

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2019 SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE
One Hundred Sixth Legislature, First Session

Committee Members

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Senator Brett Lindstrom, Vice-Chairman
Senator Kate Bolz
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I. Numerical Bill Index

- LB 31 (Kolterman) Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties
- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board
- LB 34 (Kolterman) Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act
- LB 35 (Kolterman) Change provisions relating to reemployment, reinstatement, repayment, and age eligibility for certain members under the County Employees Retirement Act and State Employees Retirement Act
- LB 36 (Kolterman) Redefine creditable service, change a payment deadline for restoration of relinquished creditable service, and change payment requirements and service credit computation provisions under the School Employees Retirement Act
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems
- LB 683 (Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members
- LB 706 (Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act

II. Bills Listed by Retirement Plan, State Agency or Board

CLASS V (OMAHA) SCHOOL EMPLOYEES RETIREMENT ACT

- LB 31 (Kolterman) Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties
- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board
- LB 683 (Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members
- LB 706 (Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act

COUNTY EMPLOYEES RETIREMENT ACT

- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 34 (Kolterman) Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act
- LB 35 (Kolterman) Change provisions relating to reemployment, reinstatement, repayment, and age eligibility for certain members under the County Employees Retirement Act and State Employees Retirement Act
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems

NEBRASKA INVESTMENT COUNCIL/STATE INVESTMENT OFFICER

- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board

PUBLIC EMPLOYEES RETIREMENT BOARD

- LB 31 (Kolterman) Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties
- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems
- LB 683 (Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members

SCHOOL EMPLOYEES RETIREMENT ACT

- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board
- LB 36 (Kolterman) Redefine creditable service, change a payment deadline for restoration of relinquished creditable service, and change payment requirements and service credit computation provisions under the School Employees Retirement Act
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems

STATE EMPLOYEES RETIREMENT ACT

- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 34 (Kolterman) Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act
- LB 35 (Kolterman) Change provisions relating to reemployment, reinstatement, repayment, and age eligibility for certain members under the County Employees Retirement Act and State Employees Retirement Act
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems

III. Status of Retirement Bills

ENACTED

- LB 31 (Kolterman) Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties
- LB 32 (Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act
- LB 33 (Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board
- LB 34 (Kolterman) Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act [LB 35, LB 36 and LB 565 as amended by the Committee were incorporated into the bill]

AMENDED INTO OTHER BILLS AND ENACTED

- LB 35 (Kolterman) Change provisions relating to reemployment, reinstatement, repayment, and age eligibility for certain members under the County Employees Retirement Act and State Employees Retirement Act
- LB 36 (Kolterman) Redefine creditable service, change a payment deadline for restoration of relinquished creditable service, and change payment requirements and service credit computation provisions under the School Employees Retirement Act
- LB 565 (Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems

HELD IN COMMITTEE

- LB 683 (Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members
- LB 706 (Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act

IV. Summary of Retirement Bills

ENACTED

LB 31 Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties

Status: Approved by the Governor – May 1, 2019

Operative Date: May 2, 2019

Plan/Agency: School Employees
Class V (Omaha) School Employees
Public Employees Retirement Board

Repeals/Amends: 79-978.01 and 84-1503

Summary of LB 31 as introduced

LB 31 requires the Public Employees Retirement System (PERB) in consultation with Nebraska Retirement Systems Committee, Omaha School Employees Retirement System (OSERS), Omaha Public Schools (OPS) and other stakeholders to prepare a Work Plan that identifies the tasks, process, costs and timeline involved in transferring management of the OSERS Plan to the PERB. The Work Plan requires:

1. Comparison of the annual OSERS administration costs to the estimated cost for PERB to manage the OSERS plan
2. Identification of the necessary tasks and costs to transfer management from OSERS to PERB including assessment of the following categories:

Administration
Actuarial service
Accounting
Computer infrastructure
Information technology
Member data and record transfer

Necessary statutory changes
Staff training and assessment of staffing needs
Educational and communication plans to fully inform all system stakeholders and affected governmental entities regarding management changes

3. Establishment of timelines for completion of identified tasks.

The bill specifies that management transfer does not include a merger or consolidation of OSERS with the School Plan nor does it include assumption of liability for the unfunded balance by the State of Nebraska, Nebraska Public Employees Retirement System or the PERB.

PERB is authorized to quarterly assess OPS costs for staff time and any other related expenses in preparation of the Work Plan and requires OPS to remit payment within 45 calendar days of receipt of billings.

The Work Plan must be completed and submitted to the Legislature by June 30, 2020.

Following the hearing, Senator Kolterman requested a letter from Marque Snow, OPS Board of Education President, in order to clarify his testimony on the bill. [*See Appendix A – March 29, 2019 e-mail from Marque Snow on LB 31*]

Explanation of Committee AM 1169:

AM 1169 becomes the bill. In addition to the original provisions, it includes the following additional provisions:

1. Any written request from PERB for documents, data, and other information must be provided within 30 calendar days.
2. OSERS is granted authority to bill OPS for any expenses it incurs or time spent in responding to requests from PERB in completion of the Work Plan.
3. Requires OPS to reimburse OSERS for work OSERS must do or expenses it incurs in response to PERB requests for information, documents, and data related to preparation of the Work Plan.
4. Creates a Fund to deposit OPS payments to OSERS to pay for work completed by OSERS in response to PERB requests.
5. Adds the severability and emergency clauses

AM 1247 AM to AM 1169

In section 5 it strikes the creation of the Class V School Employees Study Plan Fund to transfer payments from OPS to OSERS.

