

ONE HUNDRED THIRD LEGISLATURE - FIRST SESSION - 2013
COMMITTEE STATEMENT
LB553

Hearing Date: Wednesday February 06, 2013
Committee On: Nebraska Retirement Systems
Introducer: Nordquist
One Liner: Change provisions relating to school employee retirement

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 6 Senators Conrad, Davis, Karpisek, Kolowski, Mello, Nordquist
Nay:
Absent:
Present Not Voting:

Proponents:
Senator Jeremy Nordquist
Jason Hayes
Mike Dulaney
John Spatz

Representing:
Introducer
Nebraska State Education Association
Nebraska Council of School Administrators
Nebraska Association of School Boards

Opponents:

Representing:

Neutral:
Phyllis Chambers
Coby Mach

Representing:
Nebraska Public Employees Retirement Systems
Lincoln Independent Business Association

Summary of purpose and/or changes:

LB 553 creates a new tier of reduced retirement benefits for school employees who begin work for the first time on or after July 1, 2013. Benefits remain unchanged for employees who are members of the School Employees Retirement Plan prior to July 1, 2013. For employees in the new tier, final average salary is averaged over 5 years instead of 3 years, and the maximum cost-of-living adjustment is 1% instead of 2.5%.

The 9.78% school employee contribution rate ends August 31, 2013 and an unspecified employee contribution rate with no sunset begins September 1, 2013.

The state statutory contribution rate in the School Retirement Plan is increased from 1% to 2% of the compensation of all school employees with no sunset.

The state statutory contribution rate remains 1% of compensation in the Class V School Retirement Plan. The 2017 sunset is stricken on the Class V 1% state statutory contribution rate.

The sunset is stricken in 79-1003 and 79-1028.01 for the school budget and lid exclusions for expenditures above the Class V employer contribution rate of 7.37% and the School employer contribution rate of 7.35%.

The amortization method in the School Employees Retirement Act is changed from level dollar to level percentage of

salary beginning July 1, 2013.

Explanation of amendments:

The Committee amendment strikes the original sections and becomes the bill. It includes amendments to LB 553 and incorporates LB 554 as amended regarding similar changes to the Class V School Employees Retirement Act. In addition, it incorporates provisions of LB 305 which amends the Nebraska State Patrol Retirement Act, and LB 306 which amends the Judges Retirement Act.

LB 553 as amended (School Employees Retirement Act):

A reduced tier of retirement benefits applies to all school employees hired on or after July 1, 2013. For employees in the new tier, final average salary is averaged over 5 years instead of 3 years, and the maximum cost-of-living adjustment is 1% instead of 2.5%. Benefits remain unchanged for employees who are members of the School Employees Retirement Plan prior to July 1, 2013.

The employee contribution rate in the School Employees Retirement Act remains 9.78% with no sunset.

The state statutory contribution rate is increased from 1% to 2% of total compensation of all school employees, beginning July 1, 2014 instead of July 1, 2013.

The amortization method in the School Employees Retirement Act is changed from level dollar to level percentage of salary beginning July 1, 2013.

Eligibility for membership in the school retirement plan is changed from 15 hours per week to 20 hours per week.

The sunset is stricken in 79-1003 and 79-1028.01 for the school budget and lid exclusions for expenditures above the Class V employer contribution rate of 7.37% and the School employer contribution of 7.35%.

LB 554 as amended (Class V School Employees Retirement Act):

All Class V school employees hired on or after July 1, 2013 will receive reduced benefits which includes final average salary averaged over 5 years instead of 3 years, and a 1% maximum cost-of-living adjustment. Benefits for employees who are members prior to July 1, 2013 remain unchanged.

The employee contribution rate is increased from 9.3% to 9.78% beginning September 1, 2013 with no sunset.

The state statutory contribution rate for Class V school districts is increased from 1% to 2% of total compensation beginning July 1, 2014 with no sunset.

The sunset is stricken in 79-1003 and 79-1028.01 for the school budget and lid exclusions for expenditures above the Class V employer contribution rate of 7.37% and the School employer contribution of 7.35%.

