

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2021 SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE
One Hundred Seventh Legislature, First Session

Committee Members

Senator Mark Kolterman, Chairman
Senator Brett Lindstrom, Vice-Chairman
Senator Robert Clements
Senator Mike McDonnell
Senator Julie Slama
Senator John Stinner

Committee Staff

Kate Allen, Committee Legal Counsel
Katie Quintero, Committee Clerk

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Actuarial Cost Study on LB 17 as amended by AM 461, conducted by Cavanaugh Macdonald Actuarial Consulting -- March 12, 2021. Following this actuarial cost study, the bill was amended on Select File, and a new actuarial cost study was required.

Appendix B

Final Actuarial Cost Study on LB 17 as amended by AMs 929 and 978 and advanced to Final Reading, conducted by Cavanaugh Macdonald Actuarial Consulting -- April 21, 2021.

I. Numerical Bill Index

- LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges
- LB 17 (Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act
- LB 24 (Kolterman) Change fee, remittance and distribution provisions relating to the Nebraska Retirement Fund for Judges
- LB 144 (Kolterman) Define terms under the Class V School Employees Retirement Act
- LB 145 (Kolterman) Provide for and change audit, reporting and billing practices under the Class V School Employees Retirement Act
- LB 146 (Kolterman) Define and redefine terms relating to school retirement provisions
- LB 147 (Kolterman) Change provisions relating to retirement systems for Class V school districts
- LB 184 (Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees
- LB 209 (McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board
- LB 478 (Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act
- LB 582 (Retirement Committee) Change administration of the retirement system under the Class V School Employees Retirement Act
- LB 586 (Clements) Require an annual report regarding police and firefighter retirement plans in certain cities

II. Bills Listed by Retirement Plan, Political Subdivision or State Agency

CLASS V (OMAHA) SCHOOL EMPLOYEES RETIREMENT ACT

- LB144 (Kolterman) Define terms under the Class V School Employees Retirement Act
- LB 145 (Kolterman) Provide for and change audit, reporting and billing practices under the Class V School Employees Retirement Act
- LB 146 (Kolterman) Define and redefine terms relating to school retirement provisions
- LB 147 (Kolterman) Change provisions relating to retirement systems for Class V school districts
- LB 582 (Retirement Committee) Change administration of the retirement system under the Class V School Employees Retirement Act

FIRST CLASS CITIES FIREFIGHTERS

- LB 478 (Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act

JUDGES RETIREMENT ACT

- LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges
- LB 17 (Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act
- LB 24 (Kolterman) Change fee, remittance and distribution provisions relating to the Nebraska Retirement Fund for Judges

LOCAL POLITICAL SUBDIVISIONS

- LB 209 (McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board

METROPOLITAN CITY POLICE AND FIREFIGHTER RETIREMENT SYSTEMS

LB 586 (Clements) Require an annual report regarding police and firefighter retirement plans in certain cities

NEBRASKA STATE PATROL RETIREMENT ACT

LB 17 (Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act

LB 184 (Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees

PRIMARY CITY POLICE AND FIREFIGHTER RETIREMENT SYSTEMS

LB 586 (Clements) Require an annual report regarding police and firefighter retirement plans in certain cities

PUBLIC EMPLOYEES RETIREMENT BOARD

LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges

LB 17 (Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act

LB 147 (Kolterman) Change provisions relating to retirement systems for Class V school districts

LB 184 (Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees

LB 209 (McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board

LB 478 (Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act

SCHOOL EMPLOYEES RETIREMENT ACT

- LB 17 (Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act
- LB 146 (Kolterman) Define and redefine terms relating to school retirement provisions

III. Status of Retirement Bills

ENACTED

- LB 17e (Kolterman) Change fees for and provide for transfer to the Nebraska Retirement Fund for Judges and change actuarial valuation and amortization provisions for certain state retirement systems [Incorporated LB 16 as amended and LB 24 as amended]
- LB 209 (McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board
- LB 147e (Kolterman) Change provisions relating to retirement systems for Class V school districts [Incorporated LB 145 as amended, LB 146 and LB 582 as amended]

AMENDED INTO BILLS AND ENACTED

- LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges [Incorporated as amended into LB 17e and enacted]
- LB 24 (Kolterman) Change fee, remittance and distribution provisions relating to the Nebraska Retirement Fund for Judges [Incorporated into LB 17e and enacted]
- LB 145 (Kolterman) Provide for and change audit, reporting and billing practices under the Class V School Employees Retirement Act [Incorporated as amended into LB 147e and enacted]
- LB 146 (Kolterman) Define and redefine terms relating to school retirement provisions [Incorporated into LB 147e and enacted]
- LB 582 (Retirement Committee) Change administration of the retirement system under the Class V School Employees Retirement Act [Incorporated as amended into LB 147e and enacted]

ADVANCED TO GENERAL FILE

- LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges [The provisions of this bill were advanced to provide a separate vehicle for necessary amortization changes. Since the amortization provisions in LB 17e were enacted, it was not necessary to advance this bill.]

HELD IN COMMITTEE

- LB 144 (Kolterman) Define terms under the Class V School Employees Retirement Act
- LB 184 (Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees
- LB 478 (Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act
- LB 586 (Clements) Require an annual report regarding police and firefighter retirement plans in certain cities

IV. Summary of Retirement Bills

ENACTED

LB 17e (Kolterman) Change fees for and provide for transfer to the Nebraska Retirement Fund for Judges and change actuarial valuation and amortization provisions for certain state retirement systems

Status: Signed by the Governor, May 5, 2021

Operative Date: July 1, 2021

Plan/Agency: Judges, State Patrol, Schools

Repeals/Amends: 24-701, 24-703, 24-710, 25-2804, 33-106.02, 33-124, 33-125, 33-126.02, 33-126.03, 33-126.06, 79-966, 79-966.01, 81-2017

Bill as Introduced

The purpose of LB 17 as introduced was to adopt shorter amortization periods to reflect current actuarial standards as recommended by the General Finance Officers Association and the actuary under contract with the Public Employees Retirement Board. Beginning July 1, 2021, closed 25-year amortization periods will apply to all new bases, rather than the current 30-year amortization period in the Judges, State Patrol and School Employees Retirement Acts.

These acts were also amended to authorize the actuary to combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Prior to making these actuarial adjustments, the Public Employees Retirement Board must notify the Nebraska Retirement Systems Committee of the actuary's recommendation. Written notification must include the actuary's explanation of why the combination or offset is in the best interests of the plan at the proposed time and include a projection of the contributions to fund the plan if these adjustments are implemented, and if no adjustments are made.

Committee Amendment 461

Committee Amendment 461 amended LB 17 to incorporate a reference to the new state contribution into the description of the rate of all contributions required in the Judges' Retirement Act, strike an obsolete statutory reference, and include an additional reference that had been inadvertently omitted. LB 17 is also amended to incorporate the provisions of LB 24 as introduced and LB 16 as amended by the committee.

LB 24

Oral Testimony

Proponents: Chief Justice, Mike Heavican
Opponents: Spike Jones, ACLU
Neutral: None

Written Testimony

Proponents: Bill Mueller, Nebraska State Bar Association
Don Wesely, County Court Judges
Bill Mueller, District Court Judges
Opponents: None
Neutral: Randy Gerke, Nebraska Public Employees Retirement Systems

Motion to include LB 24 as part of the Committee Amendment to LB 17. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

LB 24 increases several court fees and increases the earmarked amount of other court fees to provide additional revenue for the current and projected increased funding needs of the Judges' Retirement System. The proposed court fee changes will begin July 1, 2021. Several of the earmarked amounts and the court fee in section 24-703 will continue to increase annually through July 1, 2025. LB 24 also includes clean-up provisions clarifying that court fee revenues are reported monthly rather than quarterly to the State Treasurer and that the State Court Administrator Office remits information about the collection of such fees to the director of the Nebraska Public Employees Retirement Systems.

LB 16

Oral Testimony

Proponents: Chief Justice, Mike Heavican
Opponents: None
Neutral: None

Written Testimony

Proponents: Bill Mueller, Nebraska State Bar Association
Don Wesely, County Court Judges
Bill Mueller, District Court Judges
Opponents: None
Neutral: Randy Gerke, Nebraska Public Employees Retirement Systems

Motion to include LB 16 as amended as part of the Committee Amendment to LB 17. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

LB 16 as introduced, proposed to add an annual contribution from the State to the Judges' Retirement Fund of 4% of total compensation of the members of the judges' plan beginning on July 1, 2021 and increasing the percentage to 6% beginning July 1, 2023.

As amended by Committee AM 461, the state contribution is eliminated in 2021 and 2022 and the contribution percentage is changed to 5% for the state contribution beginning July 1, 2023. Committee AM 461 clarifies that the state contribution is an annual contribution and is based on the total compensation of all members of the Judges' Retirement System as reported in the most recent actuarial valuation report prepared pursuant to 84-1503. It also adds language which allows the actuary, as part of the annual valuation report, to recommend adjustments to the percentage of the state contribution based on specific plan funding ratio scenarios. If the Public Employees Retirement Board approves the adjustment, the Board must provide written notification to the fiscal and budget offices within 7 business days.

[SEE APPENDIX A – LB 17 as amended by AM 462 -- Actuarial Cost Study conducted by Cavanaugh Macdonald Actuarial Consulting -- March 12, 2021. Following this actuarial cost study, the bill was amended on Select File, and another actuarial cost study was required – SEE APPENDIX B]

General File Debate

During General File debate, several senators expressed philosophical opposition to the use of court fees to fund judges' retirement. Specific concerns were raised about court fees assessed on criminal causes of action and traffic violations and citations. Specific concerns centered around persons who were unable to pay the cost of the fines and court costs who would then be required to serve time in jail to earn credit against the costs and fines. [See section 29-2412(4) which grants \$150/day credit for time served.] Senator Kolterman agreed to meet with parties between General and Select to discuss these concerns.

