NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2017
SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE
One Hundred Fifth Legislature, First Session

Committee Members
Senator Mark Kolterman, Chairman
Senator Brett Lindstrom, Vice-Chairman
Senator Kate Bolz
Senator Mike Groene
Senator Rick Kolowski
Senator John Stinner

Committee Staff
Kate Allen, Committee Legal Counsel
Katie Quintero, Committee Clerk

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LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

LB 532 *(Kolterman)* Change provisions relating to military service credit for certain retirement plans

LB 548 *(Lindstrom)* Provide for the consolidation of the Class V school employees' retirement system and the School Employees Retirement System of the State of Nebraska

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II. Bills Listed by Retirement Plan, Governmental Entity and State Agency or Board

CLASS V (OMAHA) SCHOOL EMPLOYEES RETIREMENT ACT

LB 29 *(Kolterman)* Eliminate the Class V School Employees Retirement Cash Fund

LB 31 *(Kolterman)* Change school plan provisions relating to service credits

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

LB 548 *(Lindstrom)* Provide for the consolidation of the Class V school employees' retirement system and the School Employees Retirement System of the State of Nebraska

COUNTY EMPLOYEES RETIREMENT ACT

LB 32 *(Kolterman)* Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees

LB 219 *(Ret. Comm.)* Change retirement system provisions relating to authorized benefit elections and actuarial assumptions

LB 278 *(Kolterman)* Redefine disability and change disability retirement application and medical exam provisions in County, State and School plans

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

LB 532 *(Kolterman)* Change provisions relating to military service credit for certain retirement plans

COUNTIES (LANCASTER AND SARPY)

LB 110 *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

COUNTY MEDICAL AND MULTI-UNIT FACILITIES

LB 110 *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

FIRST AND SECOND CLASS CITIES AND VILLAGES

LB 110 *(Kolterman)* Change duties & requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

FIRST CLASS CITY FIREFIGHTERS

LB 110 *(Kolterman)* Change duties & requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

FIRST CLASS CITY POLICE OFFICERS

LB 110 *(Kolterman)* Change duties & requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

JUDGES RETIREMENT SYSTEM

LB 219 *(Ret. Comm.)* Change retirement system provisions relating to authorized benefit elections and actuarial assumptions

LB 413 *(Kolterman)* Change retirement application timeframe for judges and troopers; change the supplemental lump-sum cost-of-living language

LB 414	*(Kolterman)*	Provide an employer contribution and state contribution for judges' retirement and change provisions relating to distribution and remittance of court fees
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board
LB 532	*(Kolterman)*	Change provisions relating to military service credit for certain retirement plans

LOCAL BOARDS OF HEALTH

LB 110	*(Kolterman)*	Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

METROPOLITAN CLASS CITIES

LB 30	*(Kolterman)*	Provide for a cash balance plan by cities of the metropolitan and primary classes for certain police officers or firefighters
LB 110	*(Kolterman)*	Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

METROPOLITAN TRANSIT AUTHORITY

LB 110	*(Kolterman)*	Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

METROPOLITAN UTILITY DISTRICT

LB 110 *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

METROPOLITAN CLASS CITY POLICE OFFICERS AND FIREFIGHTERS

LB 30 *(Kolterman)* Provide for a cash balance plan by cities of the metropolitan and primary classes for certain police officers or firefighters

MUNICIPAL RETIREMENT SYSTEMS

LB 110 *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

NEBRASKA ASSOCIATION OF RESOURCE DISTRICTS

LB 110 *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

NEBRASKA INVESTMENT COUNCIL/STATE INVESTMENT OFFICER

LB 29 *(Kolterman)* Eliminate the Class V School Employees Retirement Cash Fund

LB 94 *(Kolterman)* Increase amount of funds offered by the State Investment Officer to financial institutions as deposits under the NE Capital Expansion Act

LB 412 *(Bolz)* Provide duties for the State Investment Officer relating to investment in energy-related companies or funds

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

LB 110 (*Kolterman*) Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 (*Kolterman*) Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

NEBRASKA STATE PATROL RETIREMENT SYSTEM

LB 413 (*Kolterman*) Change retirement application timeframe for judges and troopers; change the supplemental lump-sum cost-of-living language

LB 415 (*Kolterman*) Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

LB 532 (*Kolterman*) Change provisions relating to military service credit for certain retirement plans

POLITICAL SUBDIVISIONS

LB 110 (*Kolterman*) Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 (*Kolterman*) Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

PRIMARY CLASS CITIES

LB 110 (*Kolterman*) Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board

LB 415 (*Kolterman*) Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

PRIMARY CLASS CITY POLICE OFFICERS AND FIREFIGHTERS

LB 30 (*Kolterman*) Provide for a cash balance plan by cities of the metropolitan and primary classes for certain police officers or firefighters

PUBLIC EMPLOYEES RETIREMENT BOARD

LB 32	*(Kolterman)*	Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees
LB 110	*(Kolterman)*	Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board
LB 219	*(Ret. Comm.)*	Change retirement system provisions relating to authorized benefit elections and actuarial assumptions
LB 278	*(Kolterman)*	Redefine disability and change disability retirement application and medical exam provisions in County, State and School plans
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board
LB 532	*(Kolterman)*	Change provisions relating to military service credit for certain retirement plans

PUBLIC POWER DISTRICTS

LB 110	*(Kolterman)*	Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and Public Employees Retirement Board
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board

STATE TREASURER

LB 79	*(Blood)*	Adopt the Small Business Retirement Marketplace Act

SCHOOL EMPLOYEES RETIREMENT ACT

LB 32	*(Kolterman)*	Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees
LB 219	*(Ret. Comm.)*	Change retirement system provisions relating to authorized benefit elections and actuarial assumptions

LB 278	*(Kolterman)*	Redefine disability and change disability retirement application and medical exam provisions in County, State and School plans
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LB 548	*(Lindstrom)*	Provide for the consolidation of the Class V school employees' retirement system and the School Employees Retirement System of the State of Nebraska

STATE EMPLOYEES RETIREMENT ACT

LB 32	*(Kolterman)*	Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees
LB 219	*(Ret. Comm.)*	Change retirement system provisions relating to authorized benefit elections and actuarial assumptions
LB 278	*(Kolterman)*	Redefine disability and change disability retirement application and medical exam provisions in County, State and School plans
LB 415	*(Kolterman)*	Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board
LB 532	*(Kolterman)*	Change provisions relating to military service credit for certain retirement plans

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III. Status of Retirement Bills

ENACTED

LB 29 — *(Kolterman)* Eliminate the Class V School Employees Retirement Cash Fund

LB 94 — *(Kolterman)* Increase amount of funds offered by the State Investment Officer to financial institutions as deposits under the Nebraska Capital Expansion Act

LB 415 — *(Kolterman)* Provide/change notification requirements, duties and benefits for members; change certain annuity and disability benefit provisions; provide duties for school districts and Public Employees Retirement Board
[Incorporated LB 32, LB 110 and LB 413 as introduced, and LB 31, LB 219, LB 278, and LB 532 as amended by the Committee]

AMENDED INTO OTHER BILLS AND ENACTED

LB 31 — *(Kolterman)* Change school retirement plan provisions relating to service credits
[amended into LB 415 which was enacted]

LB 32 — *(Kolterman)* Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees
[amended into LB 415 which was enacted]

LB 110 — *(Kolterman)* Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor and PERB
[amended into LB 415 which was enacted]

LB 219 — *(Ret. Comm.)* Change retirement system provisions relating to authorized benefit elections and actuarial assumptions
[amended into LB 415 which was enacted]

LB 278 — *(Kolterman)* Redefine disability and change disability retirement application and medical exam provisions in County, State and School plans
[amended into LB 415 which was enacted]

LB 413 — *(Kolterman)* Change retirement application timeframe for judges and troopers; change the supplemental lump-sum cost-of-living language
[amended into LB 415 which was enacted]

LB 532 — *(Kolterman)* Change provisions relating to military service credit for certain retirement plans **[amended into LB 415 which was enacted]**

KILLED IN COMMITTEE

LB 79 *(Blood)* Adopt the Small Business Retirement Marketplace Act

HELD IN COMMITTEE

LB 30 *(Kolterman)* Provide for a cash balance plan by cities of the metropolitan and primary classes for certain police officers or firefighters

LB 414 *(Kolterman)* Provide an employer contribution and state contribution for judges' retirement and change provisions relating to distribution and remittance of court fees

LB 548 *(Lindstrom)* Provide for the consolidation of the Class V school employees' retirement system and the School Employees Retirement System of the State of Nebraska

BILLS IN OTHER COMMITTEES THAT IMPACT RETIREMENT SYSTEMS

LB 647 *(Pansing-Brooks)* Change judges' salaries **[enacted]**

IV. Summary of Retirement Bills

ENACTED

LB 29 Eliminate the Class V School Employees Retirement Cash Fund

Status: Approved by the Governor – March 29, 2017

Operative Date: August 24, 2017

Plan/Agency: Nebraska Investment Council
Class V (Omaha) School Employees Retirement

Repeals/Amends: 72-1249 and 79-9,115

LB 29 eliminates a cash fund that was set up for the State Investment Officer to accept funds from the Class V School Employees Retirement System for costs, fees and expenses incurred by the Nebraska Investment Council (NIC) related to the investment and reinvestment of the Class V(Omaha) School Employees Retirement System (OSERS) assets.

LB 94 Increase amount of funds offered by the state investment officer to financial institutions as deposits under the Nebraska Capital Expansion Act

Status: Approved by the Governor – March 29, 2017

Operative Date: August 24, 2017

Plan/Agency: Nebraska Investment Council

Repeals/Amends: 72-1263

LB 94 increases from $6 million to $16 million, the maximum amount of time deposit open accounts made available to banks, capital stock financial institutions and qualifying mutual financial institutions willing to meet the rate and other requirements of the Nebraska Capital Expansion Act.

LB 415e Change provisions relating to certain retirement plans as prescribed

Status: Approved by the Governor – May 23, 2017

Operative Date: May 24, 2017

Plan/Agency:
Nebraska Association of Resource Districts
Wyuka Cemetery
City of Metropolitan Class
Metropolitan Transit Authority
Metropolitan Utility District
Primary Class Cities
First Class Cities -- Police officers
First Class Cities -- Fire fighters
First and Second Class Cities and Villages
Counties with population greater than 150,000
County Employees
County Medical and Multiunit Facilities;
Local Boards of Health
Judges
Schools
Class V (Omaha) Schools
Nebraska State Patrol
Auditor of Public Accounts
State Employees
Public Employees Retirement Board

LB 415 As Introduced

In the School and Class V School Employees Retirement plans, a Rule of 90, with a minimum retirement age of 60, is proposed for employees who become members on or after July 1, 2017.

In the School Plan all the exemptions for service that can be provided during the 180-day break in service are eliminated which include intermittent voluntary or substitute service and service provided to the Nebraska Department of Education as provided in 79-920. In addition, a 3 year break in service is required if an employee received an early retirement incentive.

In the County, School, Class V School, Patrol and State Employees Retirement plans when a member retires the member and employer must certify under oath that there was no pre-arranged agreement to return to employment that was made prior to retirement. When a retired member is employed after retirement with an employer in another plan, the employee must also complete a certification under oath that the employee did not have a pre-arranged agreement prior to retirement to begin employment with the new employer.

Termination will not occur if the member begins employment for an employer in the County, School, Class V School, Patrol or State plan within 120 days (180 days for schools) after ceasing employment, or within 3 years if the member received an early retirement incentive.

If a retiree is re-employed or employed after retirement in one of the retirement systems, the vesting period is 10 years and only service credit earned during this 10-year vesting period will count towards vesting and retirement. If the re-employed retiree does not vest, then he or she will only receive his or her contributions plus interest.

