

LEGISLATURE OF NEBRASKA
ONE HUNDRED SEVENTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 586

Introduced by Clements, 2.

Read first time January 19, 2021

Committee: Nebraska Retirement Systems

- 1 A BILL FOR AN ACT relating to city pensions; to amend sections 14-567 and
- 2 15-1017, Revised Statutes Cumulative Supplement, 2020; to require a
- 3 report to the Legislature and the Governor relating to certain city
- 4 police and firefighter defined benefit retirement plans as
- 5 prescribed; and to repeal the original sections.
- 6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 14-567, Revised Statutes Cumulative Supplement,
2 2020, is amended to read:

3 14-567 (1) Beginning December 31, 1998, through December 31, 2017,
4 the pension board of a city of the metropolitan class shall file with the
5 Public Employees Retirement Board an annual report on each retirement
6 plan established by such city pursuant to section 401(a) of the Internal
7 Revenue Code and shall submit copies of such report to the Auditor of
8 Public Accounts. The Auditor of Public Accounts may prepare a review of
9 such report pursuant to section 84-304.02 but is not required to do so.
10 The annual report shall be in a form prescribed by the Public Employees
11 Retirement Board and shall contain the following information for each
12 such retirement plan:

- 13 (a) The number of persons participating in the retirement plan;
- 14 (b) The contribution rates of participants in the plan;
- 15 (c) Plan assets and liabilities;
- 16 (d) The names and positions of persons administering the plan;
- 17 (e) The names and positions of persons investing plan assets;
- 18 (f) The form and nature of investments;
- 19 (g) For each defined contribution plan, a full description of
20 investment policies and options available to plan participants; and
- 21 (h) For each defined benefit plan, the levels of benefits of
22 participants in the plan, the number of members who are eligible for a
23 benefit, and the total present value of such members' benefits, as well
24 as the funding sources which will pay for such benefits.

25 If a plan contains no current active participants, the pension board
26 may file in place of such report a statement with the Public Employees
27 Retirement Board indicating the number of retirees still drawing
28 benefits, and the sources and amount of funding for such benefits.

29 (2) Through December 31, 2017, if such retirement plan is a defined
30 benefit plan which was open to new members on January 1, 2004, in
31 addition to the reports required by section 13-2402, the pension board of

1 a city of the metropolitan class shall cause to be prepared an annual
2 report and shall file the same with the Public Employees Retirement Board
3 and the Nebraska Retirement Systems Committee of the Legislature and
4 submit to the Auditor of Public Accounts a copy of such report. The
5 Auditor of Public Accounts may prepare a review of such report pursuant
6 to section 84-304.02 but is not required to do so. If the pension board
7 does not submit a copy of the report to the Auditor of Public Accounts
8 within six months after the end of the plan year, the Auditor of Public
9 Accounts may audit, or cause to be audited, the city. All costs of the
10 audit shall be paid by the city. The report shall consist of a full
11 actuarial analysis of each such retirement plan established by the city.
12 The analysis shall be prepared by an independent private organization or
13 public entity employing actuaries who are members in good standing of the
14 American Academy of Actuaries, and which organization or entity has
15 demonstrated expertise to perform this type of analysis and is unrelated
16 to any organization offering investment advice or which provides
17 investment management services to the retirement plan. The report to the
18 Nebraska Retirement Systems Committee shall be submitted electronically.

19 (3)(a) Beginning December 31, 2018, and each December 31 thereafter,
20 for a defined benefit plan the pension board or its designee shall
21 prepare and electronically file an annual report with the Auditor of
22 Public Accounts and the Nebraska Retirement Systems Committee of the
23 Legislature. If such retirement plan is a defined benefit plan which was
24 open to new members on January 1, 2004, the report shall be in addition
25 to the reports required by section 13-2402. The report shall be on a form
26 prescribed by the Auditor of Public Accounts and shall include, but not
27 be limited to, the following information:

28 (i) The levels of benefits of participants in the plan, the number
29 of members who are eligible for a benefit, the total present value of
30 such members' benefits, and the funding sources which will pay for such
31 benefits; and

1 (ii) A copy of a full actuarial analysis of each such defined
2 benefit plan. The analysis shall be prepared by an independent private
3 organization or public entity employing actuaries who are members in good
4 standing of the American Academy of Actuaries, and which organization or
5 entity has demonstrated expertise to perform this type of analysis and is
6 unrelated to any organization which offers investment advice or provides
7 investment management services to the retirement plan.

8 (b) The Auditor of Public Accounts may prepare a review of such
9 report pursuant to section 84-304.02 but is not required to do so. If the
10 pension board does not submit a copy of the report to the Auditor of
11 Public Accounts within six months after the end of the plan year, the
12 Auditor of Public Accounts may audit, or cause to be audited, the pension
13 board. All costs of the audit shall be paid by the pension board.

