

LEGISLATURE OF NEBRASKA  
ONE HUNDRED SIXTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 31**

FINAL READING

Introduced by Kolterman, 24.

Read first time January 10, 2019

Committee: Nebraska Retirement Systems

1 A BILL FOR AN ACT relating to retirement; to amend sections 79-978.01 and  
2 84-1503, Revised Statutes Cumulative Supplement, 2018; to provide  
3 for a work plan relating to a transfer of management of Class V  
4 school employees retirement systems established under the Class V  
5 School Employees Retirement Act to the Public Employees Retirement  
6 Board as prescribed; to require a report; to create a fund; to  
7 provide duties for the Public Employees Retirement Board; to provide  
8 for reimbursement for expenses incurred in completing such work  
9 plan; to harmonize provisions; to provide for severability; to  
10 repeal the original sections; and to declare an emergency.  
11 Be it enacted by the people of the State of Nebraska,

1       Section 1. Section 79-978.01, Revised Statutes Cumulative  
2 Supplement, 2018, is amended to read:

3           79-978.01 Sections 79-978 to 79-9,118 and sections 2 to 5 of this  
4 act shall be known and may be cited as the Class V School Employees  
5 Retirement Act.

6           Sec. 2. It is the intent of the Legislature that the Public  
7 Employees Retirement Board develop a work plan, recommendations, cost  
8 estimates, and cost comparisons regarding the transfer of management of  
9 any Class V school employees retirement system established under the  
10 Class V School Employees Retirement Act and which existed on January 1,  
11 2019, to the Public Employees Retirement Board.

12          Sec. 3. (1)(a) The Public Employees Retirement Board, in  
13 consultation with stakeholders including, but not limited to, the  
14 Nebraska Retirement Systems Committee of the Legislature and the board of  
15 trustees and employer of any Class V school employees retirement system  
16 established under the Class V School Employees Retirement Act and which  
17 existed on January 1, 2019, shall develop a work plan for the transfer of  
18 management and actuarial services of any such Class V school employees  
19 retirement system to the Public Employees Retirement Board.

20           (b) The work plan shall include, but not be limited to, a detailed  
21 analysis and recommendations regarding (i) management, administration,  
22 actuarial service, information technology, computer infrastructure,  
23 accounting, and member data and record transfer; (ii) necessary statutory  
24 changes to achieve the transfer of management and actuarial services;  
25 (iii) staff training and assessment of staffing needs; (iv) educational  
26 and communication plans to fully inform all system stakeholders and  
27 affected governmental entities regarding management changes; (v)  
28 sufficient timeframes for an orderly transition and implementation of  
29 management and actuarial changes; (vi) cost estimates associated with the  
30 tasks necessary to carry out the management transition; and (vii) a  
31 comparison of the current annual cost to administer any Class V school

1 employees retirement system established under the Class V School  
2 Employees Retirement Act and which existed on January 1, 2019, with an  
3 estimate of the annual cost for the Public Employees Retirement Board to  
4 administer such system after a management transfer occurs.

5 (c) The employer of any Class V school employees retirement system  
6 established under the Class V School Employees Retirement Act and which  
7 existed on January 1, 2019, shall provide all records, documents, data,  
8 or other information to the Public Employees Retirement Board within  
9 thirty calendar days after receiving a written request from the director  
10 of the Nebraska Public Employees Retirement Systems, or from the  
11 director's representative on behalf of the Public Employees Retirement  
12 Board, for such records, documents, data, or other information.

13 (d) The Public Employees Retirement Board shall electronically  
14 report the work plan, including any recommendations, cost estimates, and  
15 cost comparisons, to the Clerk of the Legislature no later than June 30,  
16 2020.

17 (2) For purposes of this section, management does not include:

18 (a) A merger or consolidation of any Class V school employees  
19 retirement system established under the Class V School Employees  
20 Retirement Act and which existed on January 1, 2019, with the School  
21 Employees Retirement System of the State of Nebraska or any other  
22 retirement system administered by the Public Employees Retirement Board;  
23 or

24 (b) An assumption of any of the liability for any such Class V  
25 school employees retirement system by the State of Nebraska, the Public  
26 Employees Retirement Board, or the Nebraska Public Employees Retirement  
27 Systems.

28 (3) The Public Employees Retirement Board may quarterly bill the  
29 employer of any Class V school employees retirement system established  
30 under the Class V School Employees Retirement Act and which existed on  
31 January 1, 2019, for all work performed by the Public Employees

1    Retirement Board for services and related expenses in completion of the  
2    work plan described in this section. Such employer shall remit payment as  
3    provided in section 4 of this act within forty-five calendar days after  
4    receipt of each bill.