LB 415 As Amended by Committee AM 923

In the School and Class V School Employees Retirement plans, the proposed Rule of 90, with a minimum retirement age of 60, is changed to a Rule of 85 with a minimum retirement age of 60. The change will apply to employees hired on or after July 1, 2018 rather than July 1, 2017 as originally provided in the bill. In the School Plan the exemptions are eliminated that allow intermittent voluntary or substitute service during the 180-day separation of service after termination; service provided to the Nebraska Department of Education as provided in 79-920 is still allowed during the 180-day period. Definitions are added for early retirement inducement and service in any capacity.

Definitions are added to the Class V School Employees Retirement Act for employer, early retirement inducement, service in any capacity, termination, substitute employee and temporary employee.

Termination will not occur if a School member provides service in any capacity for any employer in the same plan or for an employer in the Class V plan within 180 days after ceasing employment, or within 36 months after termination if the member received an early retirement inducement.

In the Class V School plan, termination will also not occur if a Class V School member provides service in any capacity for an employer in the same plan or for any employer in the School plan within 180 days after ceasing employment, or within 36 months after termination if the member received an early retirement inducement.

In the School and Class V School plans, when a member terminates, the member and employer must certify under oath that there was no verbal or written pre-arranged agreement made prior to termination for the member to return to employment. When a School member is employed after termination with an employer in the Class V School plan, the employee must complete a certification under oath, that the employee did not have a verbal or written pre-arranged agreement with the Class V School employer prior to termination to begin employment with the new employer. These certifications must be filed with the Public Employees Retirement Board within the specified time periods.

When a retired Class V School member is employed after termination with an employer in the School plan, the employee must complete a certification under oath, that the employee did not have a verbal or written pre-arranged agreement with the School employer prior to termination to begin employment with the new employer. These certifications must be filed with the Board of Trustees within the specified time periods.

A penalty section is added to the Class V School plan which tracks the penalty section in the School plan.

The re-employment restrictions and requirements that applied to the County, State and State Patrol plans are stricken from the bill. The re-employment after retirement, vesting and other restrictions that applied to the School and Class V School plans in the original bill, and the reporting requirement to the Nebraska Department of Education are also stricken from bill.

Bills Amended into LB 415 Committee Amendment 923

LB 31

As Introduced

LB 31 makes two changes to the School Employees and Class V School Employees Retirement Acts. For employees hired on or after July 1, 2017, creditable service includes only the days and types of leave specifically itemized which includes: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer. For employees hired prior to July 1, 2017 creditable service leave days remain unchanged and includes leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

Also under LB 31, in the School Employees Retirement Act the authority of the employer to purchase creditable service for a member is deleted. The employee may still purchase creditable service.

As Amended by Committee AM 923

The effective date in the School and Class V School Employees Retirement Acts for the change in types of leave that will count towards creditable service is moved from July 1, 2017 to July 1, 2018.

LB 32

LB 32 changes the frequency and method of calculation of the county prior service annuity payments in the County Employees Retirement Act. Currently payments may be made monthly, however if the payment is less than $10 then the payment may be made annually with each annual payment equal to 11.54 times the monthly payment. LB 32 removes the annual formula calculation and grants the county authority to pay the annuity monthly, quarterly, semi-annually or annually.

In the County and State Employees Retirement Acts the bill also eliminates the obligation of the Public Employees Retirement Board to provide county and state employees information on federal and state income tax consequences of the various annuities or retirement benefit options.

LB 110

LB 110 eliminates the obligation of political subdivisions to file annual reports on defined contribution plans after December 31, 2017 and deletes the requirement for the Public Employees Retirement Board to design and provide the annual reporting form.

Beginning December 31, 2018 political subdivisions that offer defined benefit plans must electronically file an annual report with the Auditor of Public Accounts and the Nebraska Public Employees Retirement Systems Committee on a reporting form created by the Auditor. The Auditor of Public Accounts is required to post the annual reports on its website.

LB 219

As Introduced

LB 219 amends the definition of actuarial equivalent in each plan. Members hired or rehired prior to the effective dates will continue to have annuities calculated based on the 1994 mortality table. All plan members hired or rehired on or after the respective effective dates in each plan will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board. The new language will allow the mortality table to be updated as actuarially determined without requiring a change in statute.

The updated mortality table will apply to employees hired on or after July 1, 2017 in the Judges', State Patrol and School Employees Retirement defined benefit plans. The updated mortality table will apply to employees hired on or after January 1, 2018 for the State and County Employees Retirement defined contribution and cash balance plans. The defined benefit plans are based on the fiscal year and the defined contribution and cash balance plans are based on the calendar year.

As Amended by Committee AM 923

As amended by Committee AM 923, the annuity rate used to calculate a county or state employee cash balance annuity is the rate recommended by the actuary and approved by the Public Employees Retirement Board which may be, but is not required to be the assumed rate. This provision applies to all members regardless of the member's date of hire. A definition is added in each of the plans for hire date or date of hire. The description of the mortality tables in each of the plans are amended based on technical language changes recommended by the actuary.

LB 278

As Introduced

The definition of disability in the County, State and School Employees Retirement Acts clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. These changes are made to ensure compliance with Internal Revenue Code requirements for qualified pension plans.

A provision is added to the County and State plans, similar to the School plan that allows the Public Employees Retirement Board to waive the medical examination if the Board determines that extraordinary circumstances exist which include hospice placement or similar placement for a terminal illness or injury. In the School plan the five-year window for school plan member to file for a work-related disability is eliminated. All disability applications must be filed within one year of termination of employment.

As Amended by Committee AM 923

Committee AM 923 deletes existing redundant language in the County, State and School plans. In the County, State and School plans, the Public Employees Retirement Board may, but is not required, to adopt rules and regulations regarding the disability changes.

LB 413

LB 413 is a technical clean-up bill introduced at the request of the Public Employees Retirement Board. Members of the Judges and State Patrol plans will be able to file for retirement 120 days rather than 90 days prior to qualifying for retirement. The 120 day timeframe is consistent with the length of time allowed in the School plan, which is the other defined benefit plan administered by the Public Employees Retirement Board.

In the Judges' plan it clarifies that the supplemental payment the Public Employees Retirement Board may grant is in fact, a one-time supplemental payment and not a cost-of-living adjustment. Judges hired after July 1, 2015 are eligible for the discretionary supplemental payment if the plan is 100% funded.

The definition of officer in the State Patrol plan is clarified to describe eligibility for membership in the State Patrol Plan by: (1) referring to the definition of law enforcement officer in section 81-1401, the definitional section of the Nebraska State Patrol's enabling legislation; and (2) stating that a law enforcement officer who is granted a conditional appointment contingent upon completion of a training program approved by the Nebraska Police Standards Advisory Council is excluded from the definition. It reaffirms the current eligibility provision for plan membership. Trooper candidates are enrolled in the State Employees Retirement Plan while they attend their training program. They become eligible for membership in the State Patrol plan only upon graduation and becoming sworn officers. None of these technical changes will have an impact on plan eligibility, cost-of-living protocol implementation, retirement eligibility or the retirement benefits for members of either plan.

LB 532

As Introduced

Under the language in LB 532, the state is liable for funding any obligation in the Judges', State Patrol and State Employees Retirement plans to provide benefits based on the period of military service provided by the returning member. The county in which the employee is employed, and the school district in which a school member is employed is responsible respectively, to provide funding for benefits based on the period of military service provided by the returning member.

The funding obligations in the Judges', State Patrol and School defined benefit plans begin on May 24, 2017 (the effective date of the act with the emergency clause), and the obligations in the County and State Employees plans begin on January 1, 2018. Prior to January 1, 2018, the county or state is obligated only to match the amount of the contribution made by such county or state plan member for periods of military service provided by the employee.

In the County plan, the county is liable for funding the obligations to the plan during the period of military service. In the State Employees plan, the agency re-employing the returning member is liable for funding the obligations to the plan during the period of military service. In the Judges' plan, the Supreme Court is liable for funding the obligations to the plan during the period of military service. In the School plan, the employer/school district is liable for funding the obligations to the plan during the period of military service. In the State Patrol plan, the Nebraska State Patrol is liable for funding the obligations to the plan during the period of military service.

The Public Employees Retirement Board may promulgate rules and regulations for all the plans to include, but not limited to: (1) employee and employer notification regarding military service; (2)

determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

The liability for payment of contributions in all of the plans only applies to military service that falls within the definition of uniformed service under USERRA and does not include service provided pursuant to the Nebraska Military Code.

As Amended by Committee AM 923

Committee AM 923 changes the timeframe in each of the plans for the respective employer/entity to comply with the funding obligation to the Nebraska Public Employees Retirement Systems and also clarifies what is not included in the funding obligation. If the payment is not made by the employer/entity to Nebraska Public Employees Retirement Systems within 18 months of the date that the Public Employees Retirement Board notifies the appropriate employer/entity, then that employer/entity is also liable for payment of listed actuarial and interest costs.

The state court administrator, rather than the Supreme Court, is responsible for funding the obligation to the plan during a judge's period of military service.

It also clarifies that the employer/entity is not required to pay the member and employer contributions for military service provided under the state Military Code pursuant to sections 55-101 to 55-181.

General File Amendments to LB 415

On General File AM 1230 introduced by Senator Kolterman, was adopted. The amendment included clarification of several provisions suggested by Nebraska Public Employees Retirement Systems staff.

Senator Baker's amendment, AM 1211 was also adopted which reduced the separation of service period from 3 years to 2 years for retirees who accepted an early retirement inducement and allowed such retirees to provide voluntary service after termination or retirement after 180 days passed.

Select File Amendments to LB 415

On Select File Senator Kolterman introduced AM 1374, which was adopted. The amendment struck the limitations on providing substitute and voluntary service during the 180-day break in service and service in any capacity for an employer in either the School Employees or Class V (Omaha) School Employees plan, eliminated the 2 year break in service for retirees who had accepted an early retirement inducement, and removed the requirement for employees to certify under oath whether they had pre-arranged working for an employer in the other school plan. In addition, technical amendment AM 1383 was adopted which clarified language and changed internal references.

Final Reading Amendment

LB 415 was returned to Select File from Final Reading for AM 1403 which added the emergency clause to all of the provisions in the bill.

Section-by-Section Summary of LB 415 on Final Reading

Section 1. [LB 110] [Amends 2-3228] Eliminates the requirement that the Nebraska Association of Resource Districts file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 1-2]

Section 2. [Amends 12-101] Eliminates the requirement that Wyuka Cemetery file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 2-3]

Section 3. [LB 110] [Amends 14-567] Eliminates the requirement that the Metropolitan Class Cities file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, metropolitan cities must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor's website. [pages 3-4]

Section 4. [LB 110] [Amends 14-1805.01] Eliminates the requirement that the Metropolitan Transit Authority file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Metropolitan Transit Authority must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor's website. [pages 4-5]

Section 5. [LB 110] [Amends 14-2111] Eliminates the requirement that Metropolitan Utility District file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Metropolitan Utility District must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor's website. [pages 5-6]

Section 6. [LB 110] [Amends 15-1017] Eliminates the requirement that Primary Class Cities file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, primary class cities must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor's website. [pages 6-7]

Section 7. [LB 110] [Amends 16-1017] Eliminates the requirement that First Class Cities with Police Officers that serve under the Police Officer Retirement Plan, file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, First Class Cities with Police Officers that serve under the Police Officer Retirement Plan must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor website. [pages 7-8]

Section 8. [LB 110] [Amends 16-1037] Eliminates the requirement that First Class Cities with Firefighters that serve under the Firefighters Retirement Plan, file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, First Class Cities with Firefighters that serve under the Firefighters Retirement Plan must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor website. [pages 8-9]

Section 9. [LB 110] [Amends 19-3501] Eliminates the requirement that First Class Cities and Villages file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 10-11]

Section 10. [LB 110] [Amends 23-1118] Eliminates the requirement that counties with population over 150,000 file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 10-12]

County Employees Retirement Act

Section 11. [LB 219] [Amends 23-2301] Amends the definition of actuarial equivalent. Under the amended definition, county plan members hired prior to January 1, 2018 will continue to have annuities calculated based on the 1994 mortality table. Members hired or re-hired on or after January 1, 2018 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 219] Adds new definition for date of hire.

