NSEA-RETIRED ADVOCATE

Check us out at www.nsea.org/retired

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A 'Bigger Bang for the Buck'

Roger Rea, NSEA-Retired President

There was a time when most private employers offered a defined benefit pension retirement plan to their employees. Providing workers a guaranteed income in retirement gave the employer offering the defined benefit retirement plan an edge over employers who did not offer such a plan with regard to recruiting, hiring and retaining well qualified employees. That time was four decades ago.

In the past three decades, private employers have shifted away from defined benefit (DB) pensions that provide their retirees with a steady and guaranteed retirement income towards defined contribution (DC) retirement accounts – such as 401(k) plans – in which the individual workers manage their own investments. The change from DB to DC has been touted as "giving the individual more control" over their own lives, including their life in retirement. The arguments in favor of DC retirement plans include: you control your own money, and therefore your own destiny; you can move from employer to employer and take your retirement account with you; YOU are in charge of YOUR retirement!

But the reality is that few younger workers have the discipline to save money for their own retirement unless they are forced to do so. DC plans are typically voluntary, and the employer is not required to match your contribution to the plan. Fidelity Investments reports than only one-third of 401(k) plans automatically enroll new workers, and only 13% of companies automatically increase their contribution rates each year.

The Employee Benefit Research Institute, EBRI, recently reported that the median retirement account balance for workers age 55 to 64 earning $40,000 to $60,000 per year was $53,000. Financial planners generally advise having 10 to 12 times your final annual earnings in your retirement account in order to maintain your standard of living in retirement. The average retirement account balance reported by EBRI for workers with this profile is ten times too low to be able to retire!

The National Institute on Retirement Security, NIRS, has completed two studies of various retirement plans in the past decade. They compared traditional DB retirement plans to DC plans and hybrid plans to see what the actual experience has been regarding benefits produced and the costs associated with maintaining the plans. First, some background on the three kinds of retirement plans.

DB plans can vary in design, but all of them are designed to provide a predictable monthly benefit at retirement that the worker cannot outlive. The amount of the DB pension is typically determined by how many years the worker devoted to the job and the final salary he/she earned. Your Nebraska school retirement plan is a DB plan. Your school retirement plan provides 2% of your highest average salary times the number of years of service credit. For an employee with 30 years of service credit, the retirement benefit will be (30 x 2) or 60% of the highest average salary.

The money in the retirement fund is managed professionally, and the worker's retirement benefit is not directly tied to the earnings of the fund. It is defined by how many years he/she worked and what his/her final average salary was. DC plans can also vary in design, and all of them have no implicit or explicit promise of a retirement income. The amount of the DC pension is determined by how much you contribute to the plan and the investment return for that money. The individual member determines how to invest the money. Retirement investment experts advise changing your investment mix as you get older to reduce the risk that a market meltdown will destroy your retirement nest egg just at the time you want to retire. NIRS found that many workers did not contribute enough money to their DC plan to fund a comfortable retirement. In addition, since workers are not investment experts, most invested their money in a way that almost guaranteed a low rate of return – so low, in fact, that the savings would never be able to adequately fund their retirement no matter how long they worked. Finally, NIRS found that retirees with a DC plan did not know how much money they could withdraw from their retirement account each year and not run out of money before they died (called "longevity risk").

Hybrid plans are a blend of both DB and DC plans with all of the drawbacks of a DC plan, and few of the advantages of a DB plan. These kinds of plans vary widely in design, but they fail to produce the predictable retirement income that a DB plan provides yet cost more to provide than a DB plan.

NIRS found that a typical DB plan provides equivalent retirement benefits at about half the cost of a DC plan, and they are 29% lower in cost than an "ideal DC plan" modeled with generous assumptions.

DB plans have three structural advantages over DC plans: longevity risk pooling; the ability to maintain a well-diversified portfolio over a long investment horizon; and low fees and professional management of the retirement account.

Claims are often made that DC plans "save the employer money." The truth is that any savings realized by converting to a DC retirement plan comes at the expense of retirement security for the workers. To provide the same retirement income, a typical individually-directed DC plan will cost almost twice as much as a typical DB plan. And that is not the administrative expense – that is the total cost of providing the retirement benefit. If the DB retirement plan costs 12% of payroll to provide a specific retirement income, it will cost nearly 24% of payroll to provide the same benefit with a DC retirement plan.

School employees can be thankful that we are covered by a DB retirement plan. In fact, the DB plan for school employees helps attract and retain dedicated professional educators to work in public schools, despite providing lower salaries than they might make in a different career. Defined benefit pensions have helped make Nebraska education great. The DB plan "provides a bigger bang for the buck!"