Select File – AM 929

AM 929 was introduced on Select File. It was a white copy amendment of the bill that made the following changes:

1. Eliminates the court fee increases over 5 years on criminal causes of action and traffic violations and citations
2. Adds language that specifically caps the state contribution at 5% and says the 5% contribution rate can be adjusted and terminated by the Legislature but cannot be adjusted above 5%
3. Clarifies that the actuary will consider the 5% contribution when calculating the ARC
4. Requires the actuary's recommendation and analysis to also be provided to the Governor and the Supreme Court

AM 978

AM 978 clarified that the fee increases would not apply to both criminal causes of actions and traffic violations and citations in cities and villages.

[SEE APPENDIX B -- FINAL Actuarial Cost Study on LB 17 as amended by AMs 929 and 978, conducted by Cavanaugh Macdonald Actuarial Consulting -- April 21, 2021]

Final Reading Section-by-Section Summary of LB 17e

Sec. 1 Judges Retirement Act

[LB 17] [Amends 24-701] changes internal references to definitions of future member and original member

Sec. 2 [Amends 24-703]

(3) [LB 24] except for criminal causes of action and traffic violations and citations, the current fee in 24-703 increases from \$6 to \$8 beginning July 1, 2021 and increases annually to \$9 beginning July 1, 2022; to \$10 beginning July 1, 2023; to \$11 beginning July 1, 2024; and to \$12 beginning July 1, 2025

Also changes language to direct the clerks of the county and district courts to remit court fees monthly (instead of quarterly) directly to the State Treasurer rather than to the Nebraska Public Employees Retirement System director and for the State Court Administrator Office to remit information about the collection of such fees to the director of the Nebraska Public Employees Retirement System

(5) [LB 16] beginning July 1, 2023, the state will annually contribute to the Judges' Retirement Fund, 5% of the total compensation of all members of the Judges Retirement System. Total compensation will be based on the total compensation as reported in the most recent actuarial valuation report prepared pursuant to 84-1503. The fee may not be adjusted 5% but may be terminated by the Legislature

The actuary, as part of the annual valuation report, may recommend adjustments to the percentage of the state contribution based on specific plan funding ratio scenarios. If the Public Employees Retirement Board approves the adjustment, the Board must provide written notification to the Retirement Committee, the Governor and the Supreme Court within 7 business days

Strikes obsolete language in subsections (5), (7), (8), and (9) and inserts the stricken language from subsection (7) into subsection (4)

[LB 17] (6)(a) describes actuarial methods, considerations and process for the Judges' valuation report prepared for fiscal years prior to July 1, 2021, which includes amortization over a 30-year period

(6)(b) Describes actuarial methods, considerations and process for the Judges' valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial

accrued liability (UAAL) on a level percentage of salary basis with new bases measured and amortized over a closed 25-year period

(6)(c) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary's projection of the contributions to fund the plan if the recommended changes are not implemented; the actuary's projection of the contributions to fund the plan if the recommended changes are implemented; and the actuary's explanation why the combination or offset is in the best interests of the plan at the proposed time.

(6)(d) Describes for purposes of subsection (6) and defines the rate of all contributions to include member contributions, the state percentage of total compensation contribution pursuant to subsection (5), and lists the various earmarked court fees contributed to the Fund; strikes an obsolete reference and incorporates an additional reference that had been inadvertently omitted

Sec. 3 [LB 17] [Amends 24-710] changes internal reference to original member

Sec. 4 [LB 24] [Amends 24-2804] of the \$6.25 court fee for filing actions in Small Claims Court, the current \$1.25 currently earmarked for the Judges Retirement Fund will increase to \$2 beginning July 1, 2021

Sec. 5 [LB 24] [Amends 33-106.02] of the \$42 district court docket fee, the current \$6 earmarked for the Judges Retirement Fund will increase to \$7 beginning July 1, 2021 – the additional \$1 will come from the \$1 that is currently going into the State General Fund; strikes obsolete language

Sec. 6 [LB 24] [Amends 33-123] of the \$20 county civil court fee, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language

Sec. 7 [LB 24] [Amends 33-124] of the \$20 county criminal court, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently increased annually to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language

Sec. 8 [LB 24] [Amends 33-125] of the \$22 court fee for county probate proceedings commenced and closed informally court, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language

Of the \$22 court fee for subsequent petition or application filed within an the informal proceeding, not including the fee for a petition for determination of inheritance tax as provided in section 33-126.03, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language

Of the \$22 court fee for any other proceeding under the Nebraska Probate Code for which no court fee is established by statute, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language

Sec. 9 [LB 24] [Amends 33-126.02] of the \$22 court fee on guardianships and conservatorships, the \$2 currently earmarked for the Judges Retirement Fund, increases to \$4 beginning on July 1, 2021

Sec. 10 [LB 24] [Amends 33-126.03] Of the \$22 court fee on inheritance tax proceedings, the \$2 currently earmarked for the Judges Retirement Fund increases to \$4 beginning July 1, 2021

Sec. 11 [LB 24] [Amends 33-126.06] of the \$22 court fee on trust proceedings, the \$2 currently earmarked for the Judges Retirement Fund increases to \$4 beginning July 1, 2021

Sec. 12 School Employees Retirement Act

[LB 17] [Amends 79-966] strikes the “thirty-year” language from the section which specifies the amortization period. The amortization period under this section is now designated as the amortization period specified in 79-966.01

Sec. 13 [LB 17] [Amends 79-966.01]

(1) Describes actuarial methods and process for the Schools valuation report prepared for fiscal years prior to July 1, 2021, which includes amortization over 30-year period

(2) Describes actuarial methods and process for the School valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial accrued liability (UAAL) on a level percentage of salary basis with new bases measured and amortized over a closed 25-year period

(3) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary’s projection of the contributions to fund the plan if the recommended changes are not implemented, the actuary’s projection of the contributions to fund the plan if the recommended changes are implemented, and the actuary’s explanation why the combination or offset is in the best interests of the plan at the proposed time

Sec. 14 Nebraska State Patrol Retirement Act

[LB 17] [Amends 81-2017] (3)(a) describes actuarial methods and process for the State Patrol valuation report prepared for fiscal years prior to July 1, 2021 which includes amortization over 30-year period

- (b) Describes actuarial methods and process for the State Patrol valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial accrued liability (UAAL) on a level percentage of salary basis with new bases measured and amortized over a 25-year period
- (c) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary's projection of the contributions to fund the plan if the recommended changes are not implemented, the actuary's projection of the contributions to fund the plan if the recommended changes are implemented, and the actuary's explanation of why the combination or offset is in the best interests of the plan at the proposed time

Severability and Emergency Clauses

LB 147e (Kolterman) Change provisions relating to retirement systems for Class V school districts

Status:	Passed notwithstanding objections of the Governor
Operative Date:	May 27, 2021
Plan/Agency:	School Employees, Class V School Employees, PERB, NIC, State Treasurer, Auditor of Public Accounts
Repeals/Amends:	72-1237, 72-1249.02, 79-902, 79-916, 79-966, 79-972.01, 79-978, 79-978.01, 79-980, 79-981, 79-982, 79-982.01, 79-982.02, 79-983, 79-984, 79-985, 79-986, 79-987, 79-989, 79-990, 79-991, 79-992, 79-992.01, 79-992.02, 79-998, 79-9,102, 79-9,103, 79-9,105, 79-9,107, 79-9,108, 79-9,113, 79-9,115, 79-9,117, 79-9,122, 79-9,123, 84-712.05, 84-1501, 84-1503

Bill as Introduced

As introduced, LB 147 established the transfer of duties and responsibilities for management of the Class V retirement system to the Public Employees Retirement Board effective September 1, 2023. It described planning and tasks that must be completed to accomplish the transition and transfer and identified the school district of the Class V retirement system as the party responsible to pay all related costs of the Public Employees Retirement Board for its services and expenses related to the transfer of management.

The bill clarified that the Class V school district remained solely financially responsible and liable for all funding requirements of the Class V retirement system during the transition and after the transfer of management to the Public Employees Retirement Board occurs. LB 147 specified that the State of Nebraska, the Public Employees Retirement Board and the Nebraska Public Employees Retirement System are not liable for any of the funding obligations of the Class V retirement system, and that beginning September 1, 2023, the State of Nebraska, the Public Employees Retirement Board, and the Nebraska Public Employees Retirement Systems are indemnified and held harmless by the Class V school district from any and all liabilities related to the board of trustees, the Class V board of education, or the Class V school district duties and responsibilities for the retirement system under the Act until September 1, 2023. A member of the Class V retirement system must be appointed to the Public Employees Retirement Board beginning September 1, 2023.

Committee Amendment 926

AM 926 incorporated LB 145 as amended, LB 146 as introduced, and LB 582 as amended into LB 147 as amended by the Committee.

LB 145

Motion to amend LB 145. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

Motion to include LB 145 as amended as part of the Committee Amendment to LB 147. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

Oral Testimony

Proponents: Dr. Cheryl Logan, Omaha Public Schools
Robert Miller, Omaha Education Association and Nebraska State Education Association

Opponents: Walta Sue Dodd, OEA-Retirees

Neutral: Orron Hill, Nebraska Public Employees Retirement Systems
Russ Karpisek, Auditor of Public Accounts

Submitted Written Testimony

Proponents: John Peetz, Omaha School Employees Retirement System

Opponents: None

Neutral: None

LB 145 as introduced required three additional areas of evaluation. An audit must be conducted by the Auditor of Public Accounts on the current Class V School Employees Retirement System and completed on an unspecified date in 2021.