Section-by-Section Summary of Final Reading Bill

- Section 1. [Amends 79-978.01] Incorporates new sections into the School Employees Retirement Act. [Page 1]
- Section 2. [New section] Intent of Legislature that PERB develop a Work Plan, recommendations, cost estimates and cost comparisons regarding the transfer of management of OSERS to PERB. [Page 1]
- Section 3. [New section] PERB in consultation with Retirement Committee, OSERS, OPS and other stakeholders to prepare a Work Plan that examines what must occur in order to carry out a transfer of management responsibilities for the OSERS Plan to the PERB. The Work Plan includes, but is not limited to:
1. A comparison of the annual OSERS administration costs to the estimated cost for PERB to manage the OSERS plan
 2. Identification of the tasks and costs to transfer management from OSERS to the PERB
 3. Establishment of timelines for completion of identified tasks
 4. The Work Plan must be completed and submitted to the Legislature by June 30, 2020.
- The bill specifies that examination of management transfer does not include a merger or consolidation of OSERS with the School Plan nor does it include assumption of liability for the unfunded balance by the State of Nebraska, NPERS or the PERB. [Pages 1-3]
- Section 4. [New section] Creates the Class V School Employees Retirement Work Plan Fund. Authorizes PERB to quarterly assess costs for work to OPS for staff time and any other related costs and requires OPS to remit payment within 45 calendar days of receipt of billings. [Page 3]
- Section 5. [New section] Authorizes OSERS to quarterly assess costs to OPS for work and expenses incurred in response to requests for information, data and documents from PERB in preparation of the Work Plan, and requires OPS to remit payment within 45 calendar days of receipt of billings. [Pages 3-4]
- Section 6. [Amends 84-1503] Adds to the listed PERB duties the obligation to conduct the Work Plan. [Pages 4-11]

Severance clause, emergency clause and repealer

LB 32

Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act

Status: Approved by the Governor – March 7, 2019

Operative Date: January 1, 2021

Plan/Agency: County Employees
State Employees
Public Employees Retirement Board
Nebraska Investment Council

Repeals/Amends: 23-2309.01, 23-2310.05, 84-1310.01 and 84-1311.03

Summary:

LB 32 was introduced at the request of the Nebraska Investment Council. As part of the Council's ongoing review of investments to reflect best practices, the Council recommends making changes to the investment options available to County and State defined contribution members and by polity to Deferred Compensation Plan and Deferred Option Retirement Plan members:

Current List

Stable Return Account
Equities Account
S&P 500 Index Fund Account
Fixed Income Account
Money Market Account
Balanced Account
Age-Based Account
Investor Select Account

New List

Stable Return Account
Equities Account
Fixed Income Account
Investor Select Account
Life Cycle Fund with an asset allocation and investment strategy that adjusts from a position of higher risk to one of lower risk as the member ages.

Replace the current Age-Based option with Life-Cycle Funds and remove the Balanced Account

Use Life-Cycle funds that provide automatic risk reduction as the participant ages. Life-Cycle or Target Date funds have a much more gradual risk reduction path than the current Age-Based option. Participants only need to focus on one key variable – their anticipated retirement date.

Remove the Money Market Investment option

Both the Stable Return Account and the Money Market investment options offer a conservative investment strategy with essentially the same goal of capital preservation. Over the long term, the Council expects the Stable Return Account to provide a slightly higher total return than the Money Market option. The Council has determined that both are not needed.

Remove the S&P 500 Index Fund in statute

The list of investment options currently in statute lists both an equity option and the S&P 500 Index option. Removing the reference to a specific equity index allows flexibility to use more broad-based index funds across the asset class.

The investment options are listed in the County and State Employees Retirement Acts for Defined Contribution members, but these same investment options are used for members with Deferred Compensation accounts and State Patrol officers who have entered the Deferred Option Retirement Plan.

The effective date is January 1, 2021 for any specific investment changes to allow sufficient time for re-programming and member education.

LB 33e

Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board

Status:	Approved by the Governor – March 6, 2019
Operative Date:	March 7, 2019
Plan/Agency:	School Employees Class V (Omaha) School Employees Retirement System Public Employees Retirement Board Nebraska Public Employees Retirement System Nebraska Investment Council
Repeals/Amends:	72-1243, 72-1277, 72-1278, 73-507, 79-934, 79-989, 84-712.05, 84-1502 and 84-1503

Summary of LB 33 as Introduced

LB 33 makes several changes to various governance and administrative provisions. The bill includes the following changes:

1. It allows the Public Employees Retirement Board to grant two 3-year extensions of actuarial contracts instead of just one 3-year extension. It also exempts legal compliance audit contracts from bidding requirements.
2. It increases the per diem for Public Employee Retirement Board members from \$50 to \$75. Per diems are cash funded.
3. It changes the date for the presentation of the Nebraska Public Employees Retirement Systems and Nebraska Investment Council Annual Reports to the Retirement Committee from March 31 to April 10 beginning in 2020. The additional time ensures that the Nebraska Investment Council will have adequate time to receive the calendar year investment return data so this information can be included in the annual reports.
4. It inserts into the Nebraska Investment Council statutes the oversight of the “achieving a better life experience program” that had inadvertently been left out of the list of programs for which the Nebraska Investment Council members are fiduciaries.