Budget Deal Affects Social Security and Medicare Benefits for 2016

By: Roger Rea, NSEA-Retired President

Congress recently passed a budget deal that suspends the federal debt limit ceiling until early 2017 and relaxes the "sequestration spending cuts" for 2016 and 2017. As part of this budget deal, the payroll tax for Social Security was reallocated so that the Social Security Disability Insurance program received a slight increase in funding. Without this reallocation, individuals who receive Social Security Disability would have faced a 20% across-the-board reduction in benefit payments beginning in 2016. Individuals with disabilities who are receiving Social Security Disability Income will continue to receive disability benefits through at least 2022 without disruption, thanks to the reallocation.

The Social Security Trustees recently announced that there will be no cost-of-living adjustment (COLA) for 2016. Retirees on Medicare who pay their Medicare Part B premium through their Social Security check are guaranteed that their Social Security benefit will not be reduced by increases in the Medicare Part B premiums they pay. With no COLA, their Medicare Part B premiums cannot be increased. That "hold harmless" provision does not apply to retirees who do not pay their Part B premiums from their Social Security benefit, those whose incomes exceed $85,000 per year (for a single individual), or people who turn 65 and begin their Medicare coverage after January 1, 2016. The law requires that 25% of the cost of Medicare must be borne by Medicare recipients through premiums, deductibles, and co-pays. Medicare claims are up in 2015, which means that more money needs to be collected from Medicare recipients in 2016. About 70% of Medicare beneficiaries qualify for the "hold harmless" protection, which would have meant that the 30% who are not held harmless would face a 50% increase in the Medicare Part B premium in 2016 to cover the shortfall.

The budget deal addresses the Part B premium increase by having the Department of Treasury lend $7.5 billion to the Medicare Trust Fund. In 2016, premiums for Medicare Part B will increase about 15% for those not held harmless. In addition, there will be increases in the deductible amounts for everyone, and all Medicare participants will pay $3 per month starting in 2017 to repay the loan.

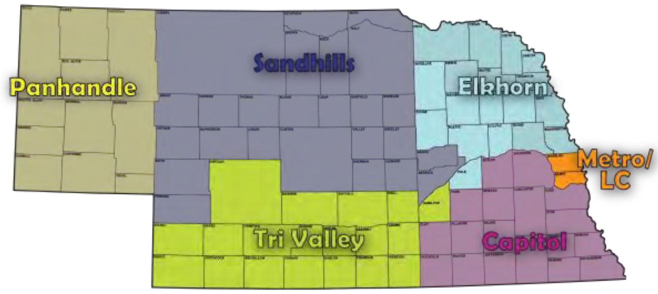
Individuals who are currently on Medicare will continue to pay $104.90 per month for Part B. Retirees who turn 65 in 2016 and those who are not held harmless will pay $121.80 per month for Part B.

Elections Coming in March 2016

By: Roger Rea, NSEA-Retired President

NSEA-Retired members will elect two general officers of the Association next spring: Secretary and Treasurer. Current NSEA-Retired Secretary Jan Barnason, and current NSEA-Retired Treasurer Art Tanderup, are eligible to run for re-election if they choose to do so. Three of the six District Director positions are also up for election. District Directors will be elected for Metro Region #1, Panhandle, and Tri Valley. Current Metro Region #1 Director John Jensen; Panhandle Director Jim McDermott; and Tri Valley Director Guy Roggenkamp are eligible to run for re-election if they choose to do so. All of these officers will be elected to three-year terms, beginning August 15, 2016.

Delegates will also be elected to represent the retired members at NSEA Delegate Assembly (to be held in Lincoln on April 15 & 16, 2016) as well as delegates to NEA Representative Assembly (to be held in Washington, DC July 2 – 9, 2016). Delegates to NSEA-DA and NEA-RA are elected for one-year terms.



Complete details regarding the election procedures as well as the process for filing for election will be posted on the NSEA-Retired web page, www.nsea.org/retired, by January 10. The filing deadline for the elections is January 22. Any NSEA-Retired member in good standing is eligible to run for office. Candidates for District Director, NSEA Delegate Assembly or NEA Representative Assembly must live in the NSEA District they wish to represent. A map of the NSEA District boundaries is printed for your reference.

Lobby Day Will Be Held February 2nd

By: Roger Rea, NSEA-Retired President

On Tuesday, February 2, 2016 NSEA-Retired members will gather in Lincoln to address legislative issues. Of particular concern to retirees is the taxation of Social Security benefits. The legislature passed LB 987 two years ago to reduce the tax burden on Social Security beneficiaries. Details of a potential bill to further reduce the state income tax on Social Security are found elsewhere in this newsletter. NSEA-Retired members will also visit with senators about bills that NSEA has identified as priority bills for education interests on Lobby Day.