A legal compliance audit must be completed on the current Class V School Employees Retirement System on an unspecified date in 2021, which includes examination of the records and policies of the board of trustees, the board of education, and the school district related to the administration and operation of the retirement system to determine compliance with all state and federal laws.

The Public Employees Retirement Board and the Nebraska Public Employees Retirement System staff are required to conduct further examination of issues related to the transfer of management that have emerged since completion of the Work Plan and report the findings to the Nebraska Retirement Systems Committee. The Public Employees Retirement Board is authorized to bill the school district of the Class V School Employees Retirement System for its services and expenses related to its further examination and evaluation of management transfer issues.

The cost of conducting the audit by the Auditor of Public Accounts and the cost of the legal compliance audit are paid by the Class V School Employees Retirement System. The Nebraska Retirement Systems Committee will hold public hearings on the completed compliance audit and the audit conducted by the Auditor of Public Accounts.

LB 145 as amended and incorporated into LB 147, requires the compliance audit to be completed by November 15, 2021. The first annual audit conducted by the Auditor of Public Accounts is delayed one year and is not due until July 1, 2022. The Public Employees Retirement Board and Nebraska Public Employees Retirement System staff examination is required to focus on issues

related to maintaining the transferred retirement system plan's status as a qualified plan and addressing any concerns in meeting the Public Employees Retirement Board's fiduciary duties and responsibilities.

LB 146

Motion to incorporate LB 146 as introduced into LB 147. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

Oral Testimony

Proponents: Dr. Cheryl Logan, Omaha Public Schools
Colby Coash, Nebraska Association of School Boards, Nebraska Rural Community Schools Association, Nebraska Council of School Administrators

Opponents: Walta Sue Dodd, OEA-Retirees

Neutral: Randy Gerke, Public Employees Retirement Board, Nebraska Public Employees Retirement Systems
Orron Hill, Public Employees Retirement Board, Nebraska Public Employees Retirement Systems

Submitted Written Testimony

Proponents: John Peetz, Omaha School Employees Retirement System
Jason Hayes, Nebraska State Education Association

Opponents: None

Neutral: None

LB 146 adds definitions to the Class V School Employees Retirement Act to clarify membership eligibility in the Class V plan and to define "termination of employment" which establishes limitations on service that can be provided during the 180-day period following termination or retirement to ensure that a bona fide separation of service has occurred.

The proposed definition of "termination of employment" would codify current guidelines followed by the Class V school district regarding re-employment during the 180-day period. The school district allows voluntary unpaid bona fide service without limitation. Temporary service is also allowed after a 30-day waiting period following termination if it is to accomplish a specific purpose or task – not to exceed one year. Substitute service is allowed on an intermittent basis which is defined in LB 146 as no more than 8 service days during a calendar month.

LB 146 also clarifies and reformats the definition of "termination of employment" in the School Employees Retirement Act. Currently, intermittent substitute and voluntary service are allowed within the 180 days following termination or retirement, however, "intermittent" is undefined. LB 146 defines "intermittent" service as no more than 8 service days in a calendar month.

LB 582

Motion to amend LB 582. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

Motion to include LB 582 as amended as part of the Committee Amendment to LB 147. Vote results 6-0-0-0. Voting Aye: Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner.

Oral Testimony

Proponents: Dr. Cheryl Logan, Omaha Public Schools
Robert Miller, Omaha Education Association, Nebraska State Education Association
Opponents: Walta Sue Dodd, OEA-Retirees
Neutral:

Submitted Written Testimony

Proponents: None
Opponents: None
Neutral: John Peetz, Omaha School Employees Retirement System

As introduced, LB 582 terminated the board of trustees' authority to administer the Class V retirement system and reinstates the authority with the board of education to administer the retirement system on an unspecified date. It also terminated the current board of trustees on an unspecified date and required the board of education to appoint a new board of trustees which includes: the superintendent of schools, one active member of the retirement system, one annuitant, two businesspersons with financial experience who are not members of the retirement system and an undesignated number of school board members.

The new board of trustees is directed to facilitate the transition and transfer of management to the Public Employees Retirement Board on September 1, 2023.

As amended by AM 926 and incorporated into LB 147, the current board of trustees' membership will terminate on July 1, 2021 at which time the new members of the board of trustees appointed by the board of education, will begin serving. The board of education's authority to administer the retirement system also begins on July 1, 2021. As amended, the members of the new board of trustees include the superintendent of schools or his or her designee as ex officio voting member, two businesspersons with financial experience, two school board members, and two members of the retirement system who may be either active or retired, one of the retirement system members must be a teacher. The board of education's authority to administer the plan and board of trustees will terminate effective September 1, 2024 when management of the retirement system is transferred to the Public Employees Retirement Board.

LB 147 as amended

LB 147 as amended delays the transfer of management one year until September 1, 2024 in order to allow completion of the compliance audit of the OSERS plan in 2021 and for completion of annual audits in 2022 and 2023 by the Auditor of Public Accounts. Duties before and after the date of transfer are further clarified. Submission of a transition and transfer management agreement among the school district, the board of education, the board of trustees and the Public Employees Retirement Board is required by December 31, 2021. A copy of the completed agreement must be provided to the Nebraska Retirement Systems Committee and to the

Governor. Liability language is amended to require that at all times and under all circumstances the school district remains solely liable for the funding obligations of the Class V retirement system. Additional reporting requirements are added from the school district to the Public Employees Retirement Board. The representative appointed to the Public Employees Retirement Board must be a teacher. Membership of the Class V retirement system appointee will begin on the new date of transfer of management, September 1, 2024.

Final Reading (SLIP LAW) Section-by-Section Summary of LB 147e

Sec. 1 [Amends 72-1237] specifies the Nebraska Public Employees Retirement System director ex officio non-voting Council member will also represent the Class V plan when the transfer occurs [Page 1]

Sec. 2 [LB 147] [Amends 72-1249.02] clarifies the Public Employees Retirement Board does not have authority to approve pro rata share of the Council's budget which is charged to income of the Class V School Employees Retirement Fund [Pages 1-2]

School Employees Retirement Act

Sec. 3 [LB 146] [Amends 79-902] definitions termination of employment describes allowable substitute and bona fide unpaid voluntary service during the 180-day period following termination. Intermittent is defined as service provided on a day-to-day basis that is not greater than eight days of service during a calendar month, and day of service is defined as any length of substitute service or unpaid voluntary service provided during a single calendar day [Pages 2-6]

Sec. 4 [LB 147] [Amends 79-916] clarifies that state funds are transferred to the school district for deposit in the retirement system, including State Service Annuity transfers [Page 6]

Sec. 5 [LB 147] [Amends 79-966] clarifies that state funds are transferred to the school district for deposit in the retirement system [Pages 6-7]

Sec. 6 [LB 147] [Amends 79-972.01] authorizes the creation of sub-funds [Page 7]

Class V School Employees Retirement Act

Sec. 7 [Amends 79-978] current definitions amended include actuarial tables, audit year, board of education, early retirement inducement, employee, retirement date, solvency, and state investment officer. Adds new definitions for administrator, board, board of trustees, participation, retirement application, retirement board, school district, termination of employment and transfer of management. Selected significant definitions are defined as follows:

[LB 582] board is the board of trustees until July 1, 2016 and beginning July 1, 2016 until September 1, 2024, the board of education

[LB 582] board of trustee establishes the board of education as the successor in interest for all liability for actions and inactions of board of trustees after transfer of management to the Public Employees Retirement Board on September 1, 2024

[LB 146] employee specifies that teachers and administrators employed on a written contract basis are eligible to be members of the retirement plan regardless of number of hours worked in a week, and all regular employees who are hired on a full-time basis to work at least 30 hours a week

[LB 146] regular employee is defined as a person hired on a full-time basis to work at least 30 hours a week who is not a teacher or administrator employed on a written contract basis. Beginning September 1, 2021 any person who provides service an average of 30 hours or more per week in each calendar month of any 3 calendar months of a fiscal year becomes a regular employee and a member of the retirement plan

[LB 146] termination of employment definition added specifying bona fide unpaid voluntary service and temporary service are allowed during the 180-day period following termination or retirement and temporary service is allowed after 30 calendar days following termination if it is provided to accomplish a specific purpose or task for a limited period not to exceed one year. Intermittent is defined as service provided on a day-to-day basis that is not greater than eight days of service during a calendar month, and day of service is defined as any length of substitute service or unpaid voluntary service provided during a single calendar day.