14 (4) No later than December 31, 2021, and by December 31 each year
15 thereafter, the pension board of a city of the metropolitan class shall
16 provide the Nebraska Retirement Systems Committee of the Legislature and
17 the Governor a report that includes all the following, as such items
18 apply to any city police or firefighter defined benefit retirement plan:

19 (a) A description of, and the process used to determine, the
20 investment return assumption utilized by the plan administrator when
21 determining employer and employee contribution rates;

22 (b) An estimate of the range of likely assets, total liabilities,
23 unfunded liabilities, and employer contributions over twenty years based
24 on an analysis that simulates the volatility of annual investment returns
25 above and below the expected rate, applying methodology determined by the
26 actuary, but including at a minimum both the twenty-fifth and seventy-
27 fifth percentiles of the distribution of likely investment returns;

28 (c) Projections of assets, liabilities, pension debt, service costs,
29 employee contributions, employer contributions, net amortization, benefit
30 payments, payroll, and funded ratio for the retirement system for each of
31 the next thirty years based upon current actuarial assumptions, including

1 the assumed rate of return;

2 (d) Projections of assets, liabilities, pension debt, service costs,
3 employee contributions, employer contributions, net amortization, benefit
4 payments, payroll, and funded ratio for the retirement system assuming
5 that investment returns are two and four percentage points lower than the
6 assumed rate of return and that the city makes employer contributions
7 meeting all of the following:

8 (i) The contributions are based upon current funding policy for the
9 retirement system;

10 (ii) The contributions are held constant at the levels calculated
11 for subdivision (4)(c) of this section; and

12 (iii) The contributions never exceed fifteen percent of projected
13 total revenue available for appropriation by the city;

14 (e) Estimates for assets, liabilities, pension debt, service costs,
15 employee contributions, employer contributions, net amortization, benefit
16 payments, payroll, and funded ratio for the retirement system, if there
17 is a one-year loss on planned investments of twenty percent followed by a
18 twenty-year period of investment returns two percentage points below plan
19 assumptions, with the following assumptions regarding contributions:

20 (i) The contributions are based upon current funding policy for the
21 retirement system;

22 (ii) The contributions are held constant at the levels calculated
23 for subdivision (4)(c) of this section; and

24 (iii) The contributions never exceed fifteen percent of projected
25 total revenue available for appropriation by the city;

26 (f) The estimated actuarially accrued liability, the total plan
27 normal cost for all benefit tiers if multiple tiers exist, and the
28 employer normal cost for all benefit tiers if multiple tiers exist,
29 calculated using all the following:

30 (i) A discount rate equal to the assumed rate of return. If the
31 discount rate used by the retirement system is different from the

1 investment return assumption, then the report shall provide a calculation
2 of actuarially accrued liability based upon a discount rate that is two
3 percent and four percent above and below the long-term rate of return
4 used by the plan administrator; and

5 (ii) The ten-year average of the yield of thirty-year treasury
6 notes;

7 (g) A description of the amortization period for any unfunded
8 liabilities utilized by the plan administrator when determining the
9 contribution rates;

10 (h) A calculation of the contribution rates based on an amortization
11 period equal to the estimated average remaining service periods of
12 employees covered by the contributions;

13 (i) A description of the interest assumption rate utilized by the
14 plan administrator for reporting liabilities and the process used to
15 determine that assumption;

16 (j) The market value of the assets controlled by the plan
17 administrator and an explanation of how the actuarial value assigned to
18 those assets differs from the market value of those assets; and

19 (k) Any additional information deemed useful by the committee to
20 evaluate current or prospective funding or contribution policies.

21 Sec. 2. Section 15-1017, Revised Statutes Cumulative Supplement,
22 2020, is amended to read:

23 15-1017 (1) A city of the primary class which has a city pension and
24 retirement plan or fund, or a city fire and police pension plan or fund,
25 or both, may provide by ordinance as authorized by its home rule charter,
26 and not prohibited by the Constitution of Nebraska, for the investment of
27 any plan or fund, and such city may provide that (a) the city shall place
28 in trust any part of such plan or fund, (b) the city shall place in trust
29 any part of any such plan or fund with a corporate trustee in Nebraska,
30 or (c) the city shall purchase any part of any such plan from a life
31 insurance company licensed to do business in the State of Nebraska. The

1 powers conferred by this section shall be independent of and in addition
2 and supplemental to any other provisions of the laws of the State of
3 Nebraska with reference to the matters covered hereby, and this section
4 shall be considered as a complete and independent act and not as
5 amendatory of or limited by any other provision of the laws of the State
6 of Nebraska.

