears to be a bit too low.

LB987 represents an important first step in making Nebraska more retiree friendly. But our work on this issue is not finished. Three important additional changes are needed. (1) *The threshold income floor before taxing Social Security benefits should be raised to $60,000 (single) or $75,000 (married, filing jointly)*. (2) *The threshold income floor should be indexed for inflation going forward*. (3) *There should be a gradual taxation of incomes that exceed the threshold limit*. As the bill was passed, if your AGI is $42,999, none of your Social Security income is taxed. If you make $1 more, all of your Social Security income is taxed. This is commonly known as "the cliff effect"; you essentially "fall off the cliff" for taxation by making just $1 over the threshold income amount.

I ask you to contact members of the Revenue Committee to thank them for taking the important first step detailed in LB987. To send an email to any state senator, use the first initial of their first name followed by their last name and ***"@leg.ne.gov***." For example, to send an email to Sen. Galen Hadley, chair of the Revenue Committee, the email address would be: ***ghadley@leg.ne.gov***. The members of the Revenue Committee are: Galen Hadley (Chair); Paul Schumacher (Vice Chair); Tom Hansen; Burke Harr; Charlie Janssen; Beau McCoy; Pete Pirsch; and Kate Sullivan.

We did not get everything we wanted in LB987, but we did achieve an important first step. As the old saying goes, "Half a loaf is better than none." Now we begin the quest for the second half!

NSEA-Retired /SEAN 2014 Scholarships

Left to right: Raeanna Carbaugh, Peru State College; Tom Black, NSEA-Retired Vice President; Brenna Wragge, University of Nebraska at Omaha. (Not pictured: Hanna Schroeder, Doane College.)

Each year, NSEA-Retired presents three $1,000 Scholarships to qualifying members of the Student Education Association of Nebraska. This year the Selection Committee consisting of students Ryan Evans, Jen Volkmer, and Katie Bennett, and retirees Walta Sue Dodd and Tom Black completed its choices before the SEAN Delegate Assembly in March. Tom Black, chair, presented the scholarships at their DA.

I have been the editor of the *Advocate* since its inception in December 2005. This is my 26th issue—and my LAST. There comes a time when it is best to pass the PEN to another. I was also the editor of the *NSEA-Retired Corner* which appeared in the *NSEA Voice* from September 1996 to October 2012 (writing 149 columns,) until I passed THAT pen to Renae Kelly. Over those years I was so privileged to win 13 NEA-Retired national Journalism Awards for the *Corner* and the *Advocate* and most of all to serve our Student, Active, and Retired members. I will miss them, but it all was such a blast!!!!

—Tom Black

NSEA-Retired Intergenerational Mentoring:

The experience of age; the exuberance of youth

The Class of 2014

In 2003, NEA invited five states to participate in a new activity which would pair retired members and student members. NSEA-Retired sent two retired members and two SEAN student members to Reno, Nevada, for training. That weekend, Tom Black, then NSEA-Retired President, decided to have NSEA-Retired participate in the NEA-Retired Intergenerational Mentoring Project. From then on, Maureen Nickels, NSEA-Retired staff liaison, built our Mentoring activity into one of NEA's best.

The NSEA-Retired Intergenerational Mentoring Project brings together NSEA-Retired members and student NSEA members in their junior year in teacher education. NSEA-Retired members act as mentors to the student members from their junior year through their senior student teaching semester and their first year as professional teachers.

The relationship between the mentor and the student is non-judgmental and non-evaluative.

The mentor can help the prospective teacher get through the tough day-to-day moments and challenging situations that every student teacher and every first-year teacher faces. Through telephone, e-mail, and face-to-face conversations, the student knows he or she has an experienced mentor to ask for an idea for a lesson, a hint for handling a discipline problem, or a trusting shoulder to lean on.

To continue this very successful project, the Team needs retired teachers who want to work with our SEAN members and who want to continue their personal contributions to public education. It is a very satisfying and fulfilling two days and a possible lifetime of friendship with a new educator. Please volunteer for our program.

Contact Rebecca Smith at 1-800-742-0047 or rebecca.smith@nsea.org for an application brochure.

