



# Nebraska

**NEBRASKA'S PENSION PLANS ARE** in reasonably good shape and the state has been responsible in meeting its annual required contributions. Nebraska is one of seven states that had not completed its actuarial valuation of non-pension benefits at the time of Pew's report, but the liabilities are likely to be very small because the state is one of only two that offers no retiree health benefits for retirees over age 65. (For non-pension benefits, this report looked only at state employees, not at teachers.) Nebraska made a major shift in its state employee pension benefit system in 2002, closing the defined contribution plan that had existed since the 1960s to new members as of January 1, 2003. In its place, Nebraska developed a "cash balance plan," with a guaranteed annual rate of return for retirees, which can be pushed higher if investment earnings warrant. This addressed a problem in the defined contribution approach. The state's data had shown that employees in the original defined contribution plan were ending up with skimpier pension payments than the state's teachers, who had a traditional defined benefit plan.

## PENSIONS

- TOTAL BILL COMING DUE: **\$7.4 billion**<sup>1</sup>
- FUNDS SET ASIDE: **\$6.6 billion**
- PORTION UNFUNDED: **\$832 million**
- PERCENT FUNDED: **89 as of 2006**<sup>2</sup>
- TEN YEAR FUNDING HIGH: **96% in 2002**
- TEN YEAR FUNDING LOW: **88% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

**ASSUMPTIONS:** Nebraska assumes a 7.6% interest rate of return on its state pension system and 8% (same as the 50-state median) for teachers. It uses a five-year smoothing period to calculate the actuarial value of assets, similar to most states. The amortization period conforms to accounting standards.

<sup>1</sup> Pension funds include state employees, schools, county employees, judges and state patrol personnel; information prior to 2001 was not available.  
<sup>2</sup> 50-state mean was 82%.

## OTHER BENEFITS

- TOTAL BILL COMING DUE: **Not available**<sup>1</sup>
- FUNDS SET ASIDE: **\$0**
- PORTION UNFUNDED: **Not available**
- PERCENT FUNDED: **0 as of 2006**

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

<sup>1</sup> Nebraska's actuarial valuation was not completed at the time of Pew's report, but the liability is likely to be small.

**REFORMS:** In 2007, Nebraska gave state and county employees who were originally in the state's defined contribution plan a second chance to switch to the cash balance plan, which provides a guaranteed rate of return of 5% and possibilities of more, if investments do well. The previous year, the state increased both employee and employer contributions. It has also enacted measures in recent years against "spiking" salaries to prevent employees from inflating final salaries by large amounts to increase pension benefits.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at [www.pewcenteronthestates.org](http://www.pewcenteronthestates.org).



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