



**Ninety-Ninth Legislature - Second Session - 2006**  
**Revised Committee Statement**  
**LB 1019**

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**Hearing Date:** January 31, 2006

**Committee On:** Nebraska Retirement Systems

**Introducer(s):** (Nebraska Retirement Systems Committee: Stuhr, Chairperson; Erdman, D. Pederson, Price, Synowiecki)

**Title:** Change provisions relating to the Public Employees Retirement Board, the Nebraska Investment Council, and the School Employees Retirement System

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**Roll Call Vote – Final Committee Action:**

- Advanced to General File
  - X Advanced to General File with Amendments
  - Indefinitely Postponed
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**Vote Results:**

- |   |                     |   |
|---|---------------------|---|
| 5 | Yes                 | Senators Patrick Bourne, Philip Erdman, Marian Price, Elaine Stuhr, and John Synowiecki |
|   | No                  |   |
|   | Present, not voting |   |
| 1 | Absent              | Senator Don Pederson  |
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**Proponents:**  
 Jason W. Hayes  
 Joe Schaefer  
 Carol Kontor  
 Michael Smith

**Representing:**  
 Introducer  
 Nebraska Public Employees Retirement Systems  
 Nebraska Investment Council  
 Omaha School Employees' Retirement System

**Opponents:**  
 Herb Schimek

**Representing:**  
 Nebraska State Education Association

**Neutral:**

**Representing:**

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**Summary of purpose and/or changes:**

Legislative Bill 1019 proposes changes to the operation of both the Nebraska Public Employees Retirement Board ('PERB') and the Nebraska Investment Council. LB 1019 also makes technical changes to the County Employees Retirement Act, the School Employees Retirement Act, the Class V Retirement Act, the Nebraska State Patrol Retirement Act, and the State Employees Retirement Act.

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The proposed changes in LB 1019 are listed as follows:

- Changes the County, State, and Patrol plans' annuity end dates so that the last annuity payment received shall be at the end of the calendar month in which the member dies, or in accordance with the payment option chosen by the member.
- Clarifies retirement vesting provisions and provides that employer account vesting occurs after three years of employment for County and State plan members (twelve months of continuous employment to participate in the plan, followed by two years of plan participation). Attorney General Opinion No. 02017 (July 10, 2002), indicated that the current language allows a three year vesting period after employment, and not four years (twelve months of continuous employment to participate in the plan, followed by three years of plan participation) as was originally intended in Laws 2002, LB 687, §28.
- Changes the date on which a term of appointment would end for Nebraska Investment Council members. Currently, an appointed member's term ends on September 18th of each year after serving a five-year term. LB 1019 proposes a December 31st ending date to more coincide with the member's qualification of appointment by the Legislature.
- Clarifies the employer contribution amount for the School Employees Retirement Act. LB 1019 changes the employer contribution rate from a 101% match of the employee's contribution, to an actual percentage rate contributed by the employer.
- Requires Class V Retirement System annual reports be submitted to the Nebraska Retirement Systems Committee by March 15th of each year.
- Changes a provision relating to the rollover of distributions for the Class V Retirement System. If an amount to be transferred is over \$1000 and a member fails to elect either a direct payment to himself or herself, or fails to have the amount transferred to an eligible retirement plan, then the amount will be paid in a direct rollover to an individual retirement plan designated by the trustee.
- Modifies the current fiduciary duty of PERB members. The provision states that PERB members shall not have a fiduciary duty in their official capacity to seek the enhancement of plan benefits through the legislative process, if such benefits are not already contained within plan documents for each retirement plan administered by PERB.
- Clarifies that the internal auditor and the attorney hired by PERB pursuant to section 84-1503 shall be classified positions covered by the State Personnel System, and shall not be a noncovered position under subsection (2) of section 81-1316. This restates the provision previously adopted in Laws 2005, LB 503, §21.

## Section summary of bill:

- Section 1 Changes the County Employee Retirement System's annuity end dates.
- Section 2 Clarifies retirement vesting provisions and provides that employer account vesting occurs after three years of employment for County Employees Retirement System members (twelve months of continuous employment to participate in the plan, followed by two years of plan participation).
- Section 3 Changes the date on which a term of appointment would end for Nebraska Investment Council members to December 31<sup>st</sup>.
- Section 4 Clarifies the employer contribution amount for the School Employees Retirement System.
- Section 5 Requires Class V Retirement System annual reports be submitted to the Nebraska Retirement Systems Committee by March 15<sup>th</sup> of each year.
- Section 6 Changes a provision relating to the rollover of distributions for the Class V Retirement System.
- Section 7 Changes the Nebraska State Patrol Retirement System's annuity end dates.
- Section 8 Changes the State Employees Retirement System's annuity end dates.
- Section 9 Clarifies retirement vesting provisions and provides that employer account vesting occurs after three years of employment for State Employees Retirement System members (twelve months of continuous employment to participate in the plan, followed by two years of plan participation).
- Section 10 Modifies the current fiduciary duty of PERB members.
- Section 11 Clarifies that the internal auditor and the attorney hired by PERB shall be classified positions covered by the State Personnel System.
- Section 12 Original sections are repealed.
- Section 13 Original sections are repealed.