[LB 278] Amends the definition of disability to mean an inability to engage in any substantially gainful activity due to medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the plan and which can be expected to result in death or be of a long-continued and indefinite duration. [pages 12-14]

Section 12. [Amends 23-2308.01] Change internal reference. [pages 14-15]

Section 13. [LB 278] [Amends 23-2315.01] Clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. It adds a provision that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist, which include hospice placement or similar placement for a terminal illness or injury. [page 15]

Section 14. [LB 219] [Amends 23-2317] The annuity rate used to calculate the county employee cash balance annuity will be the rate that is recommended by the actuary and approved by the Public Employees Retirement Board. This provision applies to all members regardless of the member's date of hire. [pages 15-17]

Section 15. [LB 532] [Amends 23-2323.01] For military service rendered after December 12, 1994 and prior to January 1, 2018, the employer will match contributions made by county members to make up contributions that would have been made during the period of military service.

For military service rendered on or after January 1, 2018, the county is liable for funding any obligation of the plan to provide benefits based on the period of military service. The county is responsible for payment of both employer and employee contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the Public Employees Retirement Board notifies the county, then such county is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181.

[LB 32] Eliminates the Public Employees Retirement Board's obligation to provide education to County members regarding the tax consequences of retirement options. [pages 17-18]

Section 16. [LB 32] [Amends 23-2334] Grants counties the authority to issue prior service annuity payments either monthly, quarterly, semi-annually or annually and removes the formula calculation if payments a monthly payment, which is under $10 is made annually. [page 18]

Section 17. [LB 110] [Amends 23-3526] Eliminates the requirement that county medical and multiunit facilities file an annual report on the county medical or multiunit facility's defined contribution retirement plan after December 31, 2017. [page 18]

Judges' Retirement Act

Section 18. [LB 219] [Amends 24-701] Amends the definition of actuarial equivalent. Judges hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. Judges hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 219] Adds new definition for date of hire. [pages 18-21]

Section 19. [LB 413] [Amends 24-708] Extends the period from 90 to 120 days for a judge to file for retirement in advance of qualifying for retirement. [page 21]

Section 20. [Amends 24-710.01] Internal reference change. [page 21]

Section 21. [LB 532] [Amends 24-710.04] The language is amended in the Judges' Retirement Plan to clarify that the state is liable for funding any obligation of the plan to provide benefits based on the period of military service. The state court administrator is responsible for payment of the judge's contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the Public Employees Retirement Board notifies the state court administrator, then the state court administrator is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181. [pages 21-22]

Section 22. [LB 413] [Amends 24-710.15] Clarifies that the additional payment the PERB may authorize for Tier 2 Judges if the plan is over 100% funded, is in fact a one-time payment and is not a COLA adjustment. The current language refers to it as a one-time adjustment rather than a one-time payment. [page 22]

Section 23. [LB 110] [Amends 71-1631.02] Eliminates the requirement that Local Boards of Health file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Local Boards of Health must electronically file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor and posted on the Auditor's website. [pages 22-23]

School Employees Retirement Act

Section 24. [Amends 79-902]

[LB 219] Amends the definition of actuarial equivalent School employees hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. School employees hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary & approved by Public Employees Retirement Board.

[LB 31] Amends the definition of creditable service in the School Employees Retirement Act. Creditable service for employees hired prior to July 1, 2018 will continue to include leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

For employees hired on or after July 1, 2018, types of leave that qualify for creditable service are specified in statute and include: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer.

[LB 219] Adds new definition for date of hire.

[LB 278] Amends the definition of disability in the School Employees Retirement Act to clarify that disability is the inability to engage in any substantially gainful activity. It also clarifies a disability must be initially diagnosed or become disabling while the member is an active participant in the plan and the disability is expected to be of a long-continued duration or result in death.

[LB 415] Inserts new definition for early retirement inducement. [pages 23-27]

Section 25. [LB 415] [Amends 79-904.01] Changes internal reference. [pages 27-28]

Section 26. [LB 415] [Amends 79-921] Adds a duty for the employer and the member to certify under penalty of prosecution, whether or not the member was offered and received an early retirement inducement, and to certify that prior to the member's retirement there was no prearranged agreement to provide service in any capacity.

The Public Employees Retirement is granted authority to adopt rules and regulations to ensure full disclosure and reporting in order to minimize fraud and abuse. [pages 28-29]

Section 27. [LB 532] [Amends 79-926] The language is amended to clarify that the employer is liable for funding any obligation of the plan to provide benefits based on the period of military service. The employer is responsible for payment of both employer and member contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the Public Employees Retirement Board notifies the employer, then the employer is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181. [pages 29-30]

Section 28. [LB 415] [Amends 79-931] Creates a new modified Rule of 85 in the School Plan for a member hired or re-hired on or after July 1, 2018. In order to receive an unreduced benefit, a new member must be at least 60 years of age and the sum of the member's age and years of service must total 85, or the member must be at least 65 years of age with at least 5 years of service. [page 30]

Section 29. [LB 31] [Amends 79-933.08] Only the member may purchase creditable service; the employer will no longer have the authority to purchase creditable service. [page 30]

Section 30. [LB 415] [Amends 79-934] A member who is hired or who has taken a refund or retirement and is hired or rehired on or after July 1, 2018 must have completed at least 25 years of service and reached at least 60 years of age in order to receive an unreduced retirement benefit. For members hired on or after July 1, 2016 and prior to July 1, 2018 the member must be at least 55 years of age and meet the Rule of 85 in order to receive an unreduced retirement benefit. [pages 30-32]

Section 31. [LB 278] [Amends 79-951] Strikes the current statutory language regarding disability and replaces it with the same reorganized provisions and clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. These changes are made to ensure compliance with Internal Revenue Code requirements for qualified pension plans. Eliminates the 5-year period for a terminated member to apply for a work-related disability – all disability applications must be filed within one year of termination. The Public Employees Retirement Board is authorized to promulgate rules and regulations to carry out these provisions. [pages 32-33]

Section 32. [LB 278] [Amends 79-954] Technical word change. [page 33]

Section 33. [LB 31] [Amends 79-958] Strikes the reference to section 79-933.08 from the statutes cited regarding employer purchase of creditable service. [page 33]

Class V School Employees Retirement Act

Section 34. [Amends 79-978] Definitions

[LB 31] Amends the definition of creditable service in the Class V School Employees Retirement Act. Creditable service for employees hired prior to July 1, 2018 will continue to include leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

For employees hired on or after July 1, 2018, types of leave that qualify for creditable service are specified in statute and include: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer.

[LB 415] Inserts new definition for date of hire

[LB 415] Inserts new definition for early retirement inducement

[LB 415] Inserts new definition for employer

[LB 415] Inserts new definition for substitute

[LB 415] Inserts new definition for temporary employee [pages 33-35]

Section 35. [LB 415] [Amends 79-978.01] Adds references to new sections. [pages 35-36]

Section 36. [LB 110] [Amends 79-987] Beginning May 1, 2018 the Class V School Employees Retirement System shall file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. [page 36]

Section 37. [LB 415] [Amends 79-992] Strikes the term severance and inserts the newly defined term termination; includes an internal reference to new section. [pages 36-37]

Section 38. [LB 415] [NEW SECTION] Creates a duty for the employer and the member to certify under penalty of prosecution, whether or not the member was offered and received a retirement incentive, and to certify that prior to the member's retirement there was no prearranged agreement to provide service in any capacity.

The Board of Trustees is granted authority to adopt rules and regulations to ensure full disclosure and reporting in order to minimize fraud and abuse. [page 37]

Section 39. [LB 415] [NEW SECTION] Adds penalty section that tracks the penalty section in the School Employees Retirement Act regarding false or fraudulent claim or benefit application -- Class II misdemeanor (6 months, $1000, or both; minimum none). Also creates penalty for employer refusal to furnish information and establishes Class V misdemeanor penalty (no imprisonment, $100 fine – minimum none). [page 37]

Section 40. [LB 415] [Amends 79-9,100.01] In the Class V School Employees Retirement Plan, for employees hired on or after July 1, 2018, the new modified Rule of 85 will apply which includes a minimum retirement age of 60 in order to receive an unreduced benefit. [pages 37-38]

Section 41. [LB 415] [Amends 79-9,105] Amends the disability section to reflect the new modified Rule of 85 for employees hired on and after July 1, 2018 as it relates to retirement annuity for a disabled member. [pages 38-39]

Nebraska State Patrol Retirement Act

Section 42. [LB 219] [Amends 81-2014] Amends the definition of actuarial equivalent. Patrol officers hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. Patrol officers hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 219] Adds new definition for date of hire

[LB 413] The definition of officer in the State Patrol plan is clarified to describe eligibility for membership in the State Patrol Plan by: (1) referring to the definition of law enforcement officer in section 81-1401, the definitional section of the Nebraska State Patrol's enabling legislation; and (2) stating that a law enforcement officer who is granted a conditional appointment contingent upon completion of a training program approved by the Nebraska Police Standards Advisory Council is excluded from the definition.

It reaffirms the current eligibility provision for plan membership. Trooper candidates are enrolled in the State Employees Retirement Plan while they attend their training program and become eligible for membership in the State Patrol plan only upon graduation and becoming sworn officers. None of these technical changes impact plan eligibility or the retirement benefits for plan members [pages 39-40]

Section 43. [LB 413] [Amends 81-2025] Extends the period from 90 to 120 days for an officer to file for retirement prior to qualifying for retirement. [pages 40-41]

Section 44. [LB 532] [Amends 81-2034] The language is amended to clarify that the state is liable for funding any obligation of the plan to provide benefits based on the period of military service. The Nebraska State Patrol is responsible for payment of both employer and officer contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the Public Employees Retirement Board notifies the Nebraska State Patrol, then the Nebraska State Patrol is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to the Nebraska Military Code -- sections 55-101 to 55-181. [pages 41-42]

Section 45. [LB 110] [Amends 84-304] Through December 31, 2017, the Auditor may conduct audits on the reports filed by the Nebraska Association of Resource Districts, the Wyuka Cemetery, First Class Cities and Villages, counties with population over 150,000, and county medical and multi-unit facilities.

Beginning on the effective date of the act, the Auditor is directed to prescribe the form for annual filing of the defined benefit plans by Metropolitan Class cities, Metro Area Transit, Metropolitan Utility District, First Class Police and Firefighters, Local Boards of Health and Class V School Employees and to post the annual reports on the Auditor website. [pages 42-43]

Section 46. [LB 110] [Amends 84-304.02] The Auditor may review the reports of any of the political subdivision entities that file annual reports with the Auditor. [page 43]

State Employees Retirement Act

Section 47. [Amends 84-1301] Definition changes

[LB 219] Amends the definition of actuarial equivalent. State plan members hired prior to January 1, 2018 will continue to have annuities calculated based on the 1994 mortality table. Members hired or re-hired on or after January 1, 2018 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 219] Adds new definition for date of hire

[LB 278] Amends the definition of disability in the State Employees Retirement Act to clarify that disability is the inability to engage in any substantially gainful activity. It also clarifies a disability must be initially diagnosed or become disabling while the member is an active participant in the plan and the disability is expected to be of a long-continued duration or result in death. [pages 43-46]

Section 48. [Amends 84-1309.02] Internal reference change. [pages 46-47]

Section 49. [LB 219] [Amends 84-1319] The annuity rate used to calculate the state employee cash balance annuity will be the rate that is recommended by the actuary and approved by the Public Employees Retirement Board. This applies to all members regardless of their date of hire.

[LB 32] Eliminates the Public Employees Retirement Board's obligation to provide education to state plan members regarding the tax consequences of retirement options. [pages 47-48]

Section 50. [LB 278] [Amends 84-1323.01] Clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. It adds a provision that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist, which include hospice placement or similar placement for a terminal illness or injury. [pages 48-49]

Section 51. [LB 532] [Amends 84-1325] For military service rendered after December 12, 1994 and prior to January 1, 2018, the employer will match contributions made by state members to make up contributions that would have been made during the period of military service.