5. It would grant the Class V School Employees Retirement plan employer and its Board of Trustees the same exclusion from the Public Records Law that was placed into statute in 2009 for all plans administered by the Public Employees Retirement Board. The only member information that could be released is the member's name, the date the member began participating in the plan and the date plan participation ended. All other personal member information would be exempted under the Public Records laws.

Summary of LB 33 as Amended

The amendment strikes obsolete capping language from the School Employees Retirement Act and adds the emergency clause to the entire bill. It also strikes section 4 from the bill which amends 73-507(2) (c). The current language in 73-507(2) (c) does not need to be amended because the legal compliance audit is a professional legal service already covered by this section.

LB 34e Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act

Status: Approved by the Governor – April 17, 2019

Operative Date: April 18, 2019

Plan/Agency: County Employees
School Employees
Class V (Omaha) School Employees Retirement
State Employees
Public Employees Retirement Board

Repeals/Amends: 23-2306, 23-2308.01, 23-2317, 23-2319.01, 23-2320, 23-2321, 79-901, 79-902, 79-921, 79-927, 79-934, 79-956, 79-971, 79-978.01, 79-9,100, 79-9,106, 84-1307, 84-1309.02, 84-1319, 84-1321.01, 84-1322, 84-1323, and 84-1503

Summary of LB 34 as Introduced

As introduced, LB 34 eliminates the option for a member of the County or State Employees Retirement Plan who has filed a grievance to receive a disbursement from the member's retirement account during the grievance process.

Summary of LB 34 as Amended by Committee AM 591

LB 35

Hearing was held on February 5, 2019

Introducer: Senator Kolterman

Proponents:

Randy Gerke, Public Employees Retirement Board

Beth Bazyn-Ferrell, Nebraska Association of County Officials

Opponents: NONE

Neutral: NONE

Clarifies that a county or state permanent employee must be at least 18 years old before the employee is eligible for membership in the County or State Employees Retirement Plan.

Clarifies rules and codifies the practice defining what benefit and which tier County and State Plan members will be in upon reemployment. January 1, 2020 is the effective date.

LB 36

Hearing was held on February 12, 2019

Introducer: Senator Kolterman

Proponents:

Orron Hill, Nebraska Public Employees Retirement Systems, Public Employees Retirement Board

Pam Roth, Elkhorn Public Schools

Jason Hayes, Nebraska State Education Association

Opponents: NONE

Neutral: NONE

Modernizes language and codifies Nebraska Public Employees Retirement Systems (NPERS) practices of awarding service credit by unifying the creditable service definition across all School Employees Retirement Plan tiers.

Grants NPERS additional time to process refund buy back payments for members who were employed on April 17, 2014 and who timely submit their refund buy back applications to NPERS by April 16, 2020.

LB 565

Hearing: February 12, 2019

Introducer: Senator Bolz

Proponents:

Jason Hayes, Nebraska State Education Association and Nebraska Council School Administrators

John Antonich, Nebraska Association of Public Employees

Beth Bazyn-Ferrell, Nebraska Association of County Officials

Opponents: NONE

Neutral:

Randy Gerke, Public Employees Retirement Board

Cecelia Carter, Omaha School Employees Retirement System

Prescribes changes to the County, State, School, and Class V School Employees Retirement Acts and to the Deferred Compensation Plan. In the event a member of one of these retirement plans is married at the time of the member's death and no designated beneficiary is on file with the appropriate retirement system, then the spouse married to the member on the date of the member's death is determined to be the beneficiary.

Section-by-Section Summary of Committee AM 591

COUNTY EMPLOYEES RETIREMENT ACT

- Section 1. [Amends 23-2306] [LB 35] Clarifies that a county employee must be at least 18 years old before eligible for membership in the County Plan. [Pages 1-5]
- Section 2. [Amends 23-2308.01][LB 34] Internal reference change related to distribution during a member's grievance process. [Pages 5-7]
- Section 3. [Amends 23-2317][LB 565] Specifies that the single life annuity with 5-year certain as the normal form payment will be paid to the beneficiary in the order of priority as listed in section 8. [Pages 7-11]
- Section 4. [Amends 23-2319.01][LB 34] Eliminates ability for member to request distribution up to \$25,000 from the member's retirement account during while the member's grievance is pending. [Pages 11-13]
- Section 5. [Amends 23-2320] [LB 34 and LB 35] Eliminates language regarding repayment of a distribution during a member's grievance process.
- Clarifies rules and codifies the practice defining what benefit and which tier County and State Plan members will be in upon reemployment. The effective date for this codification is January 1, 2020. [Pages 13-17]
- Section 6. [Amends 23-2321] [LB 565] Specifies that if a member dies before the member's retirement date the death benefit will be paid to the beneficiary in the order of priority as listed in section 8. [Page 17]
- Section 7. [Amends 23-2331] [LB 565] Incorporates the new beneficiary designation language in section 8 into the Act. [Page 18]
- Section 8. [New section] [LB 565] Declares that (except for qualified domestic relations orders – QDROs) when a member dies the death benefit will be paid to the beneficiary in the following order of priority: [Pages 18-19]
- To the member's surviving designated beneficiary
 - To the spouse married to the member at the time of the member's death if there is no surviving designated beneficiary; or
 - To the member's estate if the member is not married on the member's date of death and there is no surviving designated beneficiary

The priority designations do not apply if the member has retired under a joint and survivor benefit option.