[LB 147] transfer of management definition added specifies that transfer of management does not include or assumption of financial liability and funding obligation by the State of Nebraska and transfer of management specifically does not include a merger of the Class V retirement system with School Employees Retirement System or with any other system administered by the Public Employees Retirement Board [Pages 7-11]

Sec. 8 [Amends 79-978.01] new sections 16, 17, 37, 38, 39, and 43 are incorporated into the Act

Sec. 9 [LB 146] [Amends 79-979] changes regular employee to reflect terms as amended [Page 11]

Sec. 10 [LBs 147 and 582] [Amends 79-980] the current members of the board of trustees administer the retirement system until July 1, 2021 when the current board terminates. Beginning July 1, 2021 until September 1, 2024, the board of education administers the retirement system and appoints all new board of trustee members, which specifically includes a teacher. Management is transferred to the Public Employee Retirement effective September 1, 2024. Same provisions apply if there is more than one Class V school district. [Pages 11-14]

Sec. 11 [LBs 147 and 582] [Amends 79-981] describes duties of board of trustees until July 1, 2021, and duties of board of education beginning July 1, 2021 until September 1, 2024. Beginning September 1, 2024, the person appointed by the Public Employees Retirement Board pursuant to 84-1503 becomes the administrator of Class V retirement system [Pages 14- 15]

Sec. 12 [LB 582] [Amends 79-982] describes duties regarding meetings and supervision of staff for board of trustees and adds duty to facilitate transfer of management of the retirement system to the Public Employees Retirement Board. [Page 15]

Sec. 13 [LB 582] [Amends 79-982.01] the board of trustees and beginning July 1, 2021 also the board of education are deemed fiduciaries [Pages 15-16]

Sec. 14 [LB 582] [Amends 79-982.02] specifies that administration of the retirement system by the Public Employees Retirement Board does not include investment responsibilities nor financial responsibility or liability for funding obligations of the retirement system [Pages 16-17]

Sec 15 [LB 582] [Amends 79-983] specifies appointment and duties of the administrator which includes supervision of retirement system staff and maintenance of records. The retirement system reimburses the school district for administrator and staff salaries, employment taxes and benefits. Beginning September 1, 2024, the administrator and staff positions terminate, and the Class V administrator is the director appointed pursuant to 84-1503 [Page 17]

Sec. 16 [LB 147] requires the board of trustees, board of education, school district and the Public Employees Retirement Board to enter into transition and transfer of management plan agreement no later than December 31, 2021 and provide all records and data requested related to the transfer. Requires the school district to pay all Public Employees Retirement Board management transfer fees, costs and expenses through August 31, 2025. A copy of the agreement must be provided to the Retirement Committee and to the Governor

The Public Employees Retirement Board must complete the work necessary for the transfer no later than September 1, 2024, except for information technology stabilization work performed until September 1, 2025 and is authorized to enter into contracts, and access and copy administrative and computer systems and records of the Class V retirement system [Pages 17-18]

Sec. 17 [LB 147] beginning September 1, 2024, the school district indemnifies and holds harmless, the State, Public Employees Retirement Board and Nebraska Public Employees Retirement System from all liabilities, claims, suits, losses, damages and costs related to the conduct, actions, decisions, or inaction of the board of trustees, board of education, or school district performing their respective duties and responsibilities related to the retirement system

The school district of a Class V retirement system remains at all times, and in all circumstances, solely liable for all funding obligations and responsibilities as described in the act. At no time and under no circumstances are the State of Nebraska, Public Employees Retirement Board, Nebraska Public Employees Retirement System other state entities or officers, employees and assigns of such state entities with duties related to the Class V retirement system liable for any funding obligations of the Class V School Employees Retirement System

The State of Nebraska, Public Employees Retirement Board and Nebraska Public Employees Retirement System are not liable for acts or omissions prior to September 1, 2024, in the administration of the Class V retirement system made at the direction of or by the board of trustees or its employees, the school district or its employees and the board of education

Members of board of trustees, board of education or Public Employees Retirement Board are not personally liable for retirement duties except in cases of willful dishonesty, gross negligence, or intentional violation of the law. Except as provided, the school district not liable for acts or

omissions in the administration of the Class V retirement system made at the direction of the Public Employees Retirement Board or staff on or after September 1, 2024 [Page 18]

Sec 18 [LB 147] [Amends 79-984] describes which entity contracts with the actuary. Beginning September 1, 2024, the Public Employees Retirement Board selects the actuary for the Class V retirement system [Page 18]

Sec 19 [LB 147] [Amends 79-985] until September 1, 2024, the board contracts for attorney services. Beginning September 1, 2024, the Public Employee Retirement Board hires the attorney pursuant to 84-1503 specifies attorney retained by such Board advises regarding Class V retirement system [Pages 18-19]

Sec 20 [Amends 79-986] describes the State Treasurer's duties after management is transferred on September 1, 2024 [Page 19]

Sec 21 [LB 147] [Amends 79-987] beginning January 1, 2022 the Auditor of Public Accounts conducts an annual audit and completes it by July 1 of each year. The cost is charged to the Class V retirement system and describes which entities must receive copies. At the request of the Nebraska Retirement Systems Committee, the audit report must be presented at a public hearing. [Pages 19-20]

Sec 22 [LB 147] [Amends 79-989] describes school district recordkeeping responsibilities. Beginning September 2024, the Nebraska Public Employees Retirement System director becomes the record-keeper, must maintain records of Class V retirement system members and implement an employer education program [Page 20]

Sec 23 Beginning January 1, 2023 every employee contract of employment must specify start and end dates of the contract and that the contract is subject to the Class V Retirement Act [Page 20]

Sec 24 [LB 582] [Amends 79-990] describes military service credit payment duties [Page 21]

Sec 25 [LB 582] [Amends 79-991] describes purchase of prior service credit duties [Pages 21-23]

Sec 26 [Amends 79-992] describes refund & repayment upon reemployment duties [Page 23]

Sec 27 [LB 582] [Amends 79-992.01] describes member and employer notification duties upon member's termination of employment and early retirement [Pages 23-24]

Sec 28 [LB 582] [Amends 79-992.02] describes responsibilities for determination of fraudulent claims or benefit applications and penalty provisions [Page 24]

Sec 29 [LB 582] [Amends 79-998] describes adoption of rules and regulation duties for rollover provisions [Pages 24-25]

Sec 30 [LB 582] [Amends 79-9,102] describes authorities regarding suspension of annuity or other benefit to comply with limitations under IRC 415 [Pages 25-26]

Sec 31 [LB 582] [Amends 79-9,103] describes authority for selection of a substitute index if CPI is discontinued [Pages 26-28]

Sec 32 [LB 582] [Amends 79-9,105] describes authority for adoption of rules, regulations, or policies regarding disability determinations [Pages 28-29]

Sec 33 [LB 582] [Amends 79-9,107] includes members of the Public Employees Retirement Board as additional persons who are not an endorser or surety or an obligor in any way of any money loaned or borrowed from the Class V retirement system [Page 29]

Sec 34 [LB 582] [Amends 79-9,108] clarifies that the Public Employees Retirement Board has no investment authority over retirement system funds following management transfer [Page 29]

Sec 35 [LB 147] [Amends 79-9,113] strikes obsolete language on employee contributions prior to school opting into social security. Specifies requirements regarding contributions from the school district paid to the Class V Fund following management transfer on September 1, 2024 [Pages 29-31]

Sec 36 [LB 147] [Amends 79-9,115] prior to September 1, 2024 the school district provides accommodations and services to the Class V retirement system administrator and staff. Beginning September 1, 2024, benefits and annuities are paid as directed by the Public Employees Retirement Board. [Pages 31-32]

Sec. 37 [LB 145] creates the Class V School Expense Fund beginning September 1, 2024, pro rata administrative expenses are then paid from this Fund for administration of the Class V retirement system by the Public Employees Retirement Board [Page 32]

Sec 38 [LB 147] directs the school district to withhold employee contributions on each payroll and to transmit them to the Public Employees Retirement Board with other required information. A late fee may be assessed if information and money are delinquent. Clarifies timeliness is consistent with language in 79-9,113 regarding submittal of contributions [Page 32]

Sec. 39 Beginning September 1, 2024 directs crediting of assets to various funds based on fund purpose. Available funds to be invested by State Investment Officer pursuant to investment acts [Page 32]

Sec 40 [LB 147] [Amends 79-9,117] describes pre-retirement planning program duties after management transfer [Pages 32-33]

Sec 41 [LBs 147 and 582] [Amends 79-9,122] requires the school district to remit payments to the Management Transfer Work Plan Fund as described in section 79-9,121 for transition and transfer of management expenses incurred by the Public Employees Retirement Board [Page 33]

Sec 42 [LB 147] [Amends 79-9,123] authorizes board of trustees to bill the school district for its expenses related to the transition and transfer of administration. Timing and manner of payment negotiated in the management transition and transfer plan agreement [Page 33]

Sec 43 [LB 145] requires board of trustees to conduct a compliance audit to ensure compliance with all state and federal laws. Lists specific subject areas which must be included. Requires all entities to provide compliance auditors with requested documents and access to personnel. All compliance audit expenses charged to the retirement system. Compliance audit must be completed by November 15, 2021 and must be presented to the Nebraska Retirement Systems Committee at a public hearing. Copies of the compliance audit report must be provided to listed entities [Pages 33-35]

Sec 44 [LB 147] [Amends 84-712.02] the Public Records Act is amended to exempt Class V retirement system records the school district submits to the Public Employees Retirement Board [Pages 35-37]

Public Employees Retirement Board

Sec 45 [LB 147] [Amends 84-1501] beginning September 1, 2024, Public Employees Retirement Board membership increases to nine members, includes Class V retirement system teacher [Page 37]

Sec 46 [LB 147] [Amends 84-1503] beginning September 1, 2024, the Board has duty to administer the Class V retirement system. Adds Board authority and duties to carry out necessary actions for transition and transfer of Class V retirement system management [Pages 37-40]

In-severability and Emergency Clauses

Veto Override

The bill passed on Final Reading on a vote of 38-3-8 on May 20, 2021. On May 24, 2021 Governor Ricketts issued a veto of LB 147. May 26, 2021 a motion was filed by Senator Kolterman for the bill to become law notwithstanding the objections of the Governor. The motion prevailed on a vote of 31-18-0.

LB 209 (McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board

Status: Approved by the Governor – May 21, 2021

Operative Date: August 28, 2021

Plan/Agency: Local political subdivisions

Repeals/Amends: 48-1401

Bill as Introduced

The stated intent of LB 209 as introduced allowed local political subdivisions and the State of Nebraska to offer a Roth option deferred compensation plan.