For military service rendered on or after January 1, 2018, the state is liable for funding any obligation of the plan to provide benefits based on the period of military service. The agency employing the employee is responsible for payment of both employer and employee contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the Public Employees Retirement Board notifies the agency employing the member, then such agency is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181. [pages 49-50]

Section 52. [LB 110] [Amends 84-1503] The Public Employees Retirement Board is no longer required to prescribe and furnish forms for the annual reports after December 31, 2017. [pages 50-52]

Section 53. Severance clause. [page 52]

Section 54. Repealers [page 52]

Section 55. Emergency Clause [page 52]

AMENDED INTO OTHER BILLS AND ENACTED

LB 31 Change school retirement plan provisions relating to service credits

LB 31 makes two changes to the School Employees and Class V School Employees Retirement Acts. For employees hired on or after July 1, 2017, creditable service includes only the days and types of leave specifically itemized which includes: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer. For employees hired prior to July 1, 2017 creditable service leave days remain unchanged and includes leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

Also under LB 31, in the School Employees Retirement Act the authority of the employer to purchase creditable service for a member is deleted. The employee may still purchase creditable service.

LB 32 Eliminate a duty of the Public Employees Retirement Board and change provisions relating to prior service retirement benefit payments for county employees

LB 32 changes the frequency and method of calculation of the county prior service annuity payments in the County Employees Retirement Act. Currently payments may be made monthly, however if the payment is less than $10 then the payment may be made annually with each annual payment equal to 11.54 times the monthly payment. LB 32 removes the annual formula calculation and grants the county authority to pay the annuity monthly, quarterly, semi-annually or annually.

The bill also eliminates the obligation of the Public Employees Retirement Board to provide county and state employees information on federal and state income tax consequences of the various annuities or retirement benefit options.

LB 110 Change duties and requirements relating to certain retirement plan reporting and change duties of the Auditor of Public Accounts and the Public Employees Retirement Board

LB 110 eliminates the obligation of political subdivisions to file annual reports on defined contribution plans after December 31, 2017 and deletes the requirement for the Public Employees Retirement Board to design and provide the annual reporting form.

Beginning December 31, 2018 political subdivisions that offer defined benefit plans must electronically file an annual report with the Auditor of Public Accounts and the Nebraska Public Employees Retirement Systems Committee on a reporting form created by the Auditor. The Auditor of Public Accounts is required to post the annual reports on its website.

LB 219 Change retirement system provisions relating to authorized benefit elections and actuarial assumptions

LB 219 amends the definition of actuarial equivalent in each state-administered retirement plan. Members hired or rehired prior to the effective dates will continue to have annuities calculated based on the 1994 mortality table. All plan members hired or rehired on or after the respective effective dates in each plan will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board. The new language will allow the mortality table to be updated as actuarially determined without requiring a change in statute.

The updated mortality table will apply to employees hired on or after July 1, 2017 in the Judges', State Patrol and School Employees Retirement defined benefit plans. The updated mortality table will apply to employees hired on or after January 1, 2018 for the State and County Employees Retirement defined contribution and cash balance plans. The defined benefit plans are based on the fiscal year and the defined contribution and cash balance plans are based on the calendar year.

The annuity rate used to calculate a county or state employee cash balance annuity is the rate recommended by the actuary and approved by the Public Employees Retirement Board which may be, but is not required to be the assumed rate. This provision applies to all members regardless of the member's date of hire. A definition is added in each plan for hire date or date of hire. The description of the mortality tables in each of the plans are amended based on technical language changes recommended by the actuary.

LB 278 Redefine disability and change disability retirement application and medical examination provisions for various retirement acts

The definition of disability in the County, State and School Employees Retirement Acts clarifies that disability is the inability to engage in any substantially gainful activity. It also clarifies a disability is expected to be of a long-continued duration or will result in death. The disability must be initially diagnosed or become disabling while the member is an active participant in the plan.

It adds a provision to the County and State plans, similar to the School plan, that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist including hospice placement or similar placement for a terminal illness or injury. In the School plan it deletes the five-year window for school plan member to file for a work-related disability. All disability applications must be filed within one year of termination of employment.

LB 413 Change a retirement application timeframe for judges and State Patrol officers as prescribed, change supplemental lump-sum COLAs under the Judges Retirement Act

LB 413 is a technical clean-up bill introduced at the request of the Public Employees Retirement Board. Members of the Judges and State Patrol plans will be able to file for retirement 120 days rather than 90 days prior to qualifying for retirement. The 120 day timeframe is consistent with the length of time allowed in the School plan, which is the other defined benefit plan administered by the Public Employees Retirement Board.

In the Judges' plan it clarifies that the supplemental payment the Public Employees Retirement Board may grant is in fact, a one-time supplemental payment and not a cost-of-living adjustment. Judges hired after July 1, 2015 are eligible for the discretionary supplemental payment if the plan is 100% funded.

The definition of officer in the State Patrol plan is clarified to describe eligibility for membership in the State Patrol Plan by: (1) referring to the definition of law enforcement officer in section 81-1401, the definitional section of the Nebraska State Patrol's enabling legislation; and (2) stating that a law enforcement officer who is granted a conditional appointment contingent upon completion of a training program approved by the Nebraska Police Standards Advisory Council is excluded from the definition. It reaffirms the current eligibility provision for plan membership. Trooper candidates are enrolled in the State Employees Retirement Plan while they attend their training program. They become eligible for membership in the State Patrol plan only upon graduation and becoming sworn officers.

None of these technical changes will have an impact on plan eligibility, cost-of-living protocol implementation, retirement eligibility or the retirement benefits for members of either plan.

LB 532 Change provisions relating to a military service credit for certain retirement plans as prescribed

Under the language in LB 532 the state is liable for funding any obligation in the Judges', State Patrol and State Employees Retirement plans to provide benefits based on the period of military service provided by the returning member. The county in which the employee is employed, and the school district in which a school member is employed is responsible respectively, to provide funding for benefits based on the period of military service provided by the returning member.

The funding obligations in the Judges', State Patrol and School defined benefit plans begin on May 24, 2017, and the obligations in the County and State Employees plans begins on January 1, 2018. Prior to January 1, 2018, the county or state is obligated only to match the amount of the contribution made by such county or state plan member for periods of military service provided by the employee.

It establishes a timeframe in each of the plans for the respective employer/entity to comply with the funding obligation to the Nebraska Public Employees Retirement Systems and also clarifies what is not included in the funding obligation. If the payment is not made to Nebraska Public Employees Retirement Systems within 18 months of the date that the Public Employees Retirement Board notifies the appropriate employer/entity, then that employer/entity is also liable for payment of listed actuarial and interest costs.

In the County plan, the county is liable for funding the obligations to the plan during the period of military service.

In the Judges' plan, the state court administrator is liable for funding the obligations to the plan during the period of military service.

In the School plan, the employer/school district is liable for funding the obligations to the plan during the period of military service.

In the State Patrol plan, the Nebraska State Patrol is liable for funding the obligations to the plan during the period of military service.

In the State Employees plan, the agency re-employing the returning member is liable for funding the obligations to the plan during the period of military service.

The Public Employees Retirement Board may promulgate rules and regulations for all the plans to include, but not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; (4) documentation necessary to verify re-employment under USERRA; and (5) acceleration of the employer's payment due to unforeseen circumstances.

The liability for payment of contributions in all of the plans only applies to military service that falls within the definition of uniformed service under USERRA and does not include service provided pursuant to the Military Code which is found in sections 55-101 to 55-181.

INDEFINITELY POSTPONED

LB 79 Adopt the Small business Retirement Marketplace Act

LB 79 creates the Small Business Retirement Marketplace Program in the State Treasurer's Office. It directs the State Treasurer to work with private sector financial services to develop products for the program and consult with a number of state agencies to design and implement the plan and ensure that the private sector financial services firms are in good standing with the State.

The State Treasurer is also directed to ensure that approved plans are compliant with any federal laws or Internal Revenue Code regulations, and is required to contract with a private entity or entities to, among other duties, establish a protocol to approve the qualifications of private financial services and identify and promote federal and state tax credits and benefits for marketplace participants.

A biennial report must be sent by the State Treasurer to the Legislature on the effectiveness and efficiency of the marketplace.

BILLS HELD IN COMMITTEE

LB 30 Provide for a cash balance benefit plan by cities of the metropolitan and primary classes for certain police officers or firefighters as prescribed

After an unspecified date, metropolitan and primary class cities may only offer a cash balance benefit plan to police officers and firefighters hired on or after that date. Police officers and firefighters must satisfy all eligibility requirements defined by the employer in order to be eligible to participate in the cash balance retirement plan.

The cash balance benefit will be equal to the employee's contributions plus interest credits and if vested, the city's contributions plus interest credits and any dividend amounts in accordance with the bargaining agreement and reflected in the city ordinance.

A supplemental plan may be included for cash balance plan members who do not participate in Social Security. The auxiliary benefit under the supplemental plan will be funded by additional contributions.

LB 412 Provide duties for the state investment officer relating to investment in energy-related companies or funds

LB 412 directs the State Investment Office to review state investments and determine the extent to which state funds are invested in companies or funds which derive a substantial portion of their revenue from extraction or combustion of fossil fuels, or clean energy. It also directs the State Investment Officer to review the opportunities for investment in clean energy and begin the process of investment in companies that create clean energy to the extent it is consistent with prudent investment strategies. A report must be submitted to the Legislature and Governor by December 15, 2017 on the volatility and risk associated with identified fossil fuel investments.

LB 414 Provide an employer contribution and a state contribution for judges' retirement as prescribed and change provisions relating to distribution and remittance of court fees

LB 414 creates an employer contribution in the Judges' Retirement Plan with an unspecified contribution rate. The earmarked court fees in the county, district, Supreme Court and Court of Appeals for the Judges' Retirement Fund are eliminated. Previously earmarked fund amounts would be deposited into the General Fund.

LB 548 Provide for the consolidation of the Class V school employees' retirement system and the School Employees Retirement System of the State of Nebraska

LB 548 closes the Class V (Omaha) School Employees Retirement Plan (OSERS Plan) June 30, 2019 and consolidates the OSERS Plan with the School Employees Retirement Plan (School Plan) beginning July 1, 2020. OSERS Plan members who transfer to the School Plan will continue to receive the benefits provided under the OSERS Plan. Omaha public school employees hired on and after July 1, 2020 after that date will become members of the School Plan.

The Nebraska Retirement Systems Committee of the Legislature is required to contract with an actuary prior to July 1, 2020 to provide a detailed actuarial analysis that will identify the additional contribution that the Omaha public school district must pay each year to achieve the same funding ratio as the School Plan's funding ratio as of June 30, 2020.

In addition to the annual employer contribution for all previous employees, Omaha public school district must pay an annual contribution on the last day of each fiscal year beginning fiscal year ending June 30, 2021 and continuing through each fiscal year through fiscal year ending on June 30, 2051. Under LB 548, the full amount of all 9.88% employer contribution for all OSERS members and additional payments would be outside the levy lid under 79-1028.01.

JUDICIARY COMMITTEE BILL THAT IMPACTS THE JUDGES' RETIREMENT SYSTEM

LB 647 Change judges' salaries

LB 647 increases salaries for the Chief Justice and judges of the Supreme Court of the State of Nebraska. Under LB 647 as enacted, the salary of the judges of the Supreme Court will be $173,693.97 effective from July 1, 2017 through December 31, 2018 and $176,299.38 effective after January 1, 2019. The increases equates to 1% effective July 1, 2017 and 1.5% effective January 1, 2019.