SCHOOL EMPLOYEES RETIREMENT ACT

- Section 9. [Amends 79-901] [LB 565] Incorporates the new beneficiary designation language in section 11 into the Act. [Pages 19]
- Section 10. [Amends 79-902] [LB 565] Incorporates the new beneficiary designation language in section 11 into the Act. [Pages 19-30]
- Section 11. [New section] [LB 565] Declares that (except for qualified domestic relations orders – QDROs) when a member dies, the death benefit will be paid to the beneficiary in the following order of priority: [page 30]
- To the member’s surviving designated beneficiary
 - To the spouse married to the member at the time of the member’s death if there is no surviving designated beneficiary; or
 - To the member’s estate if the member is not married on the member’s date of death and there is no surviving designated beneficiary
- The priority designations do not apply if the member has retired under a joint and survivor benefit option.
- Section 12. [Amends 79-921] [LB 36] Grants the Nebraska Public Employees Retirement System (NPERS) additional time to process refund buy back payments for members who were employed on April 17, 2014 and who timely submit their refund buy back applications to NPERS by April 16, 2020. [Pages 30-33]
- Section 13. [Amends 79-927] [LB 36] Modernizes language and codifies practices of Nebraska the Public Employees Retirement Systems in awarding service credit by unifying the creditable service definition across all School Employees Retirement Plan tiers. [Pages 33-34]
- Section 14. [Amends 79-934] [LB 565] Specifies that the single life annuity with 5-year certain as the normal form payment will be paid to the beneficiary in the order of priority as listed in section 8. [Pages 34-39]
- Section 15. [Amends 79-956] [LB 565] Specifies payment of death benefits under various circumstances if a member dies before the member’s retirement date and specifies when the death benefit will be paid to the beneficiary in the order of priority as listed in section 8. [Pages 39-42]
- Section 16. [Amends 79-971] [LB 565] Specifies that the accumulated contributions plus statutorily required interest will be: [Page 43]
- Returned to the member upon the member’s termination
 - Paid as provided in section 8 (order of beneficiary priority) if the member dies; or

- If the member retires, used to assist in funding the member's retirement, disability or formula annuity allowance.

CLASS V SCHOOL EMPLOYEES RETIREMENT ACT

Section 17. [Amends 79-978.01] [LB 565] Incorporates the new beneficiary designation language in section 18 into the Act. [Page 42]

Section 18. [New section] Declares that (except for qualified domestic relations orders – QDROs) when a member dies the death benefit will be paid to the beneficiary in the following order of priority: [Pages 42-43]

- To the members surviving designated beneficiary
- To the spouse married to the member at the time of the member's death, if there is no surviving designated beneficiary; or
- To the member's estate if the member is not married on the member's date of death and there is no surviving designated beneficiary

The priority designations do not apply if the member has retired under a joint and survivor benefit option.

Section 19. [Amends 79-9,100] [LB 565] Specifies that (except for qualified domestic relations orders – QDROs) the single life annuity with 5-year certain as the normal form payment will be paid to the beneficiary in the order of priority as listed in section 18. [Pages 43-46]

Section 20. [Amends 79-9,106] [LB 565] Specifies payment of death benefits under enumerated circumstances if a member dies before the member's retirement date and specifies when the death benefit will be paid to the beneficiary in the order of priority as listed in section 18. [Pages 46-47]

STATE EMPLOYEES RETIREMENT ACT

Section 21. [Amends 84-1307] [LB 35] Clarifies that a state employee must be at least 18 years old before eligible for membership in the State Plan. [Pages 47-49]

Section 22. [Amends 84-1309.02] [LB 34] Internal reference change related to distribution during a member's grievance process. [Pages 49-51]

Section 23. [Amends 84-1319] [LB 565] Specifies that the single life annuity with 5-year certain as the normal form payment will be paid to the beneficiary in the order of priority as listed in section 28. [Pages 51-56]

Section 24. [Amends 84-1321.01] [LB 34] Eliminates ability for member to request distribution up to \$25,000 from the member's retirement account while the member's grievance is pending. [Pages 56-58]

Section 25. [Amends 84-1322] [LB 34] Eliminates language regarding repayment of a distribution during a member's grievance process.

Clarifies rules and codifies the practice defining what benefit and which tier County and State Plan members will be in upon reemployment. The effective date for this codification is January 1, 2020. [Pages 58-62]

Section 26. [Amends 84-1323] [LB 565] Specifies that if a member dies before the member's retirement date the death benefit will be paid to the beneficiary in the order of priority as listed in section 28. [Pages 62-63]

Section 27. [Amends 84-1331] [LB 565] Incorporates the new beneficiary designation language in section 28 into the Act. [Page 63]

Section 28. [New section] [LB 565] Declares that (except for qualified domestic relations orders – QDROs) when a member dies the death benefit will be paid to the beneficiary in the following order of priority: [Page 63]

- To the member's surviving designated beneficiary
- To the spouse married to the member at the time of the member's death if there is no surviving designated beneficiary; or
- To the member's estate if the member is not married on the member's date of death and there is no surviving designated beneficiary

The priority designations do not apply if the member has retired under a joint and survivor benefit option.

PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)

Section 29. [Amends 84-1503] [LB 565] Adds a duty for the PERB to amend the deferred compensation plan to require that in the event of a member's death (except for qualified domestic relations orders – QDROs), the death benefit will be paid to the beneficiary in the following order of priority: [Pages 63-70]

- To the member's surviving designated beneficiary
- To the spouse married to the member at the time of the member's death if there is no surviving designated beneficiary; or
- To the member's estate if the member is not married on the member's date of death and there is no surviving designated beneficiary

The priority designations do not apply if the member has retired under a joint and survivor benefit option.

AMENDED INTO OTHER BILLS AND ENACTED

LB 35

Clarifies that a county or state permanent employee must be at least 18 years old before the employee is eligible for membership in the County or State Employees Retirement Plan.

Clarifies rules and codifies the practice defining what benefit and which tier County and State Plan members will be in upon reemployment. The effective date for this codification is January 1, 2020.

LB 36

Modernizes language and codifies Nebraska Public Employees Retirement Systems (NPERS) practices of awarding service credit by unifying the creditable service definition across all School Employees Retirement Plan tiers.

Grants NPERS additional time to process refund buy back payments for members who were employed on April 17, 2014 and who timely submit their refund buy back applications to NPERS by April 16, 2020.

LB 565

Prescribes changes to the County, State, School, and Class V School Employees Retirement Acts and to the Deferred Compensation Plan. In the event a member of one of these retirement plans is married at the time of the member's death and no designated beneficiary is on file, then the spouse married to the member on the date of the member's death is determined to be the beneficiary.

HELD IN COMMITTEE AT END OF SESSION

LB 683 Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members

Summary

LB 683 was introduced as a placeholder bill at the request of Omaha Public School system (OPS). The bill adds intent language to the Class V School Employees Retirement Act to develop a work plan.

The work plan is directed to include recommendations and cost estimates for a one-time option for certain terminated members to receive a lump sum payment of a specified percentage of the present value of the member's deferred retirement benefit in lieu of all rights to receive the retirement benefits under the Act.

LB 683 directs the Public Employees Retirement Board (PERB) to develop a work plan in consultation with the Nebraska Retirement Systems Committee, the Class V (Omaha) School Employees System (OSERS) Board of Trustees and OPS to include at a minimum -- analyses and recommendations regarding:

1. Terminated members who should be eligible to elect a lump sum payment in lieu of a deferred retirement benefit
2. The percentage of the present value of the deferred retirement benefit that should be offered
3. The actuarial assumptions to be used for calculation of the present value of the deferred retirement benefit
4. The period or periods that the lump sum payment option should be available to eligible terminated members
5. The information and disclosure that should be made to eligible terminated members including the comparison of the projected lump sum payment with the amount of the member's projected normal retirement benefit; and
6. Estimates of the effect of the lump sum option on the current and projected actuarial liabilities and funded ratio of the OSERS Plan

The work plan must be completed by June 30, 2020.

It creates a Class V School Employees Retirement System Management Work Plan Fund to transfer funds paid by the OSERS Plan to the PERB for services and related expenses in carrying out the tasks related to completion of the work plan.

It amends the PERB duties and responsibilities statute by requiring the PERB to carry out the work plan identified in this bill and to contract, bill and receive payment from the OSERS Plan for all work performed.

Hearing was held on March 19

PROPOSERS: None

OPPOSERS: None

NEUTRAL:

Jason Hayes, Nebraska State Education Association

Cecelia Carter, Omaha School Employees Retirement System

Orron Hill, Nebraska Public Employees Retirement Systems

LB 706 Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act

Summary

LB 706 was introduced as a placeholder bill at the request of the Omaha Public School System (OPS). The bill grants the Class V (Omaha) School Employees System (OSERS) Board of Trustees the authority to place a freeze on any COLA adjustment, including the medical COLA paid to retirees between January 1, 2020 and December 31, 2020.

Hearing was held on March 19

PROPOSERS: None

OPPOSERS:

Jason Hayes, Nebraska State Education Association

NEUTRAL: None

V. Bills Monitored in Other Committees that Impact Retirement Systems

LB 289 (Linehan) Change provisions relating to county assessor inspections of real property for property tax purposes Revenue Committee

LB 289 was introduced as a placeholder bill by Revenue Committee Chair, Senator Linehan. It was designated a Revenue Committee Priority bill and became the vehicle for proposed property tax changes including provisions related to the Class V retirement system. On April 24, 2019 a joint hearing was conducted on AM 1381 by the Revenue, Education and Retirement Committees.

Committee AM 1572 was reported out of the Revenue Committee on May 2, 2019. It includes property tax, state aid and retirement provisions.