Committee Amendment 880

AM 880 strikes the original provisions and becomes the bill. It clarifies that a plan of deferred compensation offered by a county, municipality, or other political subdivision may provide for the deferral on either a pre-tax basis or an after-tax Roth contribution basis under a qualified Roth contribution program pursuant to section 402A of the Internal Revenue Code. It specifies that any governmental entity which has entered into agreement with the Public Employees Retirement Board (PERB) or the Nebraska Public Employees Retirement Systems (NPERS) to modify or establish a plan of deferred compensation is not authorized to allow for an after-tax Roth contribution. It further specifies that neither the PERB nor NPERS is required to modify a deferred compensation plan to establish a separate after-tax Roth contribution program.

Final Reading Section-by-Section of LB 209:

Sec. 1 [Amends 48-1401 (1)] a plan of deferred compensation offered by a county, municipality, or other political subdivision may provide for the deferral on either a pre-tax basis or an after-tax Roth contribution basis under a qualified Roth contribution program pursuant to section 402A of the Internal Revenue Code (IRC), It specifically does not authorize any governmental entity which has entered into agreement with the Public Employees Retirement Board (PERB) or the Nebraska Public Employees Retirement Systems (NPERS) to modify or establish a plan of deferred compensation to allow for after-tax Roth contributions. It further specifies that neither the PERB nor NPERS are required to modify a deferred compensation plan to establish a separate after-tax Roth contribution program pursuant to section 402A of the IRC. A deferred compensation plan must be voluntary and available to all regular employees and elected officials except as otherwise provided in this section.

[Amends (2)] all compensation deferred may not exceed income or other limits by the IRC for such a plan

[Amends (3)] all compensation deferred, property rights purchased and investment income attributable to deferred compensation are held in trust for exclusive benefit of participants and their beneficiaries until payments are made under the terms of the deferred compensation plan

[Amends (4)] the governmental entity must designate a treasurer to be custodian of the funds.

[Amends (5)] describes the kinds of investments the deferred compensation funds may be invested in

[Amends (6)] specifies that a deferred compensation program authorized under this section is in addition to, and not part of, any existing retirement or pension system provided by the governmental entity

[Amends (7)] any pre-tax or after-tax compensation deferred under a deferred compensation continues to be included as regular compensation for the purpose of computing the retirement, pension, or social security contributions made or benefits earned by any employee

[Amends (8)] any deferred on a pre-tax basis is not included in the computation of any federal or state taxes withheld on behalf of any such individual at the time of deferral any sum deferred on an after-tax Roth contribution basis pursuant to a qualified Roth contribution program under section 402A of the IRC is included in the computation of any federal or state taxes withheld on behalf of any such individual at the time of deferral

[Amends (9)] the governmental entity is not responsible for any investment results entered into by the individual in the deferred compensation agreement

[Amends (10)] all compensation deferred on either a pre-tax basis or an after-tax basis the plan, property and rights purchased with the deferred compensation, and all investment income attributable to the deferred compensation, are not subject to garnishment, attachment, levy, the operation of bankruptcy or insolvency laws

[Amends (11)] nothing in the section limits, restricts, alters, amends, invalidates, or nullifies any deferred compensation plan previously instituted by any governmental and any such plan is authorized and approved

[Amends (12)] authorizes any county that has not established a deferred compensation plan pursuant to this section, to enter into an agreement with the individual to defer a portion of such individual's compensation and place it under the management and supervision of the state deferred compensation plan created pursuant to sections 84-1504 to 84-1506, however nothing requires the PERB or NPERS to provide for ability of an individual to defer compensation on an after-tax Roth contribution basis pursuant to a qualified Roth contribution program under section 402A of the IRC

[Amends (13)] defines individual for purposes of this section

ADVANCED TO GENERAL FILE

LB 16 (Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges

LB 16 as introduced, proposed to add an annual contribution from the State to the Judges' Retirement Fund of 4% of total compensation of the members of the judges' plan beginning on July 1, 2021 and increasing the percentage to 6% beginning July 1, 2023.

Committee Amendment 666

AM 666 strikes the original bill and inserts the provisions of LB 17 as introduced. These provisions adopt shorter amortization periods to reflect current actuarial standards as recommended by the General Finance Officers Association and the actuary under contract with the Public Employees Retirement Board. Beginning July 1, 2021, closed 25-year amortization periods will apply to all new bases, rather than the current 30-year amortization period in the Judges, State Patrol and School Employees Retirement Acts.

These acts are also amended to authorize the actuary to combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Prior to making these actuarial adjustments, the Public Employees Retirement Board must notify the Nebraska Retirement Systems Committee of the actuary's recommendation. Written notification must include the actuary's explanation of why the combination or offset is in the best interests of the plan at the proposed time and include a projection of the contributions to fund the plan if these adjustments are implemented, and if no adjustments are made.

The provisions of this bill were advanced to General File to provide a separate vehicle for necessary amortization changes. Since the amortization provisions in LB 17e were enacted, it was not necessary to advance this bill.

HELD IN COMMITTEE

LB 144 Define terms under the Class V School Employees Retirement Act

LB 144 was introduced as a shell bill as part of the OSERS package of bills. The intent was to introduce a placeholder bill that would be available in the 2022 legislative session in case any legislation is necessary following the IRS Legal Compliance Audit of the Omaha School Employees Retirement System. A shell bill was necessary because Legislative Rule 5, subsection 15, limits introduction of retirement bills that may affect the structure of a retirement system or have a funding impact, to be introduced only in the first ten days of a 90-day session.

LB 184 Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees

LB 184 would make state patrol officers eligible for Healthcare Enhancement for Local Public Safety Retirees (HELPS) benefits under the Public Pension Act of 2006. Under this program, state patrol officers who attain the normal retirement age of 55 or who separate from service due to disability, to have insurance premium costs – up to \$3,000 – deducted by NPERS from the officer's retirement annuity.

HELPS Benefit under the Public Pension Act of 2006

- **Benefit:** Section 845(a) [Healthcare Enhancement for Local Public Safety Retirees (HELPS)] of the Public Pension Act of 2006 provides for an exclusion from gross income for distributions from certain retirement plans, used to pay qualified health insurance. It applies to the premiums of an eligible retired public safety officers who elect to have qualified health insurance premiums deducted from amounts distributed from an eligible government plan and paid directly to the insurer.
- **Optional Benefit:** The HELPS law is an optional benefit. Governmental entities are not required to make this benefit available to public safety officers and may place some limitations on it.
- **Eligible retirement plans:** State Patrol officers could apply this benefit to annuities from their State Patrol defined benefit plan, 457(b) deferred compensation, and DROP plans.

All are to be treated as a single plan--meaning the total amount deducted from all eligible plans for medical premiums is capped at \$3,000.

- **Qualified Health Insurance Premiums:** Includes health, dental, vision, accident and long-term care insurance, for self, spouse, and dependents. At age 65 it would also include Medicare Part B, Medicare Advantage, Medicare Part D, and Medicare supplemental insurance.

LB 478 Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act

LB 478 creates a new statewide cash balance plan for all first class city firefighters. The plan would be administered by the PERB and follows many of the criteria for the existing State and County Cash Balance Plans, with the exception of the disability provisions which track current disability benefits in the First Class Cities Firefighters Retirement Act in chapter 16. Under LB 478 as introduced, if the Firefighter Cash Balance plan requires any ARC payments, the state is liable for payment of the ARCs, not the first class cities.

LB 586 Require an annual report regarding police and firefighter retirement plans in certain cities

Requires annual stress testing and risk assessment reporting to the Nebraska Retirement Systems Committee for Omaha and Lincoln police and firefighter defined benefit systems to identify major financial risks for employers, participants, and taxpayers.

V. Bills Monitored in Other Committees that Impact Retirement Systems

LB 102 (Dorn) Provide for transfer of duties of clerks of the district court to clerk magistrates

Judiciary Committee

LB 102 would eliminate *ex officio* Clerks of the District Court and transfer their duties to Clerk Magistrates in each county per transition dates in the bill. County Clerks are currently performing the duties of *ex officio* Clerks of the District Court along with other county responsibilities.

LB 102 also provides a local option for consolidation of duties when a vacancy occurs in the Office of an elected Clerk of the District Court or when an incumbent Clerk of the District Court does not seek re-election. The bill gives local control to the county board and permits it to make the decision to either keep or eliminate the office of the elected Clerk of the District Court.

If the county board opts to eliminate this elected office, the Clerk Magistrate for the county court, which is a state employee, will fulfill the duties of the Clerk of the District Court. The employees of the Clerk of the District Court have the option of becoming state Judicial Branch employees at no loss of salary. The county board in conjunction with the State Court Administrator will review the Clerk of the Court's office space and determine what is best suited for the consolidated office.

The bill was held in Committee.

LB 267 (McCollister) Change provisions relating to municipal counties

Government, Military and Veterans Affairs Committee

LB 267 updates and specifies the merger or consolidation process of a metropolitan municipality with one or more counties to form a municipal county. Any municipality not consolidated that is located within the municipal county may be annexed. Under LB 267, when county/counties and the metropolitan municipality merge or consolidate into a municipal county, the laws applicable to the metropolitan city govern, including any home rule charter authority pursuant to Article XI, section 5, of the Constitution of Nebraska. (Omaha is a home rule charter city). There are many different retirement systems potentially impacted by a potential merger or consolidation under this bill. The bill was held in Committee.

Statutes that address transferring and receiving retirement benefits include 13-2401, and in the County Employees Retirement Act – sections 23-2306, 23-2306.02, 23-2306.03 and 23-2330.04. All of these statutes were enacted prior to the creation of cash balance benefits which are now

available to county employees and Omaha civilian employees so there are no statutory provisions in the relevant statutes which outline the requirements for transferring from or to a cash balance plan. These statutes would need to be amended to cover transfer provisions and employees' rights if transferring between cash balance plans or transferred from or to a cash balance plan to defined benefit or defined contribution benefit. Senator McCollister and interested parties were notified about these issues prior to the hearing.