5       Sec. 4.    (1) The Class V School Employees Retirement System  
6    Management Work Plan Fund is created. The purpose of the fund is to  
7    transfer funds as specified in this section. The fund shall consist of  
8    the amounts transferred from the employer of any Class V school employees  
9    retirement system established under the Class V School Employees  
10   Retirement Act and which existed on January 1, 2019, for all work  
11   performed by the Public Employees Retirement Board for services and  
12   related expenses in completion of the work described in section 3 of this  
13   act. The fund shall be administered by the Nebraska Public Employees  
14   Retirement Systems. Any money in the fund available for investment shall  
15   be invested by the state investment officer pursuant to the Nebraska  
16   Capital Expansion Act and the Nebraska State Funds Investment Act.

17       (2) The employer of any Class V school employees retirement system  
18   established under the Class V School Employees Retirement Act and which  
19   existed on January 1, 2019, shall remit the payment described in  
20   subsection (3) of section 3 of this act to the State Treasurer for credit  
21   to the Class V School Employees Retirement System Management Work Plan  
22   Fund for all work performed by the Public Employees Retirement Board for  
23   services and related expenses in completion of the work plan.

24       Sec. 5.    The administrator and board of trustees of any Class V  
25   school employees retirement system established under the Class V School  
26   Employees Retirement Act and which existed on January 1, 2019, may  
27   quarterly bill the employer of such Class V school employees retirement  
28   system for all work performed and expenses incurred by the administrator,  
29   staff, and any consultants of the Class V school employees retirement  
30   system in response to requests for records, documents, data, or other  
31   information from the Nebraska Public Employees Retirement Systems or the

1    Public Employees Retirement Board in completion of the work plan  
2    described in section 3 of this act. Such employer shall remit payment  
3    within forty-five calendar days after receipt of each quarterly bill to  
4    such Class V school employees retirement system.

5       Sec. 6. Section 84-1503, Revised Statutes Cumulative Supplement,  
6    2018, is amended to read:

7              84-1503 (1) It shall be the duty of the Public Employees Retirement  
8    Board:

9              (a) To administer the retirement systems provided for in the County  
10   Employees Retirement Act, the Judges Retirement Act, the Nebraska State  
11   Patrol Retirement Act, the School Employees Retirement Act, and the State  
12   Employees Retirement Act. The agency for the administration of the  
13   retirement systems and under the direction of the board shall be known  
14   and may be cited as the Nebraska Public Employees Retirement Systems;

15             (b) To appoint a director to administer the systems under the  
16   direction of the board. The appointment shall be subject to the approval  
17   of the Governor and a majority of the Legislature. The director shall be  
18   qualified by training and have at least five years of experience in the  
19   administration of a qualified public or private employee retirement plan.  
20   The director shall not be a member of the board. The salary of the  
21   director shall be set by the board. The director shall serve without term  
22   and may be removed by the board;

23             (c) To provide for an equitable allocation of expenses among the  
24   retirement systems administered by the board, and all expenses shall be  
25   provided from the investment income earned by the various retirement  
26   funds unless alternative sources of funds to pay expenses are specified  
27   by law;

28             (d) To administer the deferred compensation program authorized in  
29   section 84-1504;

30             (e) To hire an attorney, admitted to the Nebraska State Bar  
31   Association, to advise the board in the administration of the retirement

1       systems listed in subdivision (a) of this subsection;

2           (f) To hire an internal auditor to perform the duties described in  
3       section 84-1503.04 who meets the minimum standards as described in  
4       section 84-304.03;

5           (g) To adopt and implement procedures for reporting information by  
6       employers, as well as testing and monitoring procedures in order to  
7       verify the accuracy of such information. The information necessary to  
8       determine membership shall be provided by the employer. The board may  
9       adopt and promulgate rules and regulations and prescribe such forms  
10      necessary to carry out this subdivision. Nothing in this subdivision  
11      shall be construed to require the board to conduct onsite audits of  
12      political subdivisions for compliance with statutes, rules, and  
13      regulations governing the retirement systems listed in subdivision (1)(a)  
14      of this section regarding membership and contributions; and

15           (h) To prescribe and furnish forms for the public retirement system  
16      plan reports required to be filed pursuant to sections 2-3228, 12-101,  
17      14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,  
18      23-3526, 71-1631.02, and 79-987 through December 31, 2017.