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V. Bill Status Chart

LB	INTRODUCER	ONE-LINER	HEARING DATE	ACTION
LB 29	*(Kolterman)*	Eliminate the Class V School Employees Retirement Cash Fund	Jan 19	Enacted
LB 30	*(Kolterman)*	Provide for a cash balance plan by cities of the metropolitan & primary classes for certain police officers or firefighters	Feb 7	Held in Committee
LB 31	*(Kolterman)*	Change school retirement plan provisions relating to service credits	Feb 27	Amended into LB 415 and enacted
LB 32	*(Kolterman)*	Change county prior service annuity; delete PERB obligation tax consequence education	Jan 24	Amended into LB 415 and enacted
LB 79	*(Blood)*	Adopt the Small Business Retirement Marketplace Act	Jan 27	Indefinitely Postponed
LB 94	*(Kolterman)*	Increase amount of funds offered by the State Investment Officer to financial institutions as deposits under the Nebraska Capital Expansion Act	Jan 19	Enacted
LB 110	*(Kolterman)*	Change duties & requirements relating to certain retirement plan reporting & change duties of the Auditor and PERB	Jan 24	Amended into LB 415 and enacted
LB 219	*(Ret. Comm.)*	Change retirement system provisions relating to authorized benefit elections & actuarial assumptions	Jan 31	Amended into LB 415 and enacted
LB 278	*(Kolterman)*	Redefine disability and change disability retirement application in County, State & School plans	Feb 3	Amended into LB 415 and enacted
LB 412	*(Bolz)*	Provide duties for State Investment Officer relating to investment in energy-related companies or funds	Feb 21	Held in Committee
LB 413	*(Kolterman)*	Change retirement application timeframe for judges and troopers; change the supplemental lump-sum cost of living language	Feb 3	Amended into LB 415 and enacted
LB 414	*(Kolterman)*	Provide an employer contribution and state contribution for judges' retirement & change provisions relating to distribution and remittance of court fees	Feb 10	Held in Committee
LB 415	*(Kolterman)*	Provide/change notification requirements, duties & benefits for members; change certain annuity & disability benefit provisions; provide duties for school districts & PERB	Feb 27	Enacted
LB 532	*(Kolterman)*	Change provisions relating to military service credit for certain retirement plans	Feb 13	Amended into LB 415 and enacted
LB 548	*(Lindstrom)*	Provide for the consolidation of the Class V school employees' retirement system the School Employees Retirement System of the State of Nebraska	Feb 23	Held in Committee

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VI. Interim Study Resolutions

LR 91

Introduced by Senator Kolterman

PURPOSE: The purpose of this study is to examine the public employees' retirement systems administered by the Public Employees Retirement Board, including the State Employees Retirement System, the County Employees Retirement System, the School Employees Retirement System, the Nebraska State Patrol Retirement System, and the Judges Retirement System. The study may also examine the Class V School Employees Retirement System administered under the Class V School Employees Retirement Act.

The study will examine issues as they relate to the funding needs, benefits, contributions, and the administration of each retirement system.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIFTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purpose of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

LR 92

Introduced by Senator Kolterman

PURPOSE: The purpose of this study is to carry out the provisions of Neb. Rev. Stat. 13-2402, which requires the Nebraska Retirement Systems Committee to monitor underfunded defined benefit plans administered by political subdivisions. The study committee shall conduct a public hearing for the presentation of reports by all political subdivisions with underfunded defined benefit plans.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIFTH LEGISLATURE OF NEBRASKA, FIRST SESSION

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings to the Legislative Council or Legislature.

LR 202

Introduced by Senators Kolterman, Baker, Bolz, Groene, Kolowski, Lindstrom, Pansing Brooks, Stinner, Walz and Williams

PURPOSE: The purpose of this resolution is to examine bona fide severance of employment compliance requirements under the Internal Revenue Code as related to maintaining section 401(a) qualified defined benefit plans.

The study shall include, but not be limited to, an examination of:

1. The requirement for a participant to experience a permanent and complete severance of the employer-employee relationship;

2. The obligation to administer the retirement systems in both form and operation, meaning how a plan is created and how the law is executed;

3. The challenged faced by the Nebraska Public Employees Retirement Systems and Public Employees Retirement Board in administering a multiple-employer plan which includes over 265 school districts and numerous educational service units and state school employers, and maintaining compliance with federal law; and

4. Substitute teacher service.

In addition, the study committee shall examine the use of early retirement inducements, including, but not limited to, the cost impact on funding the school retirement systems.

In carrying out is review, the Nebraska Retirement Systems Committee of the Legislature shall work with the Education Committee of the Legislature in collecting data and examining the use of and need for substitute teachers and the use of voluntary service agreements.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIFTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purpose of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

Interim Study in another committee that may impact the retirement systems

LR 130

Introduced by Groene, 42; Ebke, 32; Erdman, 47; Friesen, 34; Linehan, 39.

PURPOSE: The purpose of this resolution is to examine issues related to the use of substitute teachers. The study shall focus on when and why substitute teachers are used, the use of substitute teachers due to sabbaticals or professional development activities and conference attendance by certificated teachers, how frequently substitute teachers are used for various purposes, the fiscal impact of using substitute teachers, and the relationship between collective bargaining agreements and the use of substitute teachers.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIFTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Education Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

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VII. APPENDICES

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APPENDIX A

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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

April 21, 2017

Ms. Phyllis Chambers
Executive Director
Nebraska Public Employees Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Change to Rule of 85 Retirement Eligibility for Nebraska School Retirement System

Dear Phyllis:

Committee Amendment 923 to LB 415 contains a number of changes to different plan provisions applicable to the five public retirement plans administered by the Nebraska Public Retirement System. We previously provided you with a letter regarding the actuarial analysis for some of the changes. However, Committee Amendment 923 to LB 415 contains a modification to the Rule of 85 for School members that has not yet been studied. Currently, the minimum age for retirement under the Rule of 85 is age 55. LB 415, as amended by the Committee, would require a minimum age of 60 for those retiring under the Rule of 85 (referred to in this study as the "Modified Rule of 85"). At your request, we have prepared an actuarial analysis of the estimated financial impact of this change on the Nebraska School Retirement System's funding in the future. **Please note that, at your direction, none of the other changes in LB 415, as amended by the Committee, are reflected in this study.**

The change to eligibility for retirement under the Rule of 85 will only apply to new employees hired after June 30, 2018, i.e., current members and those hired before July 1, 2018 will remain under the current benefit provisions which permit retirement under Rule of 85 once a member is age 55. The calculations reflected in this study are based on the data, plan provisions, and results of the July 1, 2016 actuarial valuation of the School Retirement System, but reflect the use of the updated set of actuarial assumptions adopted by the Public Employees Retirement Board (PERB) at their October 17, 2016 meeting with one exception. For purposes of analyzing the cost impact of the Modified Rule of 85 provision, the retirement rates for those hired after June 30, 2018 were adjusted to reflect the anticipated impact of moving the earliest retirement age under the Rule of 85 from age 55 to age 60. By delaying the first age at which benefits can be paid under the Rule of 85 from 55 to 60, the expectation is that those who would have retired before age 60 (if the current rules continued to be in effect) will retire when first eligible (at age 60). As a result, a greater proportion of eligible members are expected to retire once they reach age 60 than is currently assumed. Consequently, the current retirement rates were adjusted for the Modified Rule of 85 by eliminating the rates for ages under 60 and increasing the probability of retirement at age 60 from 25% to 45%. Please see Exhibit C for disclosure of the current retirement assumptions as well as those used in this cost study. All other assumptions were unchanged. Note that for members hired after June 30, 2018 who meet the Rule of 85 before age 60, the applicable withdrawal rates are applied.

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Results

One way to evaluate the cost impact of the proposed benefit changes is to consider the ultimate normal cost rate once all active members are in the new tier (Tier 3 members, i.e., hired after June 30, 2018). This rate reflects the ongoing annual cost of the benefit structure, based on the assumptions used and the demographics of the covered employees. Because the employee, employer, and State contribution rates are fixed in statute, any reduction in the normal cost rate results in the improvement of the Plan's funded status or a reduction in the additional contributions required by the State. The following table shows the change in the normal cost rate in 2046 when most members will be in the new tier.

	Normal Cost Rate
Current provisions	12.56%
Proposed provisions (Tier 3)	12.19%

Because the cost impact of changes to the benefit provisions that apply solely to new hires takes many years to unfold, valuation results were modeled over the next 30 years assuming that all actuarial assumptions, including the 7.5% assumed investment return, are met each year. We further assumed that as current School members leave covered employment, they are replaced by new members who have similar demographic characteristics as those observed in recent new hires. The exhibits attached to this letter provide selected valuation output measures and contribution requirements to illustrate the estimated cost impact of the Modified Rule of 85 provision over the projection period. As the study illustrates, this change has a minimal impact on the System's funding over the long term.

Exhibit A compares the actuarial required funding by year under the benefit provisions of the current law and under the School benefit structure with the Modified Rule of 85. Exhibit B provides comparative information on the key funding measurements of the System including the actuarial value of assets, actuarial liability and unfunded actuarial liability for the entire thirty-year projection period.

Disclaimers, Caveats, and Limitations

The numerical charts that are attached to this letter, and the quantification of the normal cost rate and actuarial accrued liability for the new tier, are based primarily on the July 1, 2016 valuation results, the actuarial assumptions adopted by the PERB at their October 17, 2016 meeting, the actuarial methods used in that 2016 valuation (unless otherwise noted elsewhere in this letter), and a projection model prepared by the System's actuary, Cavanaugh Macdonald Consulting, LLC. Significant items are noted below:

- The investment return assumed in all future years was assumed to be 7.5% on a market value basis.
- The assumptions those adopted by the PERB at their October 17, 2016 meeting, unless otherwise noted, and are assumed to be met in all future years.
- The number of active members in the System in the future is assumed to remain level (neither grow nor decline). As current active members leave covered employment they are assumed to be replaced with new employees who have a similar demographic profile as recent new entrants to the Plan.
- Benefits are reflected as provided under current law for the baseline results. For the cost study, only the change to the benefit structure modeled is the increase in the minimum age from 55 to 60 under the Rule of 85, as described elsewhere in this letter.

- We relied on the membership data provided for the actuarial valuation. If there are material inaccuracies in the data, the results presented herein may be different and the projections may need to be revised.

Models are designed to identify anticipated trends and to compare various scenarios rather than predicting some future state of events. The projections are based on the System's estimated financial status on July 1, 2016, using the updated assumptions adopted by the PERB in October, 2016. The projections model future events using one set of assumptions out of a range of many alternate assumption sets that are also reasonable. A different set of assumptions would provide different results, which could vary significantly from those in this study.

The projections do not predict the System's financial condition or its ability to pay benefits in the future and do not provide any guarantee of future financial soundness of the System. Over time, a defined benefit plan's total cost will depend on a number of factors, including the amount of benefits paid, the number of people paid benefits, the duration of the benefit payments, plan expenses, and the amount of earnings on assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the time the projections were prepared. Because not all of the assumptions will unfold exactly as expected, actual results will differ from the projections. To the extent that actual experience deviates significantly from the assumptions, results could be significantly better or significantly worse than indicated in this study.

We, Patrice A. Beckham, FSA and Brent A. Banister, FSA, are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions or provide additional information as needed.

Please let us know if there are additional questions that arise related to the information presented in this letter. We would be happy to provide additional analysis if needed.