Lobby Day will start with an issue awareness training to familiarize NSEA-Retired members with the bills that are up for consideration this year. 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:

8:15 a.m. – Registration and coffee
8:30 a.m. – First-time lobbyist training (on 3rd floor)
9:00 a.m. – Issue awareness training
10:15 a.m. – Observe Unicameral and visit with Senators
12:00 noon – Lunch at NSEA with Sen. Galen Hadley, Speaker of the Legislature
1:30 p.m. – Optional attendance at Legislative Committee Hearings

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, Jan. 29, 2016.

Parking around the NSEA building during the legislative session is tight. NSEA-Retired members who attend Lobby Day are asked to park on the east side of the Trinity Lutheran Church parking lot at 724 S. 12th Street (12th and H streets), about three blocks from the Capitol. Please do **not** park in any space marked “Reserved.”

Social Security Tax Bills on Agenda for Lobby Day

By: Roger Rea, NSEA-Retired President

Nebraska lawmakers have never made a policy decision to tax Social Security benefits. Prior to 1983, there was no federal or state income tax applied to Social Security benefits. When a federal income tax was applied to Social Security benefits in 1984, Nebraska got a "windfall benefit" because the Nebraska income tax at that time was simply a percentage of the federal tax liability (which included a portion of your Social Security income). Nebraska stopped calculating state income tax liability as a percentage of the federal tax liability in the 1990s. Unlike many states, however, Nebraska did not specifically exempt Social Security income from state income tax when it did so. In 1984, Nebraska seniors with a combined income that exceeded $25,000 as a single filer or $32,000 for a married couple filing jointly paid Nebraska income tax on a portion of their Social Security incomes.

As a result of the passage of LB 987, beginning with the 2015 tax year Nebraska residents receiving Social Security benefits pay state income tax on those benefits if their combined income (a total of adjusted gross income, interest on tax-exempt bonds, and 50% of Social Security income) exceeds $43,000 for a single tax filer, or $58,000 for a married couple filing jointly. LB 987 also contained a provision to automatically adjust all income tax brackets for inflation beginning with the 2015 tax year. However, unlike the indexing of tax brackets, the new threshold incomes for taxing Social Security are not indexed for inflation going forward.

Two bills were introduced during the 2015 Unicameral session thanks to the work of the coalition working to reduce the tax burden on seniors. One bill indexes the new threshold incomes to inflation going forward, and gradually phases in the taxation of Social Security benefits so that individuals making $1 more than the threshold income would not have their entire Social Security benefit taxed. The second bill eliminates the state income tax applied to Social Security benefits completely. Both bills are being held in the Legislative Revenue Committee.

If the threshold incomes for taxing Social Security had been indexed for inflation, the 1984 threshold level of $25,000 for a single individual would be $57,043 in 2014, and the $32,000 income for a married couple would be $73,015. Members of the coalition working to reduce the tax burden on seniors believe that the new threshold AGIs of $43,000 for a single individual and $58,000 for a married couple are too low to provide fair or meaningful tax relief for seniors.

Senator Brett Lindstrom met with coalition members in August 2015 to discuss ideas for providing additional tax relief for Nebraska seniors. He indicated that he plans to introduce a bill that will increase the threshold income before Social Security benefits are taxed, and phase the tax in over a range of incomes. The table below gives an overview of his proposed bill.

NSEA-Retired Lobby Day on February 2, 2016 will provide members the opportunity to talk with senators about these and other bills. The schedule for Lobby Day is found elsewhere in this newsletter.

Single Income	**Joint Income**	**% of Social Security Benefit Excluded From NE Income Tax**
Less than $60,000	Less than $75,000	100%
$60 – 65 K	$75 – 80 K	80%
$65 – 70 K	$80 – 85 K	60%
$70 – 75 K	$85 – 90 K	40%
$75 – 80 K	$90 – 95 K	20%
More than $80,000	More than $95,000	0%

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Fundraiser for NSEA Children's Fund

NSEA-Retired is selling chances to win the hand-embroidered baby blanket (left), donated by Gloria Boham, sister of NSEA-Retired member Walta Sue Dodd, and the hand-made afghan (right), donated by NSEA-Retired member Joyce Huggans, to raise money for the NSEA Children's Fund this year. The drawing will be held in July 2016. Chances are $1 each, or six for $5, and can be purchased at NSEA-Retired events during the year.