Provisions specific to retirement are found in sections 18, 25, 26 and 27. These provisions grant a class V school the authority to levy up to six cents for the sole purpose of dedicating the revenue towards payment of a class V school district's contribution obligation to a class V school employees' retirement system. Payments from the levy must be transmitted monthly to such retirement system. The levy authority terminates when the funded ratio of the actuarial value of assets and the market value of assets for the retirement plan are both equal to or greater than eighty percent in three consecutive plan years as reported by the valuation report prepared by the actuary. The board of education must notify the class V retirement system board of trustees in writing on or before December 31 of each year of the amount of levy it intends to levy.

AM 1572 was debated on General File on May 7, 2019. Debate was terminated after reaching the 3-hour time limit.

LB 300 (Lathrop) Increase Judges' salaries Judiciary Committee

Judges' salaries are set in statute. A bill is generally introduced every two years to propose an increased salary amount for the Supreme Court judges. LB 300 proposes a 2% increase beginning July 1, 2019 and another 2% increase beginning July 1, 2020. All lower court judges' salaries are based on a percentage of the Supreme Court judges' salaries. [See 24-201.01].

Below is a list of various court judges' statutory percentages and the statutory citations.

24-1101	Appeals Court	95.0%
24-301.01	District Court	92.5%
48-159	Workers' Comp Court	92.5%
24-513	County & Juvenile Court	90.0%

The Retirement Committee monitors judges' salaries because it impacts the amount of the judges' retirement benefit. It is also relevant because the Actuarial Experience Study includes assumptions for annual salary increases so it is important to communicate the salary increase percentages to the actuary for preparation of the annual valuation report on the Judges Retirement System.

LB 300 was made a Speaker Priority Bill. It was amended by AM 1500, filed by Senator Lathrop, which increased the salary increases to 3% in both 2019 and 2020. LB 300 was enacted with the emergency clause.

LB 311 (Crawford) Adopt the Paid Family Leave Act
Business & Labor Committee

LB 311 would create a paid family and medical leave insurance program to provide partial wage replacement for eligible workers to care for themselves or a family member.

NPERS and the Committee proposed amendments to clarify that medical leave benefits are not considered compensation under the various plans.

LB 311 was designated Senator Cavanaugh's Priority Bill but failed to advance from General File.

LB 363 (M. Hansen) Adopt the In the Line of Duty Compensation Act
Business & Labor Committee

The In the Line of Duty Compensation Act provides that if a law enforcement officer or firefighter is killed in the line of duty, \$50,000 shall be paid in 2020 and in subsequent years the compensation shall be equal to the amount from the previous year increased by the Consumer Price Index.

The Retirement Committee worked with NPERS, the League of Municipalities and the cities of Lincoln and Omaha to provide any necessary language to the Business & Labor Committee to clarify that compensation paid under the Act was not considered compensation for purposes of calculating a retirement benefit. The bill was held in the Business and Labor Committee.

LB 490 (Wayne) Consolidate offices of clerk of the district court and clerk magistrates
Judiciary Committee

LB 490 would consolidate offices of clerk of the district court and clerk magistrates over a phased-in period based on judicial district as described in the bill. The transferred employees would become state employees and the Supreme Court would pay the salaries, benefits and expenses of the transferred employees.

The Retirement Committee and NPERS raised a number of questions about transferring a significant number of employees out of the County Employees Retirement Plan into the State Employees Retirement Plan and the actuarial impact of the costs associated with such transfers. In addition, questions were raised about transferring employees from the Douglas County defined benefit plan and the Lancaster County defined contribution plan to the State Employees Retirement plan.

Senator Wayne was advised that this bill would impact the benefit and structure of retirement plans and therefore Legislative Rule 5 (15) was triggered which requires an actuarial cost study to be completed before a vote could be taken on Final Reading. Because of a number of issues raised, Senator Wayne asked the Judiciary Committee to hold the bill in Committee pending further discussion.

The bill was held in the Judiciary Committee.

LB 492 (Wayne) Adopt the Regional Metropolitan Transit Authority Act
Urban Affairs

LB 492 would adopt the Regional Metropolitan Transit Authority Act. Under the Act, a municipality or group of municipalities within a metropolitan statistical area may create a regional metropolitan transit authority (RMTA). The Act also provides a process by which an existing transit authority created under the Transit Authority Law could convert into a RMTA. Each RMTA created under the Act would be governed by a seven-member elected board.

An RMTA, like current Metropolitan Transit Authorities, would have the authority to establish pension and retirement plans for officers and employees and could adopt any existing pension and retirement plans and contracts for officers and employees of any passenger transportation system purchased or otherwise acquired pursuant to the Act. The same reporting requirements apply to any RMTA.

The bill was passed by the Legislature and vetoed by the Governor. The Legislature overrode the Governor's veto.

LB 643 (McDonnell) Change provisions relating to death or disability prima facie evidence requirements for firefighters and firefighter-paramedics
Judiciary Committee

LB 643 heard in the Judiciary Committee, provides that the death or disability of a firefighter or firefighter-paramedic due to breast cancer or ovarian cancer is prima facie evidence that the death or disability was caused while in the line of duty. LB 643 was advanced to General File.

Comment:

Chairman Kolterman met with Senator McDonnell and advised him of Legislature Rule 5(15) which requires actuarial analysis to be conducted, if necessary, on any proposed benefit change or change to the structure of a retirement plan.