19           (2) In administering the retirement systems listed in subdivision  
20      (1)(a) of this section, it shall be the duty of the board:

21           (a) To determine, based on information provided by the employer, the  
22      prior service annuity, if any, for each person who is an employee of the  
23      county on the date of adoption of the retirement system;

24           (b) To determine the eligibility of an individual to be a member of  
25      the retirement system and other questions of fact in the event of a  
26      dispute between an individual and the individual's employer;

27           (c) To adopt and promulgate rules and regulations, as the board may  
28      deem necessary, for the management of the board;

29           (d) To keep a complete record of all proceedings taken at any  
30      meeting of the board;

31           (e) To obtain, by a competitive, formal, and sealed bidding process

1 through the materiel division of the Department of Administrative  
2 Services, actuarial services on behalf of the State of Nebraska as may be  
3 necessary in the administration and development of the retirement  
4 systems, including, but not limited to, preparation of an annual  
5 actuarial valuation report of each of the defined benefit and cash  
6 balance plans administered by the board. Such annual valuation reports  
7 shall be presented by the actuary to the Nebraska Retirement Systems  
8 Committee of the Legislature at a public hearing or hearings. Any  
9 contract for actuarial services shall contain a provision allowing the  
10 actuary, without prior approval of the board, to perform actuarial  
11 studies of the systems as requested by entities other than the board, if  
12 notice, which does not identify the entity or substance of the request,  
13 is given to the board, all costs are paid by the requesting entity,  
14 results are provided to the board, the Nebraska Retirement Systems  
15 Committee of the Legislature, and the Legislative Fiscal Analyst upon  
16 being made public, and such actuarial studies do not interfere with the  
17 actuary's ongoing responsibility to the board. The term of the contract  
18 shall be for up to three years. A competitive, formal, and sealed bidding  
19 process shall be completed at least once every three years, unless the  
20 board determines that such a process would not be cost effective under  
21 the circumstances and that the actuarial services performed have been  
22 satisfactory, in which case the contract may also contain an option for  
23 renewal without a competitive, formal, and sealed bidding process for up  
24 to three additional years. An actuary under contract for the State of  
25 Nebraska shall be a member of the American Academy of Actuaries and meet  
26 the academy's qualification standards to render a statement of actuarial  
27 opinion;

28 (f) To direct the State Treasurer to transfer funds, as an expense  
29 of the retirement systems, to the Legislative Council Retirement Study  
30 Fund. Such transfer shall occur beginning on or after July 1, 2005, and  
31 at intervals of not less than five years and not more than fifteen years

1 and shall be in such amounts as the Legislature shall direct;

2 (g) To adopt and promulgate rules and regulations, as the board may  
3 deem necessary, to carry out the provisions of each retirement system  
4 described in subdivision (1)(a) of this section, which includes, but is  
5 not limited to, the crediting of military service, direct rollover  
6 distributions, and the acceptance of rollovers;

7 (h) To obtain, by a competitive, formal, and sealed bidding process  
8 through the materiel division of the Department of Administrative  
9 Services, auditing services for a separate compliance audit of the  
10 retirement systems to be completed by December 31, 2020, and from time to  
11 time thereafter at the request of the Nebraska Retirement Systems  
12 Committee of the Legislature, to be completed not more than every four  
13 years but not less than every ten years. The compliance audit shall be in  
14 addition to the annual audit conducted by the Auditor of Public Accounts.  
15 The compliance audit shall include, but not be limited to, an examination  
16 of records, files, and other documents and an evaluation of all policies  
17 and procedures to determine compliance with all state and federal laws. A  
18 copy of the compliance audit shall be given to the Governor, the board,  
19 and the Nebraska Retirement Systems Committee of the Legislature and  
20 shall be presented to the committee at a public hearing;

21 (i) To adopt and promulgate rules and regulations, as the board may  
22 deem necessary, for the adjustment of contributions or benefits, which  
23 includes, but is not limited to: (i) The procedures for refunding  
24 contributions, adjusting future contributions or benefit payments, and  
25 requiring additional contributions or repayment of benefits; (ii) the  
26 process for a member, member's beneficiary, employee, or employer to  
27 dispute an adjustment to contributions or benefits; (iii) establishing  
28 materiality and de minimus amounts for agency transactions, adjustments,  
29 and inactive account closures; and (iv) notice provided to all affected  
30 persons. Following an adjustment, a timely notice shall be sent that  
31 describes the adjustment and the process for disputing an adjustment to

1 contributions or benefits;

2       (j) To make a thorough investigation through the director or the  
3 director's designee, of any overpayment of a benefit, when in the  
4 judgment of the director such investigation is necessary, including, but  
5 not limited to, circumstances in which benefit payments are made after  
6 the death of a member or beneficiary and the retirement system is not  
7 made aware of such member's or beneficiary's death. In connection with  
8 any such investigation, the board, through the director or the director's  
9 designee, shall have the power to compel the attendance of witnesses and  
10 the production of books, papers, records, and documents, whether in  
11 hardcopy, electronic form, or otherwise, and issue subpoenas for such  
12 purposes. Such subpoenas shall be served in the same manner and have the  
13 same effect as subpoenas from district courts; and