Sincerely,

Patrice Beckham

Patrice A. Beckham, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

Brent A. Banister

Brent A. Banister, PhD, FSA, FCA, EA, MAAA
Chief Pension Actuary

Exhibit A

Nebraska School Retirement System

Comparison of Valuation Results for Current Provisions Versus Modified Rule of 85 Retirement Provision

	Current Provisions					Modified Rule of 85					
Year (7/1)	Total Payroll ($M)	Actuarial Required Contribution Rate	Total Statutory Contribution Rates*	Additional Required State Contribution Rate	Additional Required State Contribution Amount ($M)**	Total Payroll ($M)	Actuarial Required Contribution Rate	Sum of Statutory Contribution Rates*	Additional Required State Contribution Rate	Additional Required State Contribution Amount ($M)**	Change to Add'l State Contribution Amount ($M)
2016	1,902.0	16.59%	21.66%	0.00%	0.0	1,902.0	16.59%	21.66%	0.00%	0.0	0.0
2017	1,912.9	20.28%	21.66%	0.00%	0.0	1,912.9	20.26%	21.66%	0.00%	0.0	0.0
2018	1,936.5	20.52%	21.66%	0.00%	0.0	1,936.5	20.50%	21.66%	0.00%	0.0	0.0
2019	1,963.4	21.22%	21.66%	0.00%	0.0	1,963.4	21.18%	21.66%	0.00%	0.0	0.0
2020	1,992.5	21.70%	21.66%	0.04%	0.8	1,992.5	21.63%	21.66%	0.00%	0.0	(0.8)
2021	2,024.0	21.80%	21.66%	0.14%	2.9	2,024.0	21.74%	21.66%	0.08%	1.7	(1.2)
2022	2,057.6	21.92%	21.66%	0.26%	5.4	2,057.6	21.84%	21.66%	0.18%	3.7	(1.6)
2023	2,092.6	22.03%	21.66%	0.37%	7.8	2,092.6	21.93%	21.66%	0.27%	5.7	(2.1)
2024	2,129.5	22.14%	21.66%	0.48%	10.3	2,129.5	22.03%	21.66%	0.37%	7.9	(2.3)
2025	2,168.0	22.26%	21.66%	0.60%	13.1	2,168.0	22.14%	21.66%	0.48%	10.5	(2.6)
2026	2,207.9	22.37%	21.66%	0.71%	15.7	2,207.9	22.24%	21.66%	0.58%	12.9	(2.9)
2027	2,249.6	22.49%	21.66%	0.83%	18.7	2,249.6	22.35%	21.66%	0.69%	15.6	(3.1)
2028	2,292.6	22.60%	21.66%	0.94%	21.6	2,292.6	22.46%	21.66%	0.80%	18.4	(3.2)
2029	2,336.8	22.72%	21.66%	1.06%	24.8	2,336.8	22.57%	21.66%	0.91%	21.3	(3.5)
2030	2,382.1	22.85%	21.66%	1.19%	28.4	2,382.1	22.68%	21.66%	1.02%	24.3	(4.1)
2031	2,428.6	22.98%	21.66%	1.32%	32.1	2,428.6	22.79%	21.66%	1.13%	27.5	(4.6)
2032	2,476.2	23.11%	21.66%	1.45%	36.0	2,476.2	22.91%	21.66%	1.25%	31.0	(5.0)
2033	2,525.5	23.24%	21.66%	1.58%	40.0	2,525.5	23.03%	21.66%	1.37%	34.7	(5.3)
2034	2,577.3	23.37%	21.66%	1.71%	44.1	2,577.3	23.15%	21.66%	1.49%	38.5	(5.7)
2035	2,631.2	23.50%	21.66%	1.84%	48.5	2,631.2	23.26%	21.66%	1.60%	42.2	(6.3)
2036	2,686.4	19.33%	21.66%	0.00%	0.0	2,686.4	19.09%	21.66%	0.00%	0.0	0.0
2037	2,742.7	20.10%	21.66%	0.00%	0.0	2,742.7	19.83%	21.66%	0.00%	0.0	0.0
2038	2,800.5	19.82%	21.66%	0.00%	0.0	2,800.5	19.52%	21.66%	0.00%	0.0	0.0
2039	2,860.6	17.89%	21.66%	0.00%	0.0	2,860.6	17.57%	21.66%	0.00%	0.0	0.0
2040	2,923.0	15.54%	21.66%	0.00%	0.0	2,923.0	15.18%	21.66%	0.00%	0.0	0.0
2041	2,988.1	12.38%	21.66%	0.00%	0.0	2,988.1	12.00%	21.66%	0.00%	0.0	0.0
2042	3,056.5	11.84%	21.66%	0.00%	0.0	3,056.5	11.42%	21.66%	0.00%	0.0	0.0
2043	3,128.5	11.26%	21.66%	0.00%	0.0	3,127.9	10.81%	21.66%	0.00%	0.0	0.0
2044	3,204.2	10.66%	21.66%	0.00%	0.0	3,203.2	10.17%	21.66%	0.00%	0.0	0.0
2045	3,284.1	10.03%	21.66%	0.00%	0.0	3,283.4	9.50%	21.66%	0.00%	0.0	0.0
2046	3,369.4	9.38%	21.66%	0.00%	0.0	3,369.7	8.82%	21.66%	0.00%	0.0	0.0
					350.1					295.7	(54.4)

* Sum of employee contribution rate of 9.78%, employer contribution rate of 9.88% and State contribution of 2.0%.

** Amounts shown are beginning of year to be paid July 1 of the following year.

The current plan provisions include eligibilty to retire with unreduced benefits if the member's age plus service equals or exceeds 85 (Rule of 85), if the member is at least age 55.
The proposed change, "Modified Rule of 85", requires members to attain age 60 before they can receive unreduced benefits under the Rule of 85.

Note: Projections are based on the July 1, 2016 actuarial valuation, but reflect the new set of actuarial assumptions adopted by the Board on October 17, 2016. The projections assume that all assumptions are met in the future, including the 7.5% assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2016 valuation report and the 2016 Experience Study report for details on the actuarial methods and assumptions used in this study.

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated April 21, 2017.

Exhibit B

Nebraska School Retirement System
Comparison of Valuation Results for Current Provisions Versus Modified Rule of 85 Retirement Provision

	Current Provisions					Modified Rule of 85				
Year (7/1)	Market Value of Assets ($M)	Actuarial Value of Assets ($M)	Actuarial Liability ($M)	Unfunded Actuarial Liability ($M)	Funded Ratio	Market Value of Assets ($M)	Actuarial Value of Assets ($M)	Actuarial Liability ($M)	Unfunded Actuarial Liability ($M)	Funded Ratio
2016	9,688.1	10,035.1	11,192.9	1,157.9	89.7%	9,688.1	10,035.1	11,192.9	1,157.9	89.7%
2017	10,197.6	10,571.2	12,502.4	1,931.2	84.6%	10,197.6	10,571.2	12,502.4	1,931.2	84.6%
2018	10,761.4	11,091.2	13,071.9	1,980.7	84.8%	10,761.4	11,091.2	13,071.6	1,980.4	84.8%
2019	11,329.2	11,454.1	13,642.8	2,188.7	84.0%	11,329.2	11,454.1	13,642.0	2,187.8	84.0%
2020	11,900.9	11,900.9	14,214.6	2,313.7	83.7%	11,900.9	11,900.9	14,212.9	2,312.0	83.7%
2021	12,477.4	12,477.4	14,787.0	2,309.6	84.4%	12,476.6	12,476.6	14,784.2	2,307.6	84.4%
2022	13,060.1	13,060.1	15,359.6	2,299.6	85.0%	13,057.9	13,057.9	15,355.3	2,297.4	85.0%
2023	13,649.7	13,649.7	15,932.0	2,282.4	85.7%	13,645.6	13,645.6	15,925.8	2,280.2	85.7%
2024	14,245.7	14,245.7	16,503.2	2,257.5	86.3%	14,239.2	14,239.2	16,494.7	2,255.5	86.3%
2025	14,848.3	14,848.3	17,072.5	2,224.2	87.0%	14,838.8	14,838.8	17,061.2	2,222.4	87.0%
2026	15,457.7	15,457.7	17,639.0	2,181.3	87.6%	15,444.8	15,444.8	17,624.5	2,179.7	87.6%
2027	16,073.5	16,073.5	18,201.7	2,128.2	88.3%	16,056.7	16,056.7	18,183.5	2,126.7	88.3%
2028	16,696.5	16,696.5	18,760.0	2,063.5	89.0%	16,675.2	16,675.2	18,737.4	2,062.2	89.0%
2029	17,326.1	17,326.1	19,312.5	1,986.5	89.7%	17,299.8	17,299.8	19,284.9	1,985.1	89.7%
2030	17,962.4	17,962.4	19,858.1	1,895.7	90.5%	17,930.5	17,930.5	19,824.7	1,894.2	90.4%
2031	18,606.0	18,606.0	20,395.6	1,789.7	91.2%	18,567.5	18,567.5	20,355.8	1,788.3	91.2%
2032	19,256.4	19,256.4	20,923.5	1,667.1	92.0%	19,210.3	19,210.3	20,876.4	1,666.1	92.0%
2033	19,913.8	19,913.8	21,440.1	1,526.3	92.9%	19,859.1	19,859.1	21,384.7	1,525.6	92.9%
2034	20,579.7	20,579.7	21,945.4	1,365.7	93.8%	20,515.4	20,515.4	21,880.8	1,365.4	93.8%
2035	21,255.7	21,255.7	22,439.0	1,183.3	94.7%	21,180.6	21,180.6	22,364.0	1,183.4	94.7%
2036	21,943.7	21,943.7	22,920.9	977.2	95.7%	21,856.5	21,856.5	22,834.4	977.9	95.7%
2037	22,590.0	22,590.0	23,390.2	800.3	96.6%	22,496.2	22,496.2	23,290.8	794.6	96.6%
2038	23,242.6	23,242.6	23,846.8	604.2	97.5%	23,141.8	23,141.8	23,733.1	591.3	97.5%
2039	23,903.9	23,903.9	24,291.3	387.4	98.4%	23,795.5	23,795.5	24,161.8	366.2	98.5%
2040	24,575.6	24,575.6	24,723.7	148.1	99.4%	24,459.2	24,459.2	24,576.7	117.5	99.5%
2041	25,260.7	25,260.7	25,144.9	(115.8)	100.5%	25,135.5	25,135.5	24,978.4	(157.0)	100.6%
2042	25,961.9	25,961.9	25,555.6	(406.3)	101.6%	25,827.3	25,827.3	25,367.8	(459.5)	101.8%
2043	26,682.6	26,682.6	25,956.9	(725.7)	102.8%	26,537.6	26,537.6	25,745.1	(792.5)	103.1%
2044	27,426.4	27,426.4	26,349.7	(1,076.7)	104.1%	27,269.6	27,269.6	26,110.9	(1,158.7)	104.4%
2045	28,196.9	28,196.9	26,734.8	(1,462.1)	105.5%	28,027.0	28,027.0	26,466.1	(1,560.9)	105.9%
2046	28,998.6	28,998.6	27,113.8	(1,884.8)	107.0%	28,815.4	28,815.4	26,813.0	(2,002.5)	107.5%

Note: Projections are based on the July 1, 2016 actuarial valuation, but reflect the new set of actuarial assumptions adopted by the Board on October 17, 2016. The projections assume that all assumptions are met in the future, including the 7.5% assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2016 valuation report and the 2016 Experience Study report for details on the actuarial methods and assumption used in this study.

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated April 21, 2017.

Exhibit C

Nebraska School Retirement System
Retirement Assumptions for Current Provisions Versus Modified Rule of 85

Assumptions under Current Provisions				Modified Rule of 85 Assumptions			
Unreduced Retirement		Reduced Retirement		Unreduced Retirement		Reduced Retirement	
Age	Rate	Age	Rate	Age	Rate	Age	Rate
55	18%			55	-		
56	15%			56	-		
57	15%			57	-		
58	15%			58	-		
59	15%			59	-		
60	25%	60	10%	60	45%	60	10%
61	25%	61	12%	61	25%	61	12%
62	30%	62	12%	62	30%	62	12%
63	25%	63	12%	63	25%	63	12%
64	25%	64	15%	64	25%	64	15%
65	30%			65	30%		
66	30%			66	30%		
67	30%			67	30%		
68	25%			68	25%		
69	25%			69	25%		
70	25%			70	25%		
71	25%			71	25%		
72	25%			72	25%		
73	25%			73	25%		
74	25%			74	25%		
75	25%			75	25%		
76	25%			76	25%		
77	25%			77	25%		
78	35%			78	35%		
79	35%			79	35%		
80	100%			80	100%		

APPENDIX B

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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

April 21, 2017

Ms. Cecelia Carter
Executive Director
Omaha School Employees Retirement System
3215 Cuming Street
Omaha, NE 68131

Re: Change to Rule of 85 Retirement Eligibility

Dear Ms. Carter:

Committee Amendment 923 to LB 415 contains a modification to the Rule of 85 for Omaha School Employees Retirement System (OSERS) members. Currently, the minimum age for retirement under the Rule of 85 is age 55. LB 415, as amended by the Committee, would require a minimum age of 60 for OSERS members retiring under the Rule of 85 (referred to in this study as the "Modified Rule of 85"). At your request, we have prepared an actuarial analysis of the estimated financial impact of this change on the Omaha School Employees Retirement System's funding in the future.