2016 INTERGENERATIONAL MENTORING PROGRAM

By: Duane Obermier, NSEA staff liaison to NSEA-Retired

Every teacher can recall receiving much needed help from a veteran teacher when they first start out in the world of education. The NSEA-Retired Intergenerational Mentoring Project brings NSEA-Retired members and Student Education Association of Nebraska (SEAN) members in the junior or senior year of their college program together to begin that kind of collaboration. This mentoring links retirees with SEAN members to help them make the transition from being a full-time student to becoming a full-time teacher. The program needs ***you*** to share your vast experience with the next generation of public school educators. We are seeking more NSEA-Retired volunteers to participate in this important program.

Friday, February 12: 1:00 PM-8:00 PM

Saturday, February 13: 8:30 AM-1:30 PM

Workshop held at the NSEA Headquarters in Lincoln.
Must be available to attend all sessions.
All meals are provided.
Housing and a gas stipend provided for participants living outside of Lincoln.
To apply online, go to:
www.nsea.org/2016IGLMentor

For more information, contact Duane Obermier at 800.742.0047

Consider being a mentor – your years of experience and wisdom have great value!

NSEA-Retired BlueSenior Classic Rates Increase for 2016

By: Roger Rea, NSEA-Retired President

A total of 140 people attended the four Medicare seminars held in November 2015. Some of the rate, deductible and co-pay information for Medicare for 2016 was released just before the final seminar was completed on November 16. It was not printed in the handouts for the early seminars. All of the seminar presentation materials have now been updated with the new information and are posted on the NSEA-Retired web page, ***www.nsea.org/retired***. NSEA-Retired members who were unable to attend one of the seminars as well as those who attended a seminar held before the updated cost information was available are encouraged to visit the web page to download and view the handouts. All handouts from this year's session will remain on the web page until the 2016 seminars have been completed.

Renewal rates for NSEA-Retired BlueSenior Classic, the Medicare supplement endorsed by NSEA-Retired and underwritten by Blue Cross of Nebraska, will increase slightly on January 1, 2016. NSEA-Retired BlueSenior Classic has optional dental coverage. It is the only Medicare supplement that has dental coverage as part of the supplement itself. The dental coverage is the same PPO dental coverage that retirees younger than 65 have in their EHA insurance product. If you decline dental coverage when you first enroll in NSEA-Retired BlueSenior Classic, you will not be allowed to add dental coverage in the future.

The overall rate increase, including the dental program, is 5.16% for 2016. NSEA-Retired BlueSenior Classic has had low rate increases for the past eight years, thanks to careful utilization of the benefits by the subscribers. In the past eight years since 2008, the general medical premium increase has been 0%; 0%; -0.5% (yes, a decrease of half-a-percent); 9%; 0%; 0%; 1% and 0%.

Subscribers to NSEA-Retired BlueSenior Classic are rated by age band, rather than by individual ages. The age bands (i.e. ages that have the same premium) are: 65-66; 67-69; 70-74; 75-79; 80-84; and 85+. The rates for 2016 can be found on the NSEA-Retired web page, ***www.nsea.org/retired***. Scroll down the page to find the link to the rates.

NSEA-Retired/SEAN Scholarships– 2016

By Tom Black, NSEA-Retired Vice President

Each year, NSEA-Retired awards three $1,000 scholarships to qualifying members of the Student Education Association of Nebraska (SEAN), an affiliate of NSEA. The Selection Committee consists of the NSEA-Retired Vice President and two Retired members appointed by NSEA-Retired President Roger Rea. The scholarships are awarded to the winners at the annual SEAN Delegate Assembly in March.

Applicants must be juniors or seniors who have been SEAN members for at least two years, including the current year. Scholarships are awarded based on applicants' responses to three essay topics: why they want to be a teacher, their financial need, and their involvement in SEAN. Applicants submit three letters of recommendation with their application: one from a faculty member of the college or university the student attends; a second from a local SEAN chapter officer; and a third recommendation from the SEAN chapter advisor.

The application process for the scholarships opens February 1, 2016. The completed application must be mailed to the NSEA with a postmark no later than March 1, 2016. Application materials will be sent to eligible SEAN members as well as to each SEAN Chapter Advisor and Chapter president soon. The Application materials are also available on the SEAN website, ***www.nsea.org/SEAN***. Click on the Awards and Applications link on the left side of the page.

If you know a deserving SEAN student member, please encourage him/her to apply.

2015 Grand Island Fall Conference Photo Gallery

NSEA-Retired publications receive NEA-Retired Journalism Awards. Left: Tom Black, Roger Rea and Renae Kelly with the Hall of Fame Award for the *NSEA-Retired Corner* in the *NSEA Voice*. Both Tom and Renae have received awards as editor of the *Corner* over the past few years. Right: Renae Kelly receives the NEA-Retired Journalism Award for Established Newsletters for her work as editor of the *NSEA-Retired Advocate*.