The bill was held in Committee.

LB 258 (Vargas) Adopt the Healthy & Safe Families and Workplaces Act
Business and Labor Committee

LB 258 requires employers with four or more employees to provide employees with access to paid sick and safe leave. Employees shall accrue a minimum of one hour of paid sick and safe time for every thirty hours worked. Employers must allow employees to accrue up to forty hours in a calendar year based on hours worked. Nothing in the bill prohibits employers from providing additional paid leave. Safe leave can be used for reasons relating to domestic violence, stalking, or domestic abuse.

Any employer with a paid leave policy who makes available an amount of paid leave which is sufficient to meet the accrual requirements for paid sick and safe time and which may be used for the same purposes as paid sick and safe time under the Healthy and Safe Families and Workplaces Act is not required to provide additional paid sick and safe time.

Senator M. Hansen Priority Bill. Advanced to General File and failed to advance.

LB 290 (M. Cavanaugh) Adopt the Paid Family and Medical Leave
Insurance Act

Business and Labor Committee

LB 290 adopts the Paid Family and Medical Leave Insurance Act. The act creates a paid family and medical leave insurance program to provide partial wage replacement for eligible workers to care for themselves or family members. Specifies that family and medical leave benefits shall not be considered compensation under the County Employees Retirement Act, the Judges Retirement Act, the Nebraska State Patrol Retirement Act, the School Employees Retirement Act, the State Employees Retirement Act, or any other retirement plan administered by the Public Employees Retirement Board and shall not be eligible for deferral under any deferred compensation plan administered by the Public Employees Retirement Board.

Advanced to General File.

LB 299 (McDonnell) Adopt the Firefighter Cancer Benefits Act and provide an income tax exemption for such benefits

Revenue Committee

LB 299 proposes to create the Firefighter Cancer Benefits Act. Firefighters, both paid and volunteer, would be eligible for cancer insurance benefits if the following criteria are met:

1. Pass a physical examination which fails to reveal any evidence of cancer, and
2. Serve at least twelve consecutive months as a firefighter at any station within the State of Nebraska.

The benefits would be provided and maintained by the fire department of a municipality, rural or suburban fire protection district, airport authority, city, village, or nonprofit corporation of which such firefighter serves. Benefits would include:

1. Diagnosis of severe cancer as defined in the bill (\$25,000)
2. Diagnosis of less severe cancer as defined in the bill (\$6,250)
3. Total disability monthly benefits for a maximum of thirty-six months (\$1,500 per month); and
4. Death benefit payable to beneficiaries of firefighter or estate of firefighter if no beneficiary is named (\$50,000).

Funds received by a firefighter as insurance payments for cancer benefits would not be subject to Nebraska income tax. LB 299 was amended into LB 432 through the Committee Amendment which provided that enhanced cancer benefits were removed for fire protection districts, airport authorities, cities, villages or nonprofit corporation. Such entities may elect to provide additional benefits under the Firefighter Cancer Benefits Act and will be subject to the requirements of the Act if they choose to participate.

Enacted and approved by the Governor on May 26, 2021.

LB 386 (Lathrop) Change judges' salaries

Judiciary Committee

LB 386 raises the salary 3% each year for Supreme Court judges to \$192,647.09 beginning on July 1, 2021 and to \$198,426.51 on July 1, 2022.

Enacted with the emergency clause and approved by the Governor April 26, 2021.

LB 448 (Morfield) Impose a surcharge on operator's licenses and permits and state identification cards issued under the Motor Vehicle Operator's License Act for the Nebraska State Patrol Retirement System

Transportation and Telecommunications Committee

LB 448 imposes a \$3 surcharge on each operator's license, permit or state identification card beginning January 1, 2022. The surcharge is remitted to the State Treasurer for credit to the Nebraska State Patrol Retirement System.

The bill was indefinitely postponed in Committee.

VI. Bills, Confirmations & Reports Status Chart

LB #	SUBJECT	STATUS
LB 16	(Kolterman) Provide for state contributions to the Nebraska Retirement Fund for Judges	In LB 17
LB 17e	(Kolterman) Change actuarial valuation provisions and amortization periods in retirement systems under the Judges Retirement Act, the School Employees Retirement Act and the Nebraska State Patrol Retirement Act	Includes LBs 16 & 24 Enacted
LB 24	(Kolterman) Change fee, remittance and distribution provisions relating to the Nebraska Retirement Fund for Judges	In LB 17
LB 144	(Kolterman) Define terms under the Class V School Employees Retirement Act	Held
LB 145	(Kolterman) Provide for and change audit, reporting and billing practices under the Class V School Employees Retirement Act	In LB 147
LB 146	(Kolterman) Define and redefine terms relating to school retirement provisions	In LB 147
LB 147e	(Kolterman) Change provisions relating to retirement systems for Class V school districts	Enacted Includes LBs 145, 146, 582
LB 184	(Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees	Held
LB 209	(McDonnell) Change provisions relating to treatment of deferred compensation by certain political subdivisions, state agencies, and the Public Employees Retirement Board	AM & Enacted
LB 478	(Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act	Held
LB 582	(Retirement Committee) Change administration of the retirement system under the Class V School Employees Retirement Act	In LB 147
LB 586	(Clements) Require an annual report regarding police and firefighter retirement plans in certain cities	Held
CARRYOVER TO 2022 SESSION		
LB 144	(Kolterman) Define terms under the Class V School Employees Retirement Act	
LB 184	(Brewer) Provide for an insurance premium deduction from the retirement annuity of certain Nebraska State Patrol employees	
LB 478	(Blood) Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act	
LB 586	(Clements) Require an annual report regarding police and firefighter retirement plans in certain cities	
CONFIRMATION HEARINGS		
	Pam Lancaster, PERB, County representative	Confirmed
	Thomas Zimmerman, PERB, Judges' representative	Confirmed
	Keith Olsen, NIC	Confirmed
PRESENTATION OF ANNUAL REPORTS		
	Nebraska Public Employees Retirement Systems	April 8, 2021
	Nebraska Investment Council	April 8, 2021

VII. Interim Study Resolutions

LR 105 Introduced by 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 SEVENTH 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.

LR 106 Introduced by 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.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED SEVENTH 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 conduct a public hearing for the presentation of reports by political subdivisions with underfunded defined benefit plans.
3. 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 Study Resolutions in Other Committees Which May Impact Retirement Systems

LR 76 Introduced by Hansen, M., Cavanaugh, J.

PURPOSE: The purpose of this resolution is to complete a comprehensive interim study of court fees as a funding source for the court system and the judicial branch. Nebraska assesses fees as part of the court costs for most, if not all, civil and criminal cases, including those related to traffic citations. Nebraska is not alone in imposing court fees, as other states also assess court fees as a revenue source. Most of the court fees imposed go to fund the court system, including, but not limited to, funds dedicated to automation costs of the court computer system and to the judges' retirement fund. However, some court costs are earmarked for other state agencies that work with the court system. Nebraska law does provide for the waiver of court costs in certain circumstances due to indigent status or for the discharge of costs that are deemed uncollectible due to the financial inability to pay. In some instances, court costs are also paid to the state by counties or cities.

The study shall examine:

1. Whether fees should be assessed on all cases or only certain types of cases
2. How court costs and fees in Nebraska compare to other states
3. Whether court fees are an appropriate or effective means of providing funds for the court system or other agencies
4. Whether the current waiver or discharge provisions for court fees are adequate to protect indigent or poor individuals and whether any reform is necessary; and
5. How much political subdivisions pay in court fees and whether any adjustment should be made.

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

1. That the Judiciary 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 83

Introduced by: Hansen, M., Cavanaugh, J., Cavanaugh, M., Hunt, Wayne

PURPOSE: The purpose of this resolution is to examine the appointment process by which members of boards, commissions, and similar entities created by law are filled. Nebraska has more than two hundred such entities which provide oversight of governmental programs, regulate licensed professionals, carry out studies, oversee implementation of new programs, advocate for certain constituencies, and advise state agencies.

The Legislature plays a pivotal role in the establishment, administration, and operation of boards, commissions, and similar entities created by law, including the responsibility to conduct hearings and determine whether to approve or disapprove of certain gubernatorial appointments as part of the appointment process.

This study shall include, but not be limited to:

1. An examination of the process by which individuals are appointed by the Governor, including the recruitment process, how the public learns of opportunities to serve, the application process, and the review and vetting process by the executive branch
2. An examination of the process by which appointments are confirmed by the Legislature
3. Identification of any potential barriers that may exist to the process of filling vacancies
4. An analysis of potential changes that could be made to the process to more efficiently fill vacancies; and
5. An exploration of procedural changes that could result in more diversity within such entities.

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

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

LR 164 Introduced by Wishart

PURPOSE: The purpose of this interim study is to examine problem solving courts. For almost two decades, the Legislature has worked with key stakeholders in each branch of government to authorize, invest in, and expand problem solving courts as a sound alternative to the traditional criminal justice and juvenile justice systems. Problem solving courts are heralded for their effect on reducing recidivism, improving outcomes, lessening taxpayer burdens, and advancing public safety. Problem solving courts in Nebraska are subject to rules promulgated by the Supreme Court and utilize innovative court programs through which individuals and families thrive and all Nebraska communities become safer.

Problem solving courts and similar programs relating to alternatives to detention and incarceration, including, but not limited to, drug courts, veteran treatment courts, mental health courts, mediation courts, reentry courts, and diversionary programs, have been used in Nebraska and in many other jurisdictions.