The change to eligibility for retirement under the Rule of 85 will only apply to new employees hired after June 30, 2018, i.e., current members and those hired before July 1, 2018 will remain under the current benefit provisions which permit retirement under Rule of 85 once a member is age 55. The calculations reflected in this study are based on the data and plan provisions of the most recent actuarial valuation of the Omaha School Employees Retirement System, prepared as of September 1, 2015. However, the results in this study reflect the use of the recommended set of actuarial assumptions presented to the OSERS Board of Trustees at their April 5, 2017 meeting, with one exception. For purposes of analyzing the cost impact of the Modified Rule of 85 provision, the retirement rates for those hired after June 30, 2018 were adjusted to reflect the anticipated impact of moving the earliest retirement age under the Rule of 85 from age 55 to age 60. By delaying the first age at which benefits can be paid under the Rule of 85 from 55 to 60, the expectation is that those who would have retired before age 60 (if the current rules continued to be in effect) will retire when first eligible (at age 60). As a result, a greater proportion of eligible members are expected to retire once they reach age 60 than is currently assumed. Consequently, the current retirement rates were adjusted for the Modified Rule of 85 by eliminating the rates for ages under 60 and increasing the probability of retirement at age 60. Please see Exhibit C for disclosure of the current retirement assumptions as well as those used in this cost study. All other assumptions were unchanged. Note that for members hired after June 30, 2018 who meet the Rule of 85 before age 60, the applicable withdrawal rates are applied.

Results

One way to evaluate the cost impact of the proposed benefit changes is to consider the ultimate normal cost rate once all active members are in the new tier (Tier 3 members, i.e., hired after June 30, 2018). This rate reflects the ongoing annual cost of the benefit structure, based on the assumptions used and the demographics of the covered employees. The employee, employer (School District), and State contribution rates are fixed in statute, but the School District pays any actuarial contribution in excess of those fixed rates. Therefore, any reduction in the normal cost rate results in the improvement of the Plan's funded status or a reduction in the additional contributions required by the School District. The following table shows the change in the normal cost rate in 2046 when most members will be in the new tier.

	Normal Cost Rate
Current provisions	12.58%
Modified Rule of 85 (Tier 3)	12.00%

Because the cost impact of changes to the benefit provisions for new hires takes many years to unfold, valuation results were modeled over the next 30 years assuming that all actuarial assumptions, including the 7.5% assumed investment return, are met each year. We further assumed that as current OSERS members leave covered employment, they are replaced by new members who have similar demographic characteristics as those observed in recent new hires. The exhibits attached to this letter provide selected valuation output measures and contribution requirements to illustrate the estimated cost impact of the Modified Rule of 85 provision over the projection period.

Exhibit A compares the actuarial required funding by year under the benefit provisions of the current law and under the OSERS benefit structure with the Modified Rule of 85. Exhibit B provides comparative information on the key funding measurements of the System including the actuarial value of assets, actuarial liability and unfunded actuarial liability for the entire thirty-year projection period.

Disclaimers, Caveats, and Limitations

The numerical charts that are attached to this letter, and the quantification of the normal cost rate and actuarial accrued liability for the new tier, are based primarily on the September 1, 2015 valuation, the actuarial assumptions recommended to the Board of Trustees at their April 5, 2017 meeting, the actuarial methods used in that 2015 valuation (unless otherwise noted), and a projection model prepared by the System's actuary, Cavanaugh Macdonald Consulting, LLC. Significant items are noted below:

- The investment return assumed in all future years was assumed to be 7.5% on a market value basis.
- The assumptions are those recommended as a result of the Experience Study presented to the Board of Trustees at their April 5, 2017 meeting, unless otherwise noted, and are assumed to be met in all future years.
- The number of active members in the System in the future is assumed to remain level (neither grow nor decline). As current active members leave covered employment they are assumed to be replaced with new employees who have a similar demographic profile as recent new entrants to the Plan.

- Benefits are reflected as provided under current law for the baseline results. For the cost study, the only change in the benefit structure modeled is the increase in the minimum age from 55 to 60 under the Rule of 85, as described elsewhere in this letter.
- We relied on the membership data provided for the actuarial valuation. If there are material inaccuracies in the data, the results presented herein may be different and the projections may need to be revised.

Models are designed to identify anticipated trends and to compare various scenarios rather than predicting some future state of events. The projections are based on the System's estimated financial status on September 1, 2015, using the recommended assumptions presented to the Board of Trustees at their April 5, 2017 meeting. The projections model future events using one set of assumptions out of a range of many alternate assumption sets that are also reasonable. A different set of assumptions would provide different results, which could vary significantly from those in this study.

The projections do not predict the System's financial condition or its ability to pay benefits in the future and do not provide any guarantee of future financial soundness of the System. Over time, a defined benefit plan's total cost will depend on a number of factors, including the amount of benefits paid, the number of people paid benefits, the duration of the benefit payments, plan expenses, and the amount of earnings on assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the time the projections were prepared. Because not all of the assumptions will unfold exactly as expected, actual results will differ from the projections. To the extent that actual experience deviates significantly from the assumptions, results could be significantly better or significantly worse than indicated in this study.

I, Patrice A. Beckham, FSA am a consulting actuary with Cavanaugh Macdonald Consulting, LLC. I am a member of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions or provide additional information as needed.

Please let us know if there are additional questions that arise related to the information presented in this letter. We would be happy to provide additional analysis if needed.

Sincerely,

Patrice Beckham

Patrice A. Beckham, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

Exhibit A

Omaha School Employees Retirement System
Comparison of Valuation Results for Current Provisions Versus Modified Rule of 85 Retirement Provision

	Current Provisions					Modified Rule of 85					
Year (7/1)	Total Payroll ($M)	Actuarial Required Contribution Rate	Total Statutory Contribution Rates*	Additional Required District Contribution Rate	Additional District Contribution Amount ($M)**	Total Payroll ($M)	Actuarial Required Contribution Rate	Total Statutory Contribution Rates*	Additional Required District Contribution Rate	Additional District Contribution Amount ($M)**	Change to Add'l District Contribution Amount ($M)
2016	325.7	20.99%	21.66%	0.00%	0.0	325.7	20.99%	21.66%	0.00%	0.0	0.0
2017	336.7	25.43%	21.66%	3.77%	12.7	336.7	25.39%	21.66%	3.73%	12.6	(0.1)
2018	348.7	25.68%	21.66%	4.02%	14.0	348.7	25.61%	21.66%	3.95%	13.8	(0.2)
2019	361.0	25.86%	21.66%	4.20%	15.2	361.0	25.76%	21.66%	4.10%	14.8	(0.4)
2020	373.5	25.99%	21.66%	4.33%	16.2	373.5	25.86%	21.66%	4.20%	15.7	(0.5)
2021	386.5	26.06%	21.66%	4.40%	17.0	386.5	25.91%	21.66%	4.25%	16.4	(0.6)
2022	399.7	26.11%	21.66%	4.45%	17.8	399.7	25.94%	21.66%	4.28%	17.1	(0.7)
2023	413.5	26.13%	21.66%	4.47%	18.5	413.5	25.94%	21.66%	4.28%	17.7	(0.8)
2024	427.9	26.11%	21.66%	4.45%	19.1	427.9	25.91%	21.66%	4.25%	18.2	(0.9)
2025	442.5	26.10%	21.66%	4.44%	19.7	442.5	25.88%	21.66%	4.22%	18.7	(1.0)
2026	457.6	26.07%	21.66%	4.41%	20.2	457.6	25.83%	21.66%	4.17%	19.1	(1.1)
2027	472.7	26.04%	21.66%	4.38%	20.7	472.7	25.79%	21.66%	4.13%	19.5	(1.2)
2028	488.4	26.00%	21.66%	4.34%	21.2	488.4	25.73%	21.66%	4.07%	19.9	(1.3)
2029	504.7	25.95%	21.66%	4.29%	21.7	504.7	25.67%	21.66%	4.01%	20.3	(1.4)
2030	521.0	25.90%	21.66%	4.24%	22.1	521.0	25.61%	21.66%	3.95%	20.6	(1.5)
2031	537.7	25.86%	21.66%	4.20%	22.6	537.7	25.54%	21.66%	3.88%	20.9	(1.7)
2032	555.0	25.80%	21.66%	4.14%	23.0	555.0	25.47%	21.66%	3.81%	21.2	(1.8)
2033	572.7	25.74%	21.66%	4.08%	23.4	572.7	25.39%	21.66%	3.73%	21.4	(2.0)
2034	591.1	25.67%	21.66%	4.01%	23.7	591.1	25.31%	21.66%	3.65%	21.6	(2.1)
2035	609.4	25.61%	21.66%	3.95%	24.1	609.4	25.23%	21.66%	3.57%	21.8	(2.3)
2036	628.4	25.53%	21.66%	3.87%	24.3	628.4	25.15%	21.66%	3.49%	21.9	(2.4)
2037	647.8	25.46%	21.66%	3.80%	24.6	647.8	25.05%	21.66%	3.39%	22.0	(2.7)
2038	668.0	25.37%	21.66%	3.71%	24.8	668.0	24.94%	21.66%	3.28%	21.9	(2.9)
2039	689.1	25.25%	21.66%	3.59%	24.8	689.1	24.81%	21.66%	3.15%	21.7	(3.0)
2040	711.1	25.11%	21.66%	3.45%	24.5	711.1	24.66%	21.66%	3.00%	21.3	(3.2)
2041	734.1	24.91%	21.66%	3.25%	23.9	734.1	24.45%	21.66%	2.79%	20.5	(3.4)
2042	758.6	24.62%	21.66%	2.96%	22.5	758.6	24.14%	21.66%	2.48%	18.8	(3.6)
2043	784.2	24.05%	21.66%	2.39%	18.8	784.3	23.59%	21.66%	1.93%	15.2	(3.6)
2044	810.7	12.59%	21.66%	0.00%	0.0	810.7	12.03%	21.66%	0.00%	0.0	0.0
2045	838.2	12.58%	21.66%	0.00%	0.0	838.3	12.01%	21.66%	0.00%	0.0	0.0
2046	866.1	12.58%	21.66%	0.00%	0.0	866.6	12.00%	21.66%	0.00%	0.0	0.0
					560.9					514.5	(46.4)

* Sum of employee contribution of 9.78%, employer contribution of 9.88% and State contribution of 2.0%.
** Amounts shown are beginning of year to be paid July 1 of the following year.

The current plan provisions include eligibility to retire with unreduced benefits if the member's age plus service equals or exceeds 85 (Rule of 85), if the member is at least age 55.
The proposed change, "Modified Rule of 85", requires members to attain age 60 before they can receive unreduced benefits under the Rule of 85.

Note: Projections are based on the September 1, 2015 actuarial valuation, but reflect the new set of actuarial assumptions recommended to the Board in the draft Experience Study report on April 5, 2017. The projections assume that assumptions are met in the future, including the 7.5% assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ. Please see the September 1, 2015 valuation report and the 2017 Experience Study report for details on the actuarial methods and assumptions used in this study.

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated April 21, 2017.