NSEA-Retired Election Results

By: Roger Rea, NSEA-Retired President

A total of 1,421 ballots were counted for the recent NSEA-Retired elections. Roger Rea was re-elected as President and Tom Black was re-elected as Vice President. Francis Rohrich and Dee Gillham were re-elected as Elkhorn District Director and Sandhills District Director respectively, and Pat Etherton was elected to be the Capitol District Director. All of the new officers will officially take office on August 15, 2014, as provided in the NSEA-Retired Bylaws. Congratulations to all newly elected officers.

David Glenn

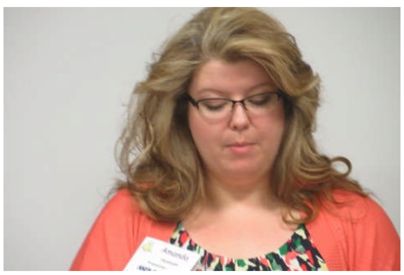
Kent Trelford-Thompson

Tracy Tucker

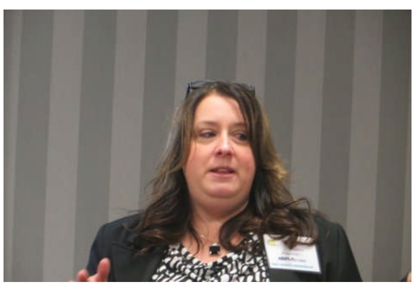
Chris Hehner

Karen Kilgarin

Jan Barnason



Gloria Anderson



Melissa Hopkins

The NSEA-Retired Spring Conference, April 10. 2014, Kearney, Nebraska

Precious MEMORIES

Sectionals: Identity Theft, EHA BCBS Insurance, Willa Cather Foundation, iPad, Juicing, Sleep Apnea, Senior Living, Scrapbooking. NSEA-Retired: Legislative Update, Business-Financial meeting

De Tonack (below right) receives recognition for her service on the NSEA-Retired Board.

Roger Rea

Shannon Frink

De Tonack

New NSEA staff coordinator for NSEA-Retired

By: Roger Rea, NSEA-Retired President

NSEA-Retired was founded on September 14, 1985, by ten dedicated educators. The mission of the association is and has been to advance quality education in Nebraska and to protect retirement benefits. A number of NSEA staff members have worked with NSEA-Retired over the intervening years, including Jerry Kriha, Jim Griess, Trish Guinan, Jim Rea and Maureen Nickels.

Duane Obermier has been assigned to be the NSEA liaison and coordinator for NSEA-Retired beginning with the 2014-15 Association year. Rebecca Smith will continue to serve as the staff associate for NSEA-Retired. Maureen Nickels works as the Organizational Specialist for the Cather Unit, and has been assigned to the NSEA Higher Education Team for 2014-15. She has served as the president of the University of Nebraska-Kearney Alumni Association and has ties to a number of the state colleges. Maureen is also a candidate for District 6 of the State Board of Education. She is unopposed for that election.

NSEA-Retired welcomes Duane Obermier as our next staff coordinator. Duane had a thirty-three year career teaching English, journalism, and creative writing at Hastings and Grand Island high schools, and served as the Communicative Arts Department Chair in Grand Island. He has a long history of involvement with NSEA, serving on the NSEA Board for five years representing Tri Valley District and six years as NSEA Vice President. Duane was elected President of NSEA three times, and served seven years as NSEA President, from 1998 to 2005 – the longest-serving president in NSEA history. He has worked for NSEA for the past nine years as a UniServ Director and Organizational Specialist for the Northeast Unit.

When asked about the new assignment, Duane said, “As I know many [NSEA-Retired members], I look forward to this assignment as one I will definitely enjoy. I look forward to working with and for all of you in the coming months.” Both Duane and Rebecca can be reached at the general NSEA phone number, 1-800-742-0047. Contact Duane Obermier at his email address: ***duane.obermier@nsea.org***.

NEA-Retired adopts new communication methods

By: Roger Rea, NSEA-Retired President

NEA-Retired has used several methods of keeping its members informed about issues, events ,and matters that are important to retirees. As a way to control expenses, NEA-Retired members no longer receive the expanded issues of *NEA Today*, the magazine sent to all active NEA members. Instead, retired members receive a magazine called *This Active Life*. *This Active Life* had articles that were specific to retirees, and focused on current members and activities of NEA-Retired.