14       (k) To administer all retirement system plans in a manner which will  
15 maintain each plan's status as a qualified plan pursuant to the Internal  
16 Revenue Code, as defined in section 49-801.01, including: Section 401(a)  
17 (9) of the Internal Revenue Code relating to the time and manner in which  
18 benefits are required to be distributed, including the incidental death  
19 benefit distribution requirement of section 401(a)(9)(G) of the Internal  
20 Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to  
21 the specification of actuarial assumptions; section 401(a)(31) of the  
22 Internal Revenue Code relating to direct rollover distributions from  
23 eligible retirement plans; section 401(a)(37) of the Internal Revenue  
24 Code relating to the death benefit of a member whose death occurs while  
25 performing qualified military service; and section 401(a) of the Internal  
26 Revenue Code by meeting the requirements of section 414(d) of the  
27 Internal Revenue Code relating to the establishment of retirement plans  
28 for governmental employees of a state or political subdivision thereof.  
29 The board may adopt and promulgate rules and regulations necessary or  
30 appropriate to maintain such status including, but not limited to, rules  
31 or regulations which restrict discretionary or optional contributions to

1 a plan or which limit distributions from a plan.

2 (3) By March 31 of each year, the board shall prepare a written plan  
3 of action and shall present such plan to the Nebraska Retirement Systems  
4 Committee of the Legislature at a public hearing. The plan shall include,  
5 but not be limited to, the board's funding policy, the administrative  
6 costs and other fees associated with each fund and plan overseen by the  
7 board, member education and informational programs, the director's duties  
8 and limitations, an organizational structure of the office of the  
9 Nebraska Public Employees Retirement Systems, and the internal control  
10 structure of such office to ensure compliance with state and federal  
11 laws.

12 (4)(a) Beginning in 2016, and at least every four years thereafter  
13 in even-numbered years or at the request of the Nebraska Retirement  
14 Systems Committee of the Legislature, the board shall obtain an  
15 experience study. Within thirty business days after presentation of the  
16 experience study to the board, the actuary shall present the study to the  
17 Nebraska Retirement Systems Committee at a public hearing. If the board  
18 does not adopt all of the recommendations in the experience study, the  
19 board shall provide a written explanation of its decision to the Nebraska  
20 Retirement Systems Committee and the Governor. The explanation shall be  
21 delivered within ten business days after formal action by the board to  
22 not adopt one or more of the recommendations.

23 (b) The director shall provide an electronic copy of the first draft  
24 and a final draft of the experience study and annual valuation reports to  
25 the Nebraska Retirement Systems Committee and the Governor when the  
26 director receives the drafts from the actuary. The drafts shall be deemed  
27 confidential information. The draft copies obtained by the Nebraska  
28 Retirement Systems Committee and the Governor pursuant to this section  
29 shall not be considered public records subject to sections 84-712 to  
30 84-712.09.

31 (c) For purposes of this subsection, business days shall be computed

1 by excluding the day the request is received, after which the designated  
2 period of time begins to run. A business day shall not include a Saturday  
3 or a Sunday or a day during which the Nebraska Public Employees  
4 Retirement Systems office is closed.

5 (5) It shall be the duty of the board to direct the State Treasurer  
6 to transfer funds, as an expense of the retirement system provided for  
7 under the Class V School Employees Retirement Act, to and from the Class  
8 V Retirement System Payment Processing Fund and the Class V School  
9 Employees Retirement Fund for the benefit of a retirement system provided  
10 for under the Class V School Employees Retirement Act to implement the  
11 provisions of section 79-986. The agency for the administration of this  
12 provision and under the direction of the board shall be known and may be  
13 cited as the Nebraska Public Employees Retirement Systems.

14 (6) Pursuant to section 3 of this act, it shall be the duty of the  
15 board to carry out the work plan, file the report, and contract with,  
16 bill, and receive payment from the employer of any Class V school  
17 employees retirement system established under the Class V School  
18 Employees Retirement Act and which existed on January 1, 2019, for all  
19 services performed in the conduct, completion, and report of such work  
20 plan regarding the transfer of management of any such Class V school  
21 employees retirement system.

22 Sec. 7. If any section in this act or any part of any section is  
23 declared invalid or unconstitutional, the declaration shall not affect  
24 the validity or constitutionality of the remaining portions.

25 Sec. 8. Original sections 79-978.01 and 84-1503, Revised Statutes  
26 Cumulative Supplement, 2018, are repealed.

27 Sec. 9. Since an emergency exists, this act takes effect when  
28 passed and approved according to law.