LB 305 provision (Nebraska State Patrol Retirement Act)

The amortization method is changed from level dollar to level percentage of salary beginning July 1, 2013.

LB 306 provision (Judges Retirement Act)

The amortization method is changed from level dollar to level percentage of salary beginning July 1, 2013.

Section-by-Section of Committee AM802

JUDGES RETIREMENT ACT

Section 1. [amends 24-703] changes amortization method in the judges plan from level dollar to level percentage of salary beginning July 1, 2013 (page 6)

SCHOOL EMPLOYEES RETIREMENT ACT

Section 2. [amends 79-901] references the School Employees Retirement Act

Section 3. [amends 79-902] the final average salary computation for employees hired on or after July 1, 2013 will be based on 5 years rather than 3 years; final average salary for employees hired prior to July 1, 2013 will continue to be based on 3 years (pages 14-15) school plan eligibility for employees will require a minimum of 20 hours per week rather than 15 hours per week (page 21)

Section 4. [amends 79-916] the amortization method for calculation of the actuarial accrued liability of the service annuity is changed from level dollar to level percentage of salary beginning July 1, 2013 (page 22)

Section 5. [amends 79-947.06] only employees who become members prior to July 1, 2013 are eligible to receive a 2.5% maximum cost-of-living adjustment and a purchasing power cost-of-living adjustment (page 24)

Section 6. [NEW SECTION] cost-of-living adjustments are limited to a maximum of 1% for employees hired on or after July 1, 2013; no additional cost-of-living adjustments will be granted (pages 29-30)

Section 7. [amends 79-954] the number of hours a disabled beneficiary under age 65 may work and retain his or her disability retirement is increased from 15 to 20 hours (page 31)

Section 8. [amends 79-958] retains the current 9.78% employee contribution rate and strikes the 2017 sunset (page 31)

Section 9. [amends 79-966] the 1% state statutory contribution rate sunsets on July 1, 2014 rather than July 1, 2017; beginning July 1, 2014, the state statutory contribution rate is increased to 2% with no sunset (pages 33-34)

Section 10. [amends 79-966.01] beginning July 1, 2013 the amortization method is changed from level dollar to level percentage of salary; strikes obsolete language (pages 34-35)

CLASS V SCHOOL EMPLOYEES RETIREMENT ACT

Section 11. [amends 79-9,100] amends the definition of final average compensation for members of the Class V School Employees Retirement System; calculation of final average salary for employees who are members prior to July 1, 2013 continues to be based on the 3 fiscal years compensation was highest; for employees hired on or after July 1, 2013, the calculation is based on the five fiscal years compensation was highest (page 37)

Section 12. [amends 79-9,103] for employees who are members of the Class V School Employees Retirement System prior to July 1, 2013, the maximum cost-of-living adjustment remains at 1.5%; for employees hired on or after July 1, 2013, the maximum cost-of-living adjustment is 1% (pages 43-46)

Section 13. [amends 79-9,105] revisor technical amendment

Section 14. [amends 79-9,113] beginning September 1, 2013 the employee contribution rate is increased from 9.3% to 9.78% of compensation (page 52)

Section 15. [amends 79-1003] amends the general fund operating expenditure exceptions for purposes of the Tax Equity and Educational Opportunities Support Act; strikes the current 2017 sunset for expenditures to pay for employer

(school districts) contributions that exceed the 7.35% employer contribution rate for all school districts except Class V school districts which is 7.37% (page 63)

Section 16. [amends 79-1028.01] amends budget lid exceptions by striking the 2017 sunset on expenditures to pay for employer (school districts) contributions that exceed the 7.35% contribution rate for all school districts except Class V school districts which is 7.37% (page 71)

NEBRASKA STATE PATROL RETIREMENT ACT

Section 17. [amends 81-2017] changes the amortization method in the state patrol plan from level dollar to level percentage of salary beginning July 1, 2013 (page 74)

Section 18. The operative date is July 1, 2013

Section 19. Severability clause

Section 20. Repealer

Section 21. Emergency clause

Jeremy Nordquist, Chairperson