Exhibit B

Omaha School Employees Retirement System
Comparison of Valuation Results for Current Provisions Versus Modified Rule of 85 Retirement Provision

	Current Provisions					Modified Rule of 85				
Year (7/1)	Market Value of Assets ($M)	Actuarial Value of Assets ($M)	Actuarial Liability ($M)	Unfunded Actuarial Liability ($M)	Funded Ratio	Market Value of Assets ($M)	Actuarial Value of Assets ($M)	Actuarial Liability ($M)	Unfunded Actuarial Liability ($M)	Funded Ratio
2016	1,211.1	1,798.7	1,312.9	485.8	73.0%	1,211.1	1,798.7	1,312.9	485.8	73.0%
2017	1,257.4	1,993.3	1,339.4	653.9	67.2%	1,257.4	1,993.3	1,339.4	653.9	67.2%
2018	1,318.1	2,065.3	1,384.3	680.9	67.0%	1,318.0	2,065.1	1,384.2	681.0	67.0%
2019	1,383.1	2,139.6	1,436.5	703.1	67.1%	1,382.7	2,139.2	1,436.1	703.1	67.1%
2020	1,452.0	2,215.9	1,495.0	720.9	67.5%	1,451.2	2,215.2	1,494.2	721.0	67.5%
2021	1,524.8	2,294.3	1,559.5	734.8	68.0%	1,523.4	2,293.1	1,558.1	735.0	67.9%
2022	1,602.6	2,375.9	1,630.6	745.3	68.6%	1,600.6	2,374.0	1,628.5	745.4	68.6%
2023	1,685.0	2,460.0	1,707.6	752.4	69.4%	1,682.1	2,457.3	1,704.6	752.7	69.4%
2024	1,772.4	2,547.1	1,790.6	756.5	70.3%	1,768.4	2,543.4	1,786.6	756.8	70.2%
2025	1,865.1	2,637.4	1,879.7	757.6	71.3%	1,859.9	2,632.5	1,874.6	757.9	71.2%
2026	1,963.2	2,730.7	1,975.0	755.7	72.3%	1,956.6	2,724.6	1,968.5	756.1	72.2%
2027	2,066.9	2,827.2	2,076.4	750.8	73.4%	2,058.7	2,819.5	2,068.2	751.3	73.4%
2028	2,176.2	2,926.7	2,183.9	742.8	74.6%	2,166.2	2,917.2	2,173.9	743.3	74.5%
2029	2,291.9	3,029.6	2,298.1	731.5	75.9%	2,279.7	3,018.0	2,285.9	732.0	75.7%
2030	2,414.0	3,135.8	2,419.0	716.8	77.1%	2,399.5	3,121.9	2,404.5	717.4	77.0%
2031	2,542.7	3,245.2	2,546.7	698.5	78.5%	2,525.5	3,228.6	2,529.5	699.1	78.3%
2032	2,678.2	3,357.7	2,681.5	676.3	79.9%	2,658.0	3,338.2	2,661.2	676.9	79.7%
2033	2,820.9	3,473.4	2,823.5	649.9	81.3%	2,797.3	3,450.5	2,799.9	650.6	81.1%
2034	2,971.4	3,592.6	2,973.5	619.1	82.8%	2,943.9	3,565.9	2,946.0	619.9	82.6%
2035	3,129.7	3,715.0	3,131.4	583.7	84.3%	3,097.9	3,684.1	3,099.6	584.5	84.1%
2036	3,295.9	3,840.4	3,297.3	543.1	85.9%	3,259.4	3,804.7	3,260.8	544.0	85.7%
2037	3,470.6	3,968.8	3,471.7	497.1	87.5%	3,428.8	3,927.9	3,429.9	498.0	87.3%
2038	3,654.0	4,100.2	3,654.9	445.3	89.1%	3,606.3	4,053.4	3,607.2	446.2	89.0%
2039	3,846.9	4,234.9	3,847.7	387.2	90.9%	3,792.7	4,181.6	3,793.4	388.1	90.7%
2040	4,050.0	4,373.2	4,050.6	322.6	92.6%	3,988.6	4,312.6	3,989.1	323.5	92.5%
2041	4,264.0	4,515.5	4,264.5	251.0	94.4%	4,194.7	4,447.0	4,195.1	251.8	94.3%
2042	4,490.1	4,662.8	4,490.5	172.3	96.3%	4,412.0	4,585.4	4,412.4	173.0	96.2%
2043	4,729.0	4,816.0	4,729.3	86.7	98.2%	4,641.3	4,728.9	4,641.7	87.3	98.2%
2044	4,979.8	4,975.8	4,980.0	(4.2)	100.1%	4,881.7	4,877.9	4,882.0	(4.1)	100.1%
2045	5,227.5	5,142.5	5,227.7	(85.2)	101.7%	5,122.1	5,032.8	5,122.3	(89.5)	101.8%
2046	5,491.2	5,316.2	5,491.3	(175.1)	103.3%	5,378.3	5,194.0	5,378.5	(184.5)	103.6%

Note: Projections are based on the September 1, 2015 actuarial valuation, but reflect the new set of actuarial assumptions recommended to the Board as a result of the Experience Study presented on April 5, 2017. The projections assume that all assumptions are met in the future, including the 7.5% assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from these projections. Please see the September 1, 2015, valuation report and the 2017 Experience Study report for details on the actuarial methods and assumption used in this study.

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated April 21, 2017.

Exhibit C

Omaha School Employees Retirement System
Retirement Assumptions for Current Provisions Versus Modified Rule of 85

Assumptions under Current Provisions

	Early Retirement		1st Year Unreduced Eligible		Ultimate	
Age	Certificated	Classified	Certificated	Classified	Certificated	Classified
55	10%	3%	60%	20%	-	-
56	6%	3%	50%	10%	35%	12%
57	6%	3%	45%	10%	35%	12%
58	6%	3%	45%	10%	35%	12%
59	8%	3%	45%	15%	25%	12%
60	12%	5%	35%	15%	25%	12%
61	12%	10%	25%	15%	25%	20%
62	-	-	25%	20%	25%	20%
63	-	-	25%	20%	25%	20%
64	-	-	30%	20%	30%	20%
65	-	-	35%	25%	35%	35%
66	-	-	35%	20%	35%	23%
67	-	-	35%	20%	35%	23%
68	-	-	35%	20%	35%	23%
69	-	-	100%	20%	35%	23%
70	-	-	100%	100%	100%	100%

Modified Rule of 85 Assumptions

	Early Retirement		1st Year Eligible		Ultimate	
Age	Certificated	Classified	Certificated	Classified	Certificated	Classified
55	10%	3%	-	-	-	-
56	6%	3%	-	-	35%	12%
57	6%	3%	-	-	35%	12%
58	6%	3%	-	-	35%	12%
59	8%	3%	-	-	25%	12%
60	12%	5%	65%	40%	25%	12%
61	12%	10%	25%	15%	25%	20%
62	-	-	25%	20%	25%	20%
63	-	-	25%	20%	25%	20%
64	-	-	30%	20%	30%	20%
65	-	-	35%	25%	35%	35%
66	-	-	35%	20%	35%	23%
67	-	-	35%	20%	35%	23%
68	-	-	35%	20%	35%	23%
69	-	-	100%	20%	35%	23%
70	-	-	100%	100%	100%	100%

APPENDIX C

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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

March 27, 2017

Ms. Phyllis Chambers
Executive Director
Nebraska Public Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 219, As Amended by AM 497

Dear Phyllis:

The definition of "actuarial equivalence", which requires a specific interest rate and mortality assumption, is currently defined in statute for all five of the retirement systems administered by the Nebraska Public Retirement System (NPERS), as summarized below:

	Interest Rate	Mortality Table	Male/Female Blend
School	8.0%	1994 Group Annuity Table	25%/75%
State Patrol	8.0%	1994 Group Annuity Table	75%/25%
Judges	8.0%	1994 Group Annuity Table	75%/25%
State Cash Balance	Valuation rate (currently 7.75%)	1994 Group Annuity Table	50%/50%
County Cash Balance	Valuation rate (currently 7.75%)	1994 Group Annuity Table	50%/50%

For the three traditional defined benefit plans (School, State Patrol, and Judges), the definition of actuarial equivalence affects only the amount of benefit received if a member elects to receive payment under an optional form of benefit. The benefit formula determines the amount of the benefit (Final Average Salary * Years of Service * Multiplier) payable under the normal form of payment, a five year certain and life annuity. Optional forms are based on this amount multiplied by an optional form factor. For the State and County Cash Balance Plans, the definition of actuarial equivalence has a more direct impact on all benefit amounts, including the normal form. Regardless of the form of payment elected, the benefit amount in a cash balance plan is calculated by dividing the account balance (a lump sum value) by the appropriate annuity factor. A change in the definition of actuarial equivalence changes the annuity factor and, therefore, the corresponding monthly benefit amount for all forms of payment.

Legislative Bill 219, as amended by AM 497, protects the actuarial basis currently in statute for members of the School, State Patrol, and Judges plans who were hired before July 1, 2017. However, the bill authorizes the Public Employees Retirement Board (PERB) to determine the basis for actuarial equivalence for optional forms of payment for members hired after July 1, 2017 in these three traditional final average pay defined benefit plans. For members of the State and County Cash Balance Plans, the bill protects the mortality assumption, which ultimately determines benefit amounts, used for actuarial equivalence for members hired prior to January 1, 2018. Similar to the provisions of the bill for School, State Patrol, and Judges, the PERB has the authority to determine the actuarial equivalence basis (both mortality and interest rate assumptions) for members hired after January 1, 2018. In addition, the PERB also has the authority to set the interest rate for the annuity for members hired prior to January 1, 2018.

Financial Impact

For the School, Patrol, and Judges plans, when the PERB sets the basis for actuarial equivalent forms of payment it may result in a different actuarial equivalence basis for members hired on/after July 1, 2017. Given the changes in the actuarial assumptions that were adopted by the PERB last fall and the fact that additional changes may be made upon the recommendation of the actuary after each experience study, it is likely the factors used to convert the formula benefit to optional benefit amounts for this group will be based on an actuarial equivalent basis that is different from the current basis. However, because the factors applied to the formula benefit to determine the benefit amounts under the optional forms of payment are calculated as the ratio of two numbers (and both numbers change in the same direction under a different actuarial equivalent basis), there often is not a significant change in the benefit amounts resulting from a change in the definition of actuarial equivalence. Coupled with the fact that it will be many years before there will be a significant number of members with meaningful benefits retiring under the new factors, **we do not expect this change to have any measurable impact on the funding of the School, Patrol, and Judges plans.**

For the State and County Cash Balance plans, if the PERB adopts a different actuarial equivalent basis for members hired on/after January 1, 2018, it will directly impact the amount of the benefits paid to those members who elect to receive any portion of their benefit as monthly income. Since the bill has not yet passed, the Board has not yet discussed nor adopted the actuarial assumptions to be used to determine actuarial equivalence for this group of members. At this point in time, it seems reasonable to expect that the PERB will preserve the current actuarial equivalent basis for members hired before January 1, 2018, resulting in no difference relative to the cost requirements currently reflected in our valuations. If the Board adopts a basis of actuarial equivalence for members hired on/after January 1, 2018 that approximates the investment return and mortality table used in the actuarial valuations, there would be some cost decrease in the future. Because such a change would actually lower the benefits paid from the cash balance plans, the liabilities and costs would also be somewhat lower. **However, since this change only applies to cash balance members hired on/after January 1, 2018 the cost savings will unfold gradually over time as more of the active membership is in the post-2017 group.**

It should be noted that LB219 provides the PERB Board with discretion to set the assumptions used to defined actuarial equivalence. We anticipate that the PERB Board will generally select a basis that is similar to the valuation assumptions. Should the Board deviate significantly from this expectation, our analysis may need to be revisited.

This cost analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

We, Patrice A. Beckham, FSA and Brent A. Banister, FSA, are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions or additional information is needed, please let us know. We are available to provide additional analysis or explanation.

Sincerely,

Patrice Beckham

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Principal and Consulting Actuary

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