## Explanation of amendments, if any:

The committee amendment AM 2207, amends LB 1019 by adding language found in the following retirement related bills (with amendment, if any) as each bill was passed out of committee by the Nebraska Retirement Systems Committee:

- **LB 1020** (*Cmmt*) Provide for 30 year amortization periods for defined benefit plans. (As amendment by AM 1975).
- **LB 1023** (*Cmmt*) Change provisions relating to local health dept. retirement plans. (As amended by AM 2148).
- **LB 1140** (*Cmmt*) Change provisions relating to the cash balance dividends.

In addition, committee amendment AM 2207 makes a technical change to the definition of school compensation, by defining category of school employee to include either all employees of the employer who are administrators or certificated teachers, or all employees of the employer who are not administrators or certificated teachers, or both. Currently, category of school employee means either all certificated employees of the employer, or all noncertificated employees of the employer, or both. Because some school administrators are not certificated, the change is suggested because the original intent of the provision adopted last year was to include administrators and certificated teachers into one group under this subsection.

## Section summary of amendment:

- Section 1 Includes dividend amounts credited within the Cash Balance Benefit and the Member Cash Balance Account definitions in the County Employees Retirement Act. Also changes the County Employee Retirement System's annuity end dates. **(LB 1140)**
- Section 2 Authorizes PERB to credit dividend amounts if prior amounts were not in accordance with statutory provisions of the County Employees Retirement Act. **(LB 1140)**
- Section 3 Specifies that dividend amounts may comprise part of the Cash Balance account balance in the County Employees Retirement System. **(LB 1140)**
- Section 4 Grants explicit authority to permit PERB to distribute excess earnings of cash balance benefit plan assets to participants' accounts as dividends to members in the County Employees Retirement System's cash balance benefit. **(LB 1140)**
- Section 6 Changes the amortization period for funding the unfunded actuarial accrued liabilities in the Judges' Retirement Plan. The amortization period would change from a 25 year period, to a 30-year period. **(LB 1020)**

- Section 7 Provides that district health department officers and employees shall be eligible to participate in the county retirement plan. **(LB 1023)**
- Section 9 Change the definition of school compensation for the School Employees Retirement Act, by defining category of school employee to include either all employees of the employer who are administrators or certificated teachers, or all employees of the employer who are not administrators or certificated teachers, or both. **(Technical change – AM 2207)**
- Section 10 Changes the amortization period for funding the unfunded actuarial accrued liabilities in the School Employees Retirement Plan. The amortization period would change from a 25 year period, to a 30-year period. **(LB 1020)**
- Section 13 Changes the amortization period for funding the unfunded actuarial accrued liabilities in the State Patrol Retirement Plan. The amortization period would change from a 25 year period, to a 30-year period. **(LB 1020)**
- Section 15 Includes dividend amounts credited within the Cash Balance Benefit and the Member Cash Balance Account definitions in the State Employees Retirement Act. Also changes the State Employees Retirement System's annuity end dates. **(LB 1140)**
- Section 16 Authorizes PERB to credit dividend amounts if prior amounts were not in accordance with statutory provisions of the State Employees Retirement Act. **(LB 1140)**
- Section 17 Specifies that dividend amounts may comprise part of the Cash Balance account balance in the State Employees Retirement System. **(LB 1140)**
- Section 18 Grants explicit authority to permit PERB to distribute excess earnings of cash balance benefit plan assets to participants' accounts as dividends to members in the State Employees Retirement System's cash balance benefit. **(LB 1140)**
- Section 22 Operative date three calendar month after adjournment for sections 1 to 5, 7, 8, 9, 11, 12, 14 to 21, 23, and 25. Other sections become operative on their effective dates.
- Section 23 Original sections are repealed.
- Section 24 Original sections are repealed.
- Section 26 Emergency clause for remaining sections.

**Summary of retirement bills consolidated within LB 1019:**

- LB 1020** *(Cmmt)* As amended by AM 1975. Changes the amortization period for funding the unfunded actuarial accrued liabilities in the School Employees, the State Patrol, and the Judges' Retirement Plans. The amortization period would change from a 25 year period, to a 30-year period. This proposal would extend the time period over which liabilities of the plans are to be paid, thereby reducing the amount of liability due each year. By reducing the annual amount of liability due, this change would reduce the additional contribution amount required to be paid by the State when the actuarially required contribution rate exceeds the rate of all contributions required by a particular retirement plan. This modification was studied as a result of LR 176, during the previous 2005 Interim Session.
- LB 1023** *(Cmmt)* As amended by AM 2148. Makes changes to the retirement of district health department employees, and permits such public employees to be eligible for participation in the retirement plan found within the County Employees Retirement Act, sections 23-2301 to 23-2334. The language permits district health departments to opt out of the County Employees Retirement System if the district health department establishes an independent pension plan or retirement plan for its officers or employees.
- LB 1140** *(Cmmt)* Changes provisions and redefines terms relating to granting dividends under the cash balance benefit of both the County Employees Retirement Act and the State Employees Retirement Act. The proposal makes technical changes to each plan's cash balance benefit, and clarifies procedures for the granting of dividend payments. It also clarifies the manner in which excess earnings of the cash balance benefit plan assets are distributed to member's accounts in the cash balance benefit. Such changes are technical because the provisions codify current implicit statutory authority held by PERB, as determined by the Attorney General, and provide procedures for granting such dividends.

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**Senator Elaine Stuhr, Chairperson**