

LEGISLATIVE BILL 502

Approved by the Governor March 21, 1995

Introduced by Nebraska Retirement Systems Committee:

Wickersham, 49, Chairperson; Crosby, 29; Lynch, 13; Robak, 22; Wehrbein, 2

AN ACT relating to retirement; to amend sections 79-1503.01 and 84-1503, Reissue Revised Statutes of Nebraska, and section 24-705, Revised Statutes Supplement, 1994; to require a formal competitive bidding process for actuarial services; to provide duties for the Public Employees Retirement Board; to harmonize provisions; to repeal the original sections; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 24-705, Revised Statutes Supplement, 1994, is amended to read:

24-705. The board shall have the power to secure and employ the services of such technical and administrative employees as are necessary to carry out the provisions of sections 24-701 to 24-714. ~~The Pursuant to subdivision (2)(g) of section 84-1503,~~ the board shall have an annual report prepared by a member of the American Academy of Actuaries showing a complete valuation of the present and prospective assets and liabilities of the fund created by the provisions of such sections. Such valuation shall be on the basis of actuarial assumptions recommended by the actuary, approved by the board, and kept on file with the board. The report shall further include a prospectus of the amount of the appropriation that will be required from the Legislature for the succeeding year. This report shall be furnished to the Clerk of the Legislature at each regular session. Each member of the Legislature shall receive a copy of such report by making a request for it to the director. The employees of the board shall be paid at such rates as the board shall approve. All administrative expenses shall be paid from the retirement fund.

Sec. 2. Section 79-1503.01, Reissue Revised Statutes of Nebraska, is amended to read:

79-1503.01. It shall be the duty of the board:

(1) To determine the eligibility of an individual to be a member of the retirement system and other questions of fact in the event of dispute between an individual and a department;

(2) To adopt rules and regulations for the management of the board;

(3) To prescribe forms which shall be used by employers to report contributions, hours worked by school employees, payroll information, and other information necessary to carry out the board's duties;

(4) To keep a complete record of all proceedings taken at any meeting of the board; and

(5) To employ a director and ~~such actuarial~~ and other assistance as may be necessary in the performance of its duties; and

(6) ~~To obtain actuarial services pursuant to subdivision (2)(g) of section 84-1503.~~

Sec. 3. Section 84-1503, Reissue Revised Statutes of Nebraska, is amended to read:

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

(a) To administer the retirement systems provided for in the County Employees Retirement Act, the School Employees Retirement Act, the State Employees Retirement Act, and sections 24-701 to 24-714 and 81-2014 to 81-2036;

(b) To hire a director to administer the systems under direction of the board. The director shall not be a member of the board. Salaries of the director and his or her employees shall be set by the board;

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

(d) To administer the deferred compensation program authorized in section 84-1504.

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

(a) With respect to the retirement systems for which the board invests funds, to use the services of the state investment officer or to

select, on the basis of the most sound proposal or proposals received, after written notice of such proposition to all domestic companies, one or more life insurance companies, banks, trust companies, or investment managers authorized to do business in Nebraska to underwrite, serve as trustee, or manage investments for the retirement system and to enter into a contract or contracts with such company or companies in the name of the retirement system, except that if a bank, trust company, or investment manager is chosen as the primary carrier or investment manager, the funds shall be invested or reinvested in such securities and investments of the nature which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another, and if the life insurance company, bank, trust company, or investment manager has special skills or is named on the basis of representations of special skills or expertise, such person is under a duty to use such skills;

(b) With respect to the retirement systems for which the board invests funds, to change underwriters, trustees, or investment managers if, in the judgment of the board, such action would be desirable. The cancellation notice may be given by telephone and shall be confirmed in writing within five days by the board or a designated person appointed by the board;

(c) To determine the prior service annuity, if any, for each person who is an employee of the county on the date of adoption of the retirement system;

(d) To determine the eligibility of an individual to be a member of the retirement system and other questions of fact in the event of a dispute between an individual and the county board in his or her county;

(e) To adopt and promulgate rules and regulations for the management of the board;

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

(g) To employ such actuarial and other assistance as may be necessary in the performance of its duties. An actuary employed by the board shall be a member of the American Academy of Actuaries, and to obtain, by a competitive, formal, and sealed bidding process through the material division of the Department of Administrative Services, actuarial services on behalf of the State of Nebraska as may be necessary in the administration and development of the retirement systems. Any contract for actuarial services shall contain a provision allowing the actuary, without prior approval of the board, to perform actuarial studies of the systems as requested by entities other than the board, if notice, which does not identify the entity or substance of the request, is given to the board, all costs are paid by the requesting entity, results are provided to the board upon being made public, and such actuarial studies do not interfere with the actuary's ongoing responsibility to the board. The contract may also contain an option for renewal without a competitive, formal, and sealed bidding process for up to three years. An actuary under contract for the State of Nebraska shall be a member of the American Academy of Actuaries, and

(h) To direct the State Treasurer to transfer funds, as an expense of the retirement systems, to the Legislative Council Retirement Study Fund. Such transfer shall occur beginning on or after July 31, 1992, and at intervals of not less than ten years and not more than fifteen years and shall be in such amounts as the Legislature shall direct, except that up to seventy-five thousand dollars may be transferred in FY1993-94 to assist in completing the study authorized in Legislative Resolution 328, Ninety-second Legislature, Second Session, 1992.

(3) The board and the Nebraska Investment Council shall jointly have an analysis made of the investment return that has been achieved on the assets of each retirement system administered by the board. Such analysis shall be prepared annually as of January 1. The analysis shall be prepared by an independent private organization which has demonstrated expertise to perform this type of analysis and which is unrelated to any organization offering investment advice or providing investment management services to the retirement system. The analysis may be waived jointly by the board and the council for any retirement system with assets of less than ten million dollars. A copy of the analysis shall be given to the board, the council, and the Nebraska Retirement Systems Committee.

Sec. 4. Original sections 79-1503.01 and 84-1503, Reissue Revised Statutes of Nebraska, and section 24-705, Revised Statutes Supplement, 1994, are repealed.

Sec. 5. Since an emergency exists, this act takes effect when passed and approved according to law.