7 (2)(a) Beginning December 31, 2018, and each December 31 thereafter,
8 for a defined benefit plan, the city clerk of a city of the primary class
9 or his or her designee shall prepare and electronically file an annual
10 report with the Auditor of Public Accounts and the Nebraska Retirement
11 Systems Committee of the Legislature. If such retirement plan is a
12 defined benefit plan which was open to new members on January 1, 2004,
13 the report shall be in addition to the reports required by section
14 13-2402. The report shall be on a form prescribed by the Auditor of
15 Public Accounts and shall include, but not be limited to, the following
16 information:

17 (i) The levels of benefits of participants in the plan, the number
18 of members who are eligible for a benefit, the total present value of
19 such members' benefits, and the funding sources which will pay for such
20 benefits; and

21 (ii) A copy of a full actuarial analysis of each such defined
22 benefit plan. The analysis shall be prepared by an independent private
23 organization or public entity employing actuaries who are members in good
24 standing of the American Academy of Actuaries, and which organization or
25 entity has demonstrated expertise to perform this type of analysis and is
26 unrelated to any organization which offers investment advice or provides
27 investment management services to the retirement plan.

28 (b) The Auditor of Public Accounts may prepare a review of such
29 report pursuant to section 84-304.02 but is not required to do so. If the
30 city council does not submit a copy of the report to the Auditor of
31 Public Accounts within six months after the end of the plan year, the

1 Auditor of Public Accounts may audit, or cause to be audited, the city.
2 All costs of the audit shall be paid by the city.

3 (3) No later than December 31, 2021, and by December 31 each year
4 thereafter, the city clerk of a city of the primary class or such city
5 clerk's designee shall provide the Nebraska Retirement Systems Committee
6 of the Legislature and the Governor a report that includes all the
7 following, as such items apply to any city police or firefighter defined
8 benefit retirement plan:

9 (a) A description of, and the process used to determine, the
10 investment return assumption utilized by the plan administrator when
11 determining employer and employee contribution rates;

12 (b) An estimate of the range of likely assets, total liabilities,
13 unfunded liabilities, and employer contributions over twenty years based
14 on an analysis that simulates the volatility of annual investment returns
15 above and below the expected rate, applying methodology determined by the
16 actuary, but including at a minimum both the twenty-fifth and seventy-
17 fifth percentiles of the distribution of likely investment returns;

18 (c) Projections of assets, liabilities, pension debt, service costs,
19 employee contributions, employer contributions, net amortization, benefit
20 payments, payroll, and funded ratio for the retirement system for each of
21 the next thirty years based upon current actuarial assumptions, including
22 the assumed rate of return;

23 (d) Projections of assets, liabilities, pension debt, service costs,
24 employee contributions, employer contributions, net amortization, benefit
25 payments, payroll, and funded ratio for the retirement system assuming
26 that investment returns are two and four percentage points lower than the
27 assumed rate of return and that the city makes employer contributions
28 meeting all of the following:

29 (i) The contributions are based upon current funding policy for the
30 retirement system;

31 (ii) The contributions are held constant at the levels calculated

1 for subdivision (3)(c) of this section; and

2 (iii) The contributions never exceed fifteen percent of projected
3 total revenue available for appropriation by the city;

4 (e) Estimates for assets, liabilities, pension debt, service costs,
5 employee contributions, employer contributions, net amortization, benefit
6 payments, payroll, and funded ratio for the retirement system, if there
7 is a one-year loss on planned investments of twenty percent followed by a
8 twenty-year period of investment returns two percentage points below plan
9 assumptions, with the following assumptions regarding contributions:

10 (i) The contributions are based upon current funding policy for the
11 retirement system;

12 (ii) The contributions are held constant at the levels calculated
13 for subdivision (3)(c) of this section; and

14 (iii) The contributions never exceed fifteen percent of projected
15 total revenue available for appropriation by the city;

16 (f) The estimated actuarially accrued liability, the total plan
17 normal cost for all benefit tiers if multiple tiers exist, and the
18 employer normal cost for all benefit tiers if multiple tiers exist,
19 calculated using all the following:

20 (i) A discount rate equal to the assumed rate of return. If the
21 discount rate used by the retirement system is different from the
22 investment return assumption, then the report shall provide a calculation
23 of actuarially accrued liability based upon a discount rate that is two
24 percent and four percent above and below the long-term rate of return
25 used by the plan administrator; and

26 (ii) The ten-year average of the yield of thirty-year treasury
27 notes;

28 (g) A description of the amortization period for any unfunded
29 liabilities utilized by the plan administrator when determining the
30 contribution rates;

31 (h) A calculation of the contribution rates based on an amortization

1 period equal to the estimated average remaining service periods of
2 employees covered by the contributions;

3 (i) A description of the interest assumption rate utilized by the
4 plan administrator for reporting liabilities and the process used to
5 determine that assumption;

6 (j) The market value of the assets controlled by the plan
7 administrator and an explanation of how the actuarial value assigned to
8 those assets differs from the market value of those assets; and

9 (k) Any additional information deemed useful by the committee to
10 evaluate current or prospective funding or contribution policies.

11 Sec. 3. Original sections 14-567 and 15-1017, Revised Statutes
12 Cumulative Supplement, 2020, are repealed.