After consultation with Pat Beckham with Cavanaugh Macdonald Actuarial Consulting, who is the actuary for both Omaha and Lincoln Firefighters Plans, Ms. Beckham informed the Committee that:

“The current wording in statute that addresses the presumption of duty-related death or disability includes “cancer” in general which would include breast and ovarian cancer. The bill simply adds these specific types of cancer to the existing list, noting that these are not an exclusive list. . . we would not expect LB 643 to increase the cost of pension benefits provided to firefighters because there are no “new” benefits being provided.

[See Appendix B – Memo from Senator Mark Kolterman explaining Rule 5 (15) requirement and application of this rule to LB 643 which includes an e-mail from Pat Beckham, Cavanaugh Macdonald actuary, on potential funding impact]

VI. Bills, Confirmations & Reports Status Chart

LB #	SUBJECT	STATUS
LB 31e	(Kolterman) Provide for a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act to the Nebraska Public Employees Retirement Systems and require a report and provide duties	Enacted
LB 32	(Kolterman) Change defined contribution benefit investment options as prescribed under the County Employees Retirement Act and State Employees Retirement Act	Enacted
LB 33e	(Kolterman) Change various provisions relating to retirement and the Nebraska Investment Council and the Public Employees Retirement Board	Enacted
LB 34e	(Kolterman) Eliminate provisions relating to benefits payable after the filing of a grievance or appeal and change provisions relating to employee reinstatement under the County Employees Retirement Act and State Employees Retirement Act	Enacted
LB 35	(Kolterman) Change provisions relating to reemployment, reinstatement, repayment, and age eligibility for certain members under the County Employees Retirement Act and State Employees Retirement Act	AM by Comm, AM591 into LB 34 & Enacted
LB 36	(Kolterman) Redefine creditable service, change a payment deadline for restoration of relinquished creditable service, and change payment requirements and service credit computation provisions under the School Employees Retirement Act	AM by Comm, AM591 into LB 34 & Enacted
LB 565	(Bolz) State legislative intent relating to a designated beneficiary determination under certain retirement systems	AM by Comm, AM591 into LB 34 & Enacted
LB 683	(Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members	Held in Committee
LB 706	(Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act	Held in Committee
CONFIRMATION HEARINGS		
	Allen Simpson, PERB, Public-at-Large representative	Confirmed
	Gail Werner-Robertson, NIC	Confirmed
	Michael Jahnke, PERB, State Patrol representative	Confirmed
	Allen Simpson, PERB, State Employee representative	Confirmed
	Janis Elliott, PERB, School Employee representative	Confirmed
PRESENTATION OF ANNUAL REPORTS		
	Nebraska Public Employees Retirement Systems	Presented 3-27
	Nebraska Investment Council	Presented 3-27
BILLS HELD IN COMMITTEE		
LB 683	(Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members	
LB 706	(Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act	

VII. Interim Study Resolutions

LR 65

Introduced by Senator Kolterman

PURPOSE: The purpose of this study is to carry out the provisions of Neb. Rev. Stat. 13-2402, which requires the Nebraska Retirement Systems Committee to monitor underfunded defined benefit plans administered by political subdivisions. The study committee shall conduct a public hearing for the presentation of reports by all political subdivisions with underfunded defined benefit plans.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purposes of this resolution.
2. That the committee shall upon the conclusion of its study make a report of its findings to the Legislative Council or Legislature.

LR 66

Introduced by Senator Kolterman

PURPOSE: The purpose of this study is to examine the public employees' retirement systems administered by the Public Employees Retirement Board, including the State Employees Retirement System, the County Employees Retirement System, the School Employees Retirement System, the Nebraska State Patrol Retirement System, and the Judges Retirement System. The study may also examine the Class V School Employees Retirement System administered under the Class V School Employees Retirement Act.

The study will examine issues as they relate to the funding needs, benefits, contributions, and the administration of each retirement system.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purpose of this resolution.
2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

Interim Studies referenced to other committees that may impact retirement systems, the Nebraska Investment Council, or the Nebraska Retirement Systems Committee

LR 87

Introduced by Senator Crawford
Referenced to the Executive Board

PURPOSE: The purpose of this resolution is to continue the work of the select interim committee of the Legislature created in LR 437, One Hundred Fifth Legislature, second session, to fully and comprehensively analyze possible improvements and changes to the standing committee system.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That a select interim committee of the Legislature shall be designated to carry out the purposes of this resolution. The select interim committee shall be composed of the members of the Rules Committee of the Legislature, the Speaker of the Legislature, and two members of each congressional district selected by the Executive Board of the Legislative Council.
2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Executive Board of the Legislative Council on or before February 7, 2020.

LR 116

Introduced by Senator Cavanaugh
Referenced to the Appropriations Committee

PURPOSE: The Nebraska Health Care Cash Fund was initially created with a \$50 million endowment for health care program using the principal and investment income from the Nebraska Tobacco Settlement Trust Fund and the Nebraska Medicaid Inter-governmental Trust Fund. The purpose of this endowment was to create an ongoing funding mechanism for health care in Nebraska.

