

ONE HUNDRED THIRD LEGISLATURE - FIRST SESSION - 2013
COMMITTEE STATEMENT
LB638

Hearing Date: Thursday January 31, 2013
Committee On: Nebraska Retirement Systems
Introducer: Nelson
One Liner: Provide a cash balance retirement system for school employees

Roll Call Vote - Final Committee Action:
Indefinitely postponed

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

Proponents:
Senator John Nelson

Representing:
Introducer

Opponents:
Jason Hayes
John Jensen

Representing:
Nebraska State Education Association
self

Neutral:
Ann Post
Phyllis Chambers

Representing:
Lincoln Independent Business Association
Nebraska Public Employees Retirement Systems

Summary of purpose and/or changes:

LB 638 incorporates into the School Employees Retirement Act, a cash balance benefit for employees hired or rehired on or after July 1, 2014. Under the cash balance benefit, the interest credit rate is the greater of 5% or the federal mid-term rate plus 1.5%. The period of vesting remains 5 years and there is no cost-of-living allowance for cash balance plan members. Members of the cash balance plan are eligible to retire at age 55.

LB 638 also adds four public representatives to the Public Employees Retirement Board. The additional public representatives would create an equal number of plan members and public members on the Board.

SECTION-BY-SECTION SUMMARY

Section 1 incorporates new sections into the School Employees Retirement Act

Section 2 amends the definition section in the School Employees Retirement Act.

Section 3 adds a cash balance benefit to the School Employees Retirement Act for members who begin employment and participation on and after July 1, 2014.

Section 4 restricts contributions for the cash balance benefit as limited to itemized contributions.

Section 5 enumerates sections that apply to the school retirement allowance which applies only to defined benefit plan members.

Section 6 mandates participation in cash balance benefit for employees who begin employment or are rehired on or after July 1, 2014.

Section 7 requires a school plan retiree who is subsequently employed by the Department of Education on or after July 1, 2014, to become a member of the State Employees Cash Balance plan rather than allowing the employee to return to the school plan.

Section 8 amends the section to provide that prior to July 1, 2014 the board may reinstate membership in the school defined benefit plan after membership ceases.

Section 9 requires a new member cash balance account to be established for a beneficiary retired under the school defined benefit plan who returns to work as a school employee.

Section 10 indicates that new Sections 10 to 29 of the Act apply to the cash balance benefit.

Section 11 establishes an unspecified member contribution rate with a 101% employer match.

Section 12 requires the Public Employees Retirement Board to provide benefit liability information to the Nebraska Investment Council and to verify investments; specifies that the assets are for the exclusive use of providing benefits to members and members' beneficiaries

Section 13 authorizes Public Employees Retirement Board to adopt rules and regulations regarding direct rollovers.

Section 14 requires the retirement system to accept cash rollover contributions from members pursuant to sections 21 and 24 of this Act.

Section 15 authorizes trustee-to-trustee transfers from eligible tax plans.

Section 16 provides that school employees in the cash benefit plan are eligible to retire at age 55 or as the result of disability at any age.

Section 17 states the retirement value for a school employee who retires under the cash balance plan is the value of the members cash balance account.

Section 18 determines how future service retirement benefits are computed and when they are payable based on the annuity selected. The Public Employee Retirement Board is designated with the responsibility to provide information on tax consequences of selecting various retirement options; describes deferment of benefits. The Board shall perform annual actuarial analysis using described actuarial methods; if the actuarial contribution rate exceeds the rate of all contributions, a supplemental payment is required sufficient to pay the actuarial contribution rate.

Section 19 describes payment of benefits to employees upon termination of employment and describes how benefits are computed; benefits may be deferred no later than age 70 ½ years of age; vesting occurs in 5 years.

Section 20 provides that members who terminate prior to vesting forfeit the balance of the member's employer cash balance account. Forfeitures are credited to the School Retirement Fund and shall not be used to increase the benefits of any member; benefit payment is suspended pending final outcome of grievance or appeal.

Section 21 provides that employees who have had a five-year break in service are considered new employees for purposes of the School Employees Act and do not receive credit for prior service; members who cease employment

before becoming eligible for retirement under section 16 of this Act, and again become an employee prior to a five-year break in service, are immediately re-enrolled in the system and resume making contributions.

Section 22 establishes retirement due to disability retirement regardless of length of service including examination requirements.

Section 23 states that retirement annuities or benefits are not subject to garnishment, attachment, levy, operation of bankruptcy laws unless the member is convicted or pleads no contest to felony of assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and found liable for civil damages as a result of such felony.

Section 24 describes treatment of employees during military service.

Section 25 states that membership status in the school retirement system is not lost as long as members retain status as school employees.

Section 26 states that false or fraudulent acts are prohibited in claiming a benefit and describes penalties.

Section 27 states that retirement allowances and benefits are in addition to benefits and allowance payable under the Social Security Act.

Section 28 provides that contributions are held in trust by the employer for the exclusive benefit of members and their beneficiaries and shall only be used to pay benefits to such persons and administrative costs.

Section 29 states that upon termination or partial termination of the retirement system or complete discontinuance of contributions, the rights of affected members to amounts credited to the members' accounts are non-forfeitable.

Section 30 amends military service section in the School Employees Retirement Act and clarifies that this section applies prior to July 1, 2014.

Section 31 amends cost-of-living allowances to limit them only to members who participate in the school defined benefit plan.

Section 32 includes payment of cash balance benefits in the School Retirement Fund. The Department of Administrative Services is authorized to create sub-funds to separately account for school retirement allowance (defined benefit) and cash balance plan assets.

Section 33 increases the Public Employees Retirement Board from 8 to 12 members by adding four public representative members to the Board.

Section 34 sets the operative date of the Act as July 1, 2014.

Jeremy Nordquist, Chairperson