This study may include, but is not limited to:

- (1) An assessment of barriers to participation in problem solving courts;
- (2) An identification of the number of Nebraskans who could benefit from problem solving courts;
- (3) An identification of other problem solving courts that could be developed;
- (4) An examination of the fiscal effect of problem solving courts on individuals and to Nebraska;
- (5) An examination of the fiscal effect of incarceration on individuals and to Nebraska;
- (6) An assessment of how to best expand innovative programs throughout Nebraska;
- (7) An identification of how additional criminal defendants can participate in such programs throughout the state;
- (8) A determination of legislation necessary to encourage increased participation in such programs;
- (9) An examination of the extent to which problem solving courts are a permanent component of the judicial system in Nebraska; and
- (10) An investigation into other areas of importance to the Legislature as it contemplates investment in the prison system of Nebraska and examines reformation of the criminal justice system and sentencing reform.

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

1. That the Judiciary 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 Councilor Legislature.

LR 226 Introduced by Cavanaugh, M.

PURPOSE: The purpose of this interim study is to examine ways in which the Legislature provides oversight to hold state agencies accountable in the implementation of laws, and if legislation should be enacted to improve that oversight process. As a co-equal branch of government, it is the constitutional role of the Legislature to monitor state agencies as such agencies implement laws. Conducting oversight is every bit as important as passing legislation. A strong record of oversight will help maintain public confidence in the Legislature, and, more importantly, it will help the Legislature better serve Nebraska constituents and improve the quality of life for all Nebraskans. The issues to be studied include, but are not limited to:

- (1) The role of the Legislature and legislative committees in providing oversight of state agencies in the implementation of law; and
- (2) Identification of resources and tools that might be needed to improve oversight functions.

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

1. That the Executive Board of the Legislative Council 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 Councilor Legislature.

VIII. APPENDICES

APPENDIX A



Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

March 12, 2021

Mr. Randy Gerke
Executive Director
Nebraska Public Employees Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 17, as Amended by AM 461

Dear Randy:

As you requested, we have analyzed the provisions of Legislative Bill 17, as amended by AM 461 (LB 17 AM 461) and prepared an estimate of the expected financial impact on the Nebraska Judges Retirement System, Nebraska School Retirement System and the Nebraska State Patrol Retirement System. LB 17 AM 461 includes the following changes to the existing statutes:

- Increases the amount of certain court fees used to fund the Judges Retirement System.
- Creates a statutory state contribution rate of 5% of covered payroll, as determined in the annual actuarial valuation, for the Judges Retirement System.
- Changes the amortization period from 30 years to 25 years for new bases established on and after July 1, 2021.
- Grants the Public Employees Retirement Board (PERB) the authority to combine or offset certain amortization bases in order to reduce future volatility in the actuarial contribution rate, subject to certain requirements.

Background on Funding of the Judges Retirement System

The funding of the Nebraska Judges Retirement System uses actuarial methodologies that are intended to create a contribution pattern that is level, as a percentage of covered payroll. With a stable active membership, covered payroll is expected to increase over time and, as a result, the dollar amounts of contributions to fund the System are also expected to increase (even if the contribution rate is level). Each year, an actuarial valuation is prepared for the System, as of July 1, to determine the actuarial required contribution for the fiscal year ending the following June 30. The valuation captures the actual experience that has occurred over the last twelve months and adjusts the contributions to meet the funding targets established in statute.



The funding for the Judges Retirement System comes from several different sources including:

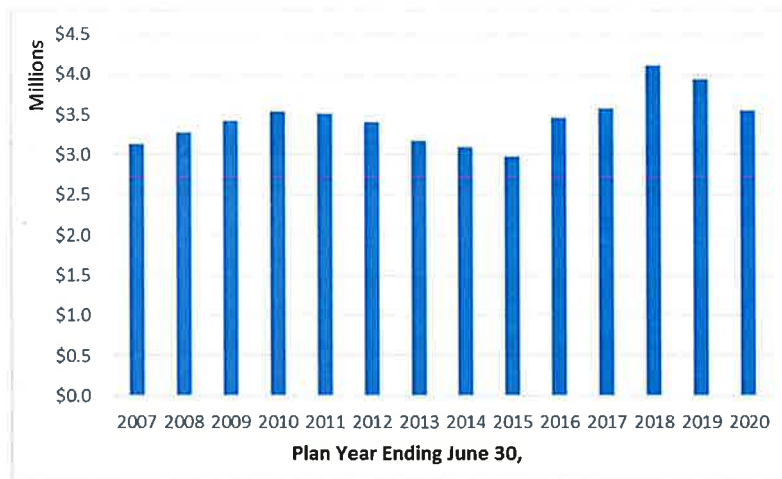
- Employee contributions
- Court fees
- Additional state contributions, if needed (deposited from the General Fund the following July 1)

When the System’s actuary prepares the annual actuarial valuation, the expected revenue sources for the year (employee contributions and court fees) are compared to the actuarial required contribution to determine whether an additional state contribution is needed to meet the required actuarial contribution. Variances in the court fees from year to year, as well as actual experience different than expected by the actuarial assumptions, impact the amount of the additional state contribution needed, which can create volatility. A summary of the valuation results over the last few years is shown below. Note, however, that court fees were increased during this period (2016 through 2018).

Valuation Date (July 1)	Actuarial Contribution	Employee Contributions	Expected Court Fees	Additional State Contribution
2020	\$6,552,141	\$2,108,300	\$3,016,122*	\$1,427,719
2019	6,248,287	1,953,201	3,946,292	348,794
2018	6,374,334	1,819,192	4,112,543	442,599
2017	6,593,098	1,846,634	4,078,851	667,613
2016	5,320,028	1,742,649	3,458,665	118,714

*Reflects the expected impact of the pandemic on court fees for FY 2021

As the graph below shows, the trend in court fees has been unpredictable, generally trending down in recent years except for the fee increases implemented in 2016 to 2018.



For purposes of funding the System, it has been difficult to accurately anticipate this revenue source, either from year to year or over longer periods of time. Even if the court fee revenue remains stable, there will be a growing shortfall between court fees and future actuarial employer contribution amounts since those contribution amounts are designed to increase with payroll, while court fees are anticipated to be level. This disconnect between the funding policy, which creates an increasing contribution pattern in dollar amounts, and the revenue sources has been an ongoing concern for funding the System.



Changes in LB 17 AM 461

(1) Increase in Court Fees Earmarked for Judges Retirement System

There are different fees assessed under state statute for various court actions and a portion of those fees are designated to fund the Judges Retirement System. LB 17 AM 461 increases some of these amounts for certain types of fees. Based on revenue projections provided by the State Court Administrator’s Office the following table provides the estimated additional revenue from the changes to the court fees earmarked for funding the Judges Retirement System. These estimated court fees were used in the cost analysis provided with this letter.

Year of Fee Increase (July 1)	Fiscal Year Revenue Reflected	Current Fee Estimated Revenue	Projected Additional Revenue	Total Estimated Court Fees
2021	2022/2023	3,370,960	1,206,979	4,577,939
2022	2023/2024	3,548,379	1,573,846	5,122,225
2023	2024/2025	3,548,379	1,819,641	5,368,020
2024	2025/2026	3,548,379	1,954,526	5,302,905
2025	2026/2027	3,548,379	2,095,051	5,643,430

If actual court fees from the increased fees unfold as expected, the changes in LB 17 AM 461 will significantly increase the revenue from court fees used to fund the Judges Retirement System.

(2) Creation of a State Contribution of 5% of Payroll for the Judges Retirement System

Currently, any difference between the employer actuarial contribution and expected court fees in the valuation report is contributed by the State of Nebraska in early July of the following fiscal year (additional contribution in the July 1, 2020 valuation is paid in July 2021). LB 17, as amended by AM 461, creates an annual State contribution of 5% of the expected payroll for the year, to be paid beginning July 1, 2023 and each year thereafter. Note that the full amount of this contribution will be paid even if it exceeds the amount needed to meet the full actuarial required contribution. Any amount above the actuarial required contribution will serve to improve the funded status of the Judges Retirement System. If the 5% contribution is insufficient to meet the full actuarial required contribution in any given year, an additional State contribution will still be required.

The bill also provides that if the funded ratio of the system is at or above one hundred percent for two consecutive years, as reported in the annual actuarial valuation, the actuary shall assess whether the percentage of the state contribution rate should be adjusted and make a recommendation to the PERB as part of the annual actuarial valuation report. If the state contribution rate has been adjusted to less than 5% and the funded ratio is below one hundred percent for two consecutive years, as reported in the actuarial valuation report, the actuary shall assess whether the state contribution rate should be adjusted (not greater than 5%) and make a recommendation to the PERB as part of the annual actuarial valuation report. If the actuarial valuation report includes a recommendation from the actuary to adjust the state contribution rate, the PERB must provide written notice to the Nebraska Retirement Systems Committee of the Legislature of such recommendation within seven business days after their approval of the annual actuarial valuation report.



(3) Change to the Amortization Period for the Judges, State Patrol and School Retirement Systems

The amortization methodology used to fund the unfunded actuarial accrued liability is set in statute by the legislature. The School, State Patrol and Judges Retirement Systems all currently use a layered amortization method where a new amortization base is established each year in the valuation based on the actual versus expected unfunded actuarial accrued liability. The payment on each base is determined as a level percent of payroll over a 30-year closed period. If the unfunded actuarial accrued liability is zero or less, all existing amortization bases are eliminated, and the unfunded actuarial accrued liability is reinitialized and amortized over a closed 30-year period.