NEA surveyed retired members and found that an overwhelming majority of them said that they read every issue of *This Active Life*, and that they also had a strong interest in receiving more information of the kind found in *NEA Today*. This spring, the first issue of *NEA Today for NEA-Retired Members* was sent to all retired members. The new Magazine has more than double the content of *This Active Life*, and features many of the informative articles found in *NEA Today* as well as content that is specifically targeted to retired educators.

NEA Today for NEA-Retired Members will be a quarterly publication, just like *NEA Today*. Dennis Van Roekel, NEA President, said that this change, “… allows NEA to provide timely news and information to all of our members while using members’ dues wisely.”

NEA-Retired members will also have access to the new digital issues of *NEA Today* for tablets and iPads. To view those issues, visit ***nea.org/neatodayapp***. Tablet editions of *NEA Today for Retired Members* will be available soon.

EHA rates to increase in September

By: Roger Rea, NSEA-Retired President

Retirees younger than 65 who are insured through Educator's Health Alliance (EHA), the Blue Cross plan that insures almost all educators in the state, will see a 2.3% increase in premiums beginning with the September 2014 billing. This will mark the twelfth consecutive year that EHA rates have increased by less than 10%. The rate increases for EHA subscribers have been substantially below national trends, thanks to wise use of medical services and increasingly healthy lifestyle choices of the plan members.

The EHA Board also approved a change to be effective September 1, 2014 that expands the definition of eligible dependent to include domestic partners and their children. To qualify, the subscriber and his/her domestic partner must meet specific criteria and provide certification of the domestic partnership. Additional information on this change can be found on the EHA web site, ***www.ehaplan.org***.

An open enrollment period will begin September 1, 2014. Active employees of school districts who opt out of EHA insurance on initial employment are only allowed to begin EHA coverage during open enrollments (unless there is a qualifying life-changing event, such as marriage, divorce, or birth of a child). The last open enrollment period was about five years ago. While this open enrollment period will not affect retirees, you may have friends or family members who are active school employees who may be affected.

EHA began offering a $4,000 deductible plan that is eligible for a Health Savings Account last year. While the premiums for this plan are lower than for the other plans, the other plans are 80/20 plans – the plan pays 80% of the covered charges once a deductible amount has been met, and the member pays 20%. The $4,000 deductible plan is a 70/30 plan. Once you have met the $4,000 deductible, you pay 30% of the covered charges until your out-of-pocket cost is $6,350. This plan is equivalent to a "bronze" plan in the ACA marketplace, and is not suitable for most retirees.

The renewal rates for retirees that are effective on September 1, 2014 are displayed in the table below. All rates include single PPO dental coverage. If you need dental coverage for more family members, your premiums will be higher than those listed below. For more details, see the EHA web site.

	Monthly Renewal rates			
	Employee	Employee & Child(ren)	Employee & Spouse	Employee, Spouse & Child (ren)
$750 deductible	$604.14	$1,051.79	$1,241.38	$1,562.63
$1,650 deductible	$513.62	$ 891.30	$1,051.27	$1,322.31
$3,100 deductible HSA -eligible	$513.62	$ 891.30	$1,051.27	$1,322.31

Retirees may change plans at two times each year. Applications must be on file by August 4 for an effective change date of September 1. Applications on file by December 1 have an effective date of January 1, 2015. Participants are reminded that if you move to a higher deductible on September 1, you must satisfy the difference between your old and new deductible amounts before the plan will begin to participate in co-insurance. If you move to a plan that is eligible for a Health Savings Account, you must satisfy the entire deductible amount for the new plan before the health plan will pay anything. For that reason, many retirees choose to switch plans with an effective date of January 1, which is the date when all insurance plans begin a new "deducible year." If you do move to a higher deductible plan, you will not be allowed to move back to a lower deductible plan for three years or until you reach the age of 65 and qualify for Medicare (whichever comes first).