The purpose of this interim study is to examine the long-term fiscal sustainability of the Nebraska Health Care Cash Fund. This study shall include:

1. A review of the annual Nebraska Health Care Cash Fund reports provided by the Department of Health and Human Services;
2. Input from interested parties regarding the funds necessary to continue using the Nebraska Health Care Cash Fund to pay for health care and related services; and
3. Recommendations as to any statutory or funding changes that the Legislature should make in order to protect the ongoing viability of the Nebraska Health Care Cash Fund.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Health and Human Services Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.
2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

LR 159

Introduced by Senator Crawford
Referenced to the Executive Board

PURPOSE: The purpose of this interim study is to examine the rules of the Legislature regarding information required to be included in records of the committees of the Legislature. The issues addressed by this interim study shall include, but not be limited to, the requisite information for a committee statement and how written testimony provided for a public hearing is recorded and reported by a committee.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That a select interim committee of the Legislature shall be designated to carry out the purposes of this resolution. The select interim committee shall be composed of the members of the Rules Committee of the Legislature.
2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

LR 213

Introduced by Senator Vargas and Senator M. Hansen
Referenced to the Business and Labor Committee

PURPOSE: The purpose of this interim study is to examine potential solutions and approaches to benefits traditionally enjoyed by workers in an employer-employee relationship including, but not limited to, health insurance, workers' compensation, and retirement savings, for the growing population of independent contractors and self-employed workers.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SIXTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

3. That the Business and Labor Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.
4. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

VIII. APPENDICES

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APPENDIX A

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From: **Marque Snow** <Marque.Snow@ops.org>

Date: Fri, Mar 29, 2019 at 1:38 PM

Subject: Letter on LB31 to Sen. Kolterman

To: kquintero@leg.ne.gov <kquintero@leg.ne.gov>, kallen@leg.ne.gov <kallen@leg.ne.gov>

Dear Sen. Kolterman –

On March 19, LB 31 was heard by the Nebraska Retirement Systems Committee. During that hearing, I testified, as president of the Omaha Public Schools Board of Education, in support of LB 31. During my testimony, I used the term “merger” to describe the impact of LB 31. The word was not well chosen. “Transfer of management” would have been a better term and I would ask, if it is possible, that the record include this letter revising my remarks.

It is the hope of OPS that, with passage of LB 31, a study would be authorized which would ultimately formulate legislation along the lines described by you, Sen. Kolterman, in your remarks to the committee: that OSERS would become the sixth plan managed by the state (along with state school employees, state patrol, judges, county employees and state employees). The difference between the other five plans and OSERS would be that OPS would remain liable for the unfunded actuarial liability. Because of this significant difference, “merger” does not accurately describe the proposal and “transfer of management” is a better term.

Thank you for the opportunity to correct the misstatement in the testimony. Please feel free to contact me with any questions.

Sincerely,

Marque A. Snow
President | Board of Education, Sub-District 2
Omaha Public Schools

APPENDIX B

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MEMO

TO: Senators
FROM: Senator Mark Kolterman, Chair of Nebraska Retirement Systems Committee
RE: LB 643 and actuarial analysis requirements under Legislative Rule 5 (15)

Senator McDonnell's bill, LB 643, was heard by the Judiciary Committee and advanced to General File April 15, 2019. It proposes to add breast and ovarian cancer to the list of cancers where a firefighter or firefighter-paramedic who dies or is disabled as a result of the disease is considered prima facie evidence that the death or disability was in the line of duty

Legislative Rule 5, Section 15 requires that no bill proposing a structural change which impacts the benefits or funding status under a public retirement plan, shall be enacted until an actuarial study has been conducted to determine the cost of the benefit to the retirement system and the results are reported to the Legislature.

Below is a communication from actuary Pat Beckham of Cavanaugh Macdonald, who provides actuarial services for both the Omaha and Lincoln Firefighters Retirement Plans. She has indicated that the current statute that addresses the presumption of duty-related death or disability includes cancer in general, which would include breast and ovarian cancer. She does not expect LB 643 to increase the cost of pension benefits provided to firefighters because there are no "new" benefits being provided.

I believe her communication and conclusion stating that she does not expect LB 643 to increase the cost of pension benefits meets the actuarial analysis requirements of Legislative Rule 5 (15).

From: Patrice Beckham <patb@cavmacconsulting.com>
To: Steve LeClair <steve@local385.com>
Date: Wed, 20 Mar 2019 18:13:18 +0000
Subject: RE: NE Legislative Session update- LB's 576 & 643

Steve,

After reading LB 643, I would agree with you that there should be no cost impact to the retirement systems that cover firefighters. The current wording in statute that addresses the presumption of duty-related death or disability includes "cancer", in general, which would include breast and ovarian cancer. The bill simply adds these specific types of cancer to the existing list, noting that these are not an exclusive list. That is perhaps more of a legal interpretation than an actuarial one, but nonetheless we would not expect LB 643 to increase the cost of pension benefits provided to firefighters because there are no "new" benefits being provided.

If you need a letter, please let me know if it should be addressed to you, as the union president, or to Senator Kolterman, as chair of the Retirement System Committee. I'll try to move it along

quickly, but I am out this Friday and next Monday so it would be nice to have a week to pull the letter together if that works with the legislative calendar. If not, please advise.

The cost associated with a formal letter will be around \$1,000 to \$1,200.

Thanks,

Pat

Pat Beckham, MAAA, EA, FSA, FCA
Principal and Consulting Actuary

NOTE: Our address has changed!
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