Joel Jorgensen talks about birding in Nebraska

The 30th Anniversary of NSEA-Retired was celebrated with desserts.

Spencer Ahrens gives tips on exercises for seniors

The 2015-16 NSEA-Retired Board of Directors members are: Seated (L to R): Roger Rea, Tom Black, Jim McDermott, Carol Krejci. Standing: Pat Etherton, Jan Barnason, Dee Gillham, Renae Kelly, Francis Rohrich, Guy Roggenkamp, John Jensen, Art Tanderup.

Cortney Schaefer details the mission of the Nebraska Crane Trust

About to Turn 65? You're Eligible for NSEA-Retired BlueSenior Classic!

By: Roger Rea, NSEA-Retired President

NSEA-Retired BlueSenior Classic is a Medicare supplement that is underwritten by Blue Cross of Nebraska and endorsed by NSEA-Retired. The benefits that Medicare supplements provide are standardized across the country, but plans that are not available to the general public can have additional provisions. NSEA-Retired BlueSenior Classic is a Plan F Medicare supplement with optional dental coverage. NSEA-Retired BlueSenior Classic is only available to subscribers and spouses of the Educators Health Alliance (EHA), the Blue Cross plan that insures almost all Nebraska education employees, and to members of NSEA-Retired and their spouses.

NSEA-Retired BlueSenior Classic offers an optional dental benefit that is identical to the dental plan that retirees younger than 65 have as part of their EHA coverage. To get access to this dental benefit, you must select the dental coverage at the time of your initial enrollment in the Medicare supplement.

Making the transition to Medicare can be a bit daunting. But do not despair! A two-page guide entitled *Making the Transition to Medicare* is posted on the NSEA-Retired web page, **www.nsea.org/retired**. It can be found by scrolling down the home page to the section "*Medicare coverage for members age 65 and older*" and clicking on the proper link. This easy-to-read guide details the three steps you need to follow to sign up for Medicare, a Medicare supplement, and prescription drug coverage.

Enrollment forms for NSEA-Retired BlueSenior Classic are automatically sent to retired members who are younger than 65 and insured through one of the EHA Early-Retiree Plans about 60-90 days prior to the member's birthday. Members who are still working at age 65 will remain on the insurance plan for their school district until they retire. They will begin Medicare when that employer-sponsored coverage ends at the end of the school year, typically August 31 in the year they retire. Information about NSEA-Retired BlueSenior Classic will automatically be sent to those members about mid-July in the year that they retire. If you are not insured through EHA but are a life member of NSEA-Retired, you should call Blue Cross at 1-800-562-6394 about 2-3 months prior turning 65 to ask that enrollment forms be sent to you. Be sure to tell the BCBS representative that you are a life member of NSEA-Retired when you call. All enrollment forms will come in a plain white envelope from Blue Cross, with a colored sticker on the front that says "NSEA Medicare Supplement Information Enclosed." A copy of the return address on the envelope is shown at the right for your reference.

Blue Cross applies the name "BlueSenior Classic" to all of their Medicare supplements. Do not be confused! If the supplement does not have the name **NSEA-Retired BlueSenior Classic**, if the enrollment forms did not come in an envelope with a colored sticker on the front, and if the supplement does not offer dental coverage as part of the supplement, it is not our supplement.

NSEA-RETIRED
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Lobby Day is February 2, 2016. More details are on pages 3-4.

Save the date!

NSEA-Retired Spring Conference

Where: St. Benedict Center, Schuyler, NE
When: Thursday, April 14, 2016
Time: 8:30 a.m. – 3:30 p.m.

Keynote speaker; Spotlight on Nebraska session features Joel Jorgensen on *"Birds and Birding in Nebraska"*, and MORE….

Tentative Breakout sessions:
Dealing with Alzheimer's; Urban and Community Forestry; Health Insurance Options for Retirees; Healthy Choices for Wellness; Photography as a Hobby; *"It's my funeral and I'll have jazz if I want to";* Antiques Appraisal – trash or treasure? (*Bring an antique you want appraised*); and MORE….

St. Benedict Center, 1126 Road "I", Schuyler NE 68661
About 5 miles north of Schuyler
No cost for members: Non-members and guests pay $10 per person

Full agenda available on-line about March 15

On-line registration begins after March 15
www.nsea.org /retired
Or: Call or email Rebecca at 1.800.742.0047 or ***rebecca.smith@nsea.org***