A video webinar describing the changes in EHA early-retiree plans is posted on the EHA web site. ***www.ehaplan.org***. NSEA-Retired and Blue Cross will partner again this year to provide information seminars on the EHA early-retiree insurance options as well as making the transition to Medicare in late October or early November. Letters giving details of the locations and times for the seminars will be mailed to eligible members in October 2014. This will mark the ninth year that NSEA-Retired and Blue Cross have provided these information seminars. Information about the seminars will also be printed in the first issue of the *Advocate* this fall.

EHA out-of-pocket maximums change September 1

By: Roger Rea, NSEA-Retired President

Educator's Health Alliance (EHA), the Blue Cross insurance plan that insures almost all educators in the state, will adjust the out-of-pocket maximum amounts for the Preferred Provider insurance plans to comply with requirements of the Affordable Care Act (ACA). All EHA Preferred Provider plans have had two out-of-pocket maximum amounts: (a) one amount for all medical expenses (doctor visits, lab tests, and medical procedures); and (b) one amount for pharmaceutical expenses (co-pays for your medicines). The total out-of-pocket expense for both of those expenses might exceed the maximum allowed by the ACA if you required medical services that brought you to the maximum for both benefits. Starting September 1, 2014, the out-of-pocket maximum expenses for all services will be combined into a single maximum amount that will be lower than the current combined maximum for medical and pharmacy benefits.

The $3,100-deductible policy that is also eligible for a Health Savings Account (HSA) is not affected by the change. The deductible for that policy is already a combined out-of-pocket maximum amount for both medical and prescription claims. Subscribers to the $3,100-deductible policy pay the first $3,100 of all covered charges (both medical and prescription charges) *before* the health insurance plan pays anything.

The chart below shows the maximum out-of-pocket (OOP) amounts for retirees younger than 65 that are in effect now as well as the maximum amounts that will be in effect on September 1. For more detailed information about health insurance plans for retirees younger than 65, visit the EHA web site, ***www.ehaplan.org***.

These changes affect only EHA plans for retirees younger than 65. There are no changes for NSEA-Retired Blue-Senior Classic, the Medicare supplement that NSEA-Retired endorses.

	Deductible amount	**$750**	**$1,650**	**$3,100 HSA-eligible**
Benefits Until 9/1/2014	Medical co-insurance amount once deducible is met	$2,250	$3,250	n/a
	Medical OOP max (co-insurance + deductible)	$3,000	$4,900	n/a
	Prescription drug OOP max	$2,500	$2,500	n/a
	TOTAL medical and Rx OOP max	**$5,500**	**$7,400**	**$3,100**
After 9/1/2014	*New* Medical and Rx copay max	$3,500	$4,500	$3,100
	New **TOTAL** medical and Rx OOP max (copay + ded.)	**$4,250**	**$6,150**	**$3,100**

FUN TIMES AT INTERGENERATIONAL MENTORING TRAINING. The two-day training at the NSEA Building ends with the new mentees' collecting multiple free items to use in their first classroom experience from tables holding tens and tens of items such as stencils, markers, bulletin board materials, etc.

NSEA-RETIRED

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Fall Conference returns to Kearney Oct. 28

NSEA-Retired holds two conferences each year, one in the eastern part of the state and one in Greater Nebraska. Our spring conference is held just prior to NSEA Delegate Assembly. For the past two years, Delegate Assembly has been in Kearney, so our spring conference has been held in there with the fall conference being held in the eastern part of the state. In 2015, Delegate Assembly returns to Lincoln in April, so our spring 2015 conference will be in the eastern part of the state.

The fall 2014 conference will be held in The Younes Conference Center in Kearney on Tuesday, October 28, 2014. This site has hosted our spring conference for the past two years. The facilities suit our conference format well.

The program for the conference will not be finalized until September, but we have secured Walt Miller to give the "Spotlight on Nebraska" talk. Walt is a local historian from Hastings, and has recently published, "*U.S. Naval Ammunition Depot*," a book detailing the operation of the WW II Naval Ammunition Depot (NAD) just east of Hastings. NAD was the largest of the Navy's WW II inland munitions depots. At one point during the war, NAD was producing 40% of the Navy's ordnance. NAD had 207 miles of roads and 2,200 buildings, including hundreds of igloo-shaped explosives storage magazines.

Reserve the date now, and look for complete conference details in the next issue of The Advocate as well as on our web site, ***www.nsea.org/retired***. Conference registration should be open in late September 2014.