

Remarks on OSERS COLA

Presented to OPS Board of Education meeting, July 17, 2025

Good evening. I am Roger Rea, and I live at 12914 Pacific Street in Omaha. I am a member of the Omaha School Employees' Retirement System, OSERS, and a former OSERS trustee. The management of OSERS was transferred to the Nebraska Public Employee Retirement Systems, NPERS, last September. I am here today to call your attention to a major glitch in NPERS management of the plan, and to ask that you stand behind the OSERS benefit structure that this Board approved and had placed into state law. I speak specifically about the annual cost-of-living adjustment, or COLA.

OSERS offered a number of ad-hoc COLAs over time. Ad hoc COLAs do not automatically increase pensions, so in 1998, OPS asked that a bill be introduced to provide for a one-time increase in pensions, and established an annual automatic COLA not greater than 1.5% beginning January 1, 2000.

OSERS is a single-employer retirement plan, and everything in the plan documents reference the OPS fiscal year, September 1 through August 31. The school year ends on August 31. Retirement begins the next month, in September, and OSERS pays benefits on the 3rd of the month following an earned benefit. That means that the COLA for 1999 would be earned in September 1999, and should be paid on October 3, 1999.

The computer system that OPS used was written entirely by in-house computer programmers, and lacked the sophistication of current systems. When the IRS released inflation data for August, OSERS employees generated a spreadsheet for each of the 5,000 retirees to calculate and track the COLA adjustment. The COLA period was unique for each retiree, so each spreadsheet was individualized. Technically the COLA should have been added to the October 3, 1999 check, to reflect the inflation-adjusted pension for September, but the calculations could not be completed in time for the October 3rd check. Nor for the November 3rd check.

Because of the logistical impediment to paying the COLA in October, OPS decided to defer paying the 1999 fiscal-year COLA to January 1, 2000, and pay it for the following full calendar year. Again, the COLA was earned in September, but payment was deferred to the following January. The OSERS attorney drafted legislation that would implement the COLA in that manner. That was the intent of OPS, and was the way the COLA was paid for 25 without either a legal or auditing challenge.

The annual OSERS cost-of-living adjustment is authorized by state law 79-9,103(8), which states: *"Beginning January 1, 2000, and on January 1 of every year thereafter ... a cost-of-living adjustment shall be made The cost-of-living adjustment ... shall be the lesser of (a) one and one-half percent or (b) **the increase in the consumer price index from the date such annuity first became payable through the August 31 preceding the January 1 adjustment date**" [Emphasis added]*

The details of the COLA law are clear. The COLA is to be calculated based on inflation for the fiscal year ending August 31, and is to be paid beginning on January 1 for the following full calendar year. It has been paid that way for the past twenty-five years.

The legislative intent is clear from the plain language of the statute and is clear from the way that the COLA was implemented and paid for twenty-five years. The annual automatic COLA is paid in January.

The January 2025 OSERS retirement checks did not have the expected COLA increase. Members were not notified of the decision to not pay the COLA in January. NPERS just skipped the January payment. The change in payment date was apparently an NPERS administrative decision.

What is clear is that, despite assurances that there would be no change in benefit structure as a result of the transfer of management of OSERS to the state, the traditional OSERS COLA benefit has been reduced by one month for 2025. That reduces the COLA benefit for all current retirees by one-twelfth, or 8.3%, and permanently reduces the annual COLA for all current and future retirees by 8.3%.

Less than a year after NPERS assumed the management of OSERS, they reinterpreted state law and the implementation of the automatic COLA payment. The change negatively impacts all members of OSERS. It flies in the face of the intent of the COLA payment that is spelled out in law. It is just wrong! The OPS Board of Education should be outraged on behalf of the members of OSERS, and demand action to restore the benefits as they were at the time of the transfer of management.

A state agency has no authority to change the benefit structure that is in state law without a change in the law or a legal or auditing challenge to the law. There has been none. I ask that you stand behind the retirement system that has served OPS employees for 116 years. I ask that you demand that NPERS pay all current retirees the January 2025 COLA that they earned and paid for, but did not receive. I ask that you demand that NPERS pay the promised benefits to our retirees as the law stipulates. In short, I ask that you do the right thing by the retirees who have devoted their careers to the students of the Omaha Public Schools.

Thank you for supporting our current and future retirees.