LB 17 AM 461 changes the 30-year amortization periods described in the paragraph above to 25 years, prospectively beginning July 1, 2021, for all three Systems. It also provides that the Public Employees Retirement Board may combine and/or offset certain amortization bases to reduce future volatility in the actuarial contribution rate, if recommended by the System actuary. Certain information and notification to the Retirement Committee is necessary to effect such changes. At this time, there are no changes to the amortization bases being recommended so this provision has no impact on the cost exhibits provided with this letter. The change is included in LB 17 AM 461 to provide flexibility to respond to situations where it might be advantageous to combine or offset amortization bases in the future.

Cost Results

The exhibits attached to this letter provide selected valuation output measures and contribution requirements to illustrate the impact of the proposed changes in LB 17 AM 461 on the funding requirements of the Judges Retirement System, School Retirement System and the State Patrol Retirement System over the 20-year projection period. Note that all changes to the funding parameters for the Judges Retirement System under LB 17 AM 461 are reflected in the cost exhibits. Note that these projections assume that all actuarial assumptions are met each year in the future. In reality, however, there will be variations in the actual versus assumed investment return in future years and the actuarial assumptions used in the valuation will likely change, given that experience studies are performed every four years (next one in 2024). These events will impact the sufficiency of the 5% contribution rate to meet the actuarial contribution amount in future years. With the provision to adjust the payroll-related contribution rate downward once the System is fully funded, contributions above the actuarial contribution in some years will simply reduce state contributions in later years.

Exhibit A-1 shows the funding requirements for the Judges Retirement System, by source, under current law as well as under LB 17 AM 461 and Exhibit A-2 compares the unfunded actuarial accrued liability and funded ratio under each scenario for the Judges Retirement System. Similarly, Exhibits B-1 and B-2 and C-1 and C-2 show similar information for the School and State Patrol Retirement System, respectively. Please note that the funded status of the School Retirement System (Exhibit B-2) does not change under LB 17 AM 461 because the statutory contributions to the System are higher than the actuarial contributions under both the baseline and LB 17 AM 461. Consequently, the same contribution amounts are made to the School Retirement System under both scenarios, so the asset values are also the same.



Mr. Randy Gerke
March 12, 2021
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Disclaimers, Caveats, and Limitations

The numerical charts that are attached to this letter are based primarily on the July 1, 2020 valuation results, using the actuarial assumptions and methods adopted by the PERB in January 2021, and the projection model prepared by the System's actuary, Cavanaugh Macdonald Consulting, LLC. In order to prepare the results in this letter, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the results. Significant items are noted below:

- The investment return assumption of 7.50% for FY 2021, 7.30% for FY 2022, 7.20% for FY 2023, 7.10% for FY 2024 and 7.00% thereafter is assumed to be earned on the market value of assets.
- All assumptions are the same as those recommended in the 2020 Experience Study, and adopted by the Board at their December 2020 meeting, and are assumed to be met in all future years.
- The number of active members in the System in the future is assumed to remain level (neither grow nor decline). As current active members leave covered employment, they are assumed to be replaced with new employees who have a similar demographic profile as recent new entrants to the System.
- Actual court fees are assumed to be equal to the expected court fees which include multi-year increases until they reach the pre-pandemic level for current court fees by FY 2024 (\$3.548 million) as well as the increases scheduled in LB 17 AM 461. Estimated increases in court fees were provided by the State Court Administrator's office.
- Benefit provisions are not assumed to change in the future.
- We relied on the membership data provided for the actuarial valuation. If there are material inaccuracies in the data, the results presented herein may be different and the projections may need to be revised.

Models are designed to identify anticipated trends and to compare various scenarios rather than predicting some future state of events. The projections are based on the System's estimated financial status on July 1, 2020, and projects future events using one set of assumptions out of a range of many possibilities. A different set of assumptions would lead to different results. The projections do not predict the System's financial condition or its ability to pay benefits in the future and do not provide any guarantee of future financial soundness of the System. Over time, a defined benefit plan's total cost will depend on a number of factors, including the amount of benefits paid, the number of people paid benefits, the duration of the benefit payments, plan expenses, and the amount of earnings on assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the time the projections were prepared. Because not all of the assumptions will unfold exactly as expected, actual results will differ from the projections. To the extent that actual experience deviates significantly from the assumptions, results could be significantly better or significantly worse than indicated in this study.

We, Patrice A. Beckham, FSA and Brent A. Banister, FSA, are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions or provide additional information as needed.



Mr. Randy Gerke
March 12, 2021
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Please let us know if there are additional questions that arise related to the information presented in this letter. We would be happy to provide additional analysis if needed.

Sincerely,

A handwritten signature in black ink that reads 'Patrice Beckham' in a cursive script.

Patrice A. Beckham, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink that reads 'Brent A. Banister' in a cursive script.

Brent A. Banister, PhD, FSA, FCA, EA, MAAA
Chief Actuary



Exhibit C-2

State Patrol Retirement System

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM461 (AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

July 1 Year	Baseline				LB 17 AM 461: New Amortization Bases Over 25 Yrs			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	60.61	510.76	450.15	88.1%	60.61	510.76	450.15	88.1%
2021	67.56	536.63	469.07	87.4%	67.56	536.63	469.07	87.4%
2022	74.69	559.05	484.36	86.6%	74.64	559.05	484.41	86.6%
2023	82.21	581.80	499.59	85.9%	82.06	581.80	499.74	85.9%
2024	93.41	609.57	516.17	84.7%	93.10	609.57	516.47	84.7%
2025	91.34	628.31	536.96	85.5%	90.78	628.31	537.53	85.6%
2026	89.13	647.38	558.25	86.2%	88.29	647.38	559.09	86.4%
2027	86.71	666.29	579.58	87.0%	85.57	666.29	580.72	87.2%
2028	83.07	682.23	599.16	87.8%	81.61	682.23	600.62	88.0%
2029	79.93	698.40	618.47	88.6%	78.12	698.40	620.28	88.8%
2030	76.37	714.53	638.16	89.3%	74.19	714.53	640.34	89.6%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Numbers may not add or subtract due to rounding.



**Exhibit C-1
State Patrol Retirement System**

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM461 (AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

Fiscal Year	Valuation Date (7/1)	Payroll (\$M)	Baseline					LB 17 AM 461: New Amortization Bases Over 25 Yrs					Change [(1)-(6)]	(12) [(11)-(6)]
			Actuarial Member	Member Employer	Contribution Rate	Shortfall/(Margin)	Additional Required Contribution (\$M)	Actuarial Member	Member Employer	Contribution Rate	Shortfall/(Margin)	Additional Required Contribution (\$M)		
20/21	2020	31.11	45.42%	16.15%	16.15%	13.12%	4.08	45.42%	16.15%	16.15%	13.12%	4.08	-	
21/22	2021	31.72	47.38%	16.20%	16.20%	14.98%	4.92	47.52%	16.20%	16.20%	15.12%	4.97	0.05	
22/23	2022	32.45	49.07%	16.24%	16.24%	16.59%	5.57	49.36%	16.24%	16.24%	16.88%	5.67	0.10	
23/24	2023	33.35	50.79%	16.28%	16.28%	18.23%	6.29	51.23%	16.28%	16.28%	18.67%	6.44	0.15	
24/25	2024	34.03	53.26%	16.33%	16.33%	20.60%	7.25	53.93%	16.33%	16.33%	21.27%	7.49	0.24	
25/26	2025	34.31	53.41%	16.39%	16.39%	20.63%	7.32	54.08%	16.39%	16.39%	21.30%	7.56	0.24	
26/27	2026	34.77	53.54%	16.45%	16.45%	20.64%	7.42	54.20%	16.45%	16.45%	21.30%	7.66	0.24	
27/28	2027	35.56	53.43%	16.54%	16.54%	20.35%	7.49	54.09%	16.54%	16.54%	21.01%	7.73	0.24	
28/29	2028	35.17	54.00%	16.61%	16.61%	20.78%	7.56	54.67%	16.61%	16.61%	21.45%	7.80	0.24	
29/30	2029	36.16	53.92%	16.65%	16.65%	20.62%	7.71	54.57%	16.65%	16.65%	21.27%	7.95	0.24	
30/31	2030	37.19	53.83%	16.70%	16.70%	20.43%	7.86	54.47%	16.70%	16.70%	21.07%	8.11	0.25	
							73.48					75.46	1.98	

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.



Exhibit B-2

School Retirement System

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM461 (AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

July 1 Year	Baseline				LB 17 AM 461: New Amortization Bases Over 25 Yrs			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	1,152.26	13,832.47	12,680.22	91.7%	1,152.26	13,832.47	12,680.22	91.7%
2021	992.22	14,267.55	13,275.33	93.0%	992.22	14,267.55	13,275.33	93.0%
2022	1,083.13	14,892.97	13,809.84	92.7%	1,083.13	14,892.97	13,809.84	92.7%
2023	1,182.71	15,506.77	14,324.06	92.4%	1,182.71	15,506.77	14,324.06	92.4%
2024	1,247.16	16,105.84	14,858.69	92.3%	1,247.16	16,105.84	14,858.69	92.3%
2025	1,128.16	16,646.36	15,518.20	93.2%	1,128.16	16,646.36	15,518.20	93.2%
2026	994.80	17,185.97	16,191.17	94.2%	994.80	17,185.97	16,191.17	94.2%
2027	845.97	17,724.54	16,878.57	95.2%	845.97	17,724.54	16,878.57	95.2%
2028	680.45	18,261.85	17,581.40	96.3%	680.45	18,261.85	17,581.40	96.3%
2029	497.00	18,797.61	18,300.61	97.4%	497.00	18,797.61	18,300.61	97.4%
2030	294.30	19,331.48	19,037.18	98.5%	294.30	19,331.48	19,037.18	98.5%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Numbers may not add or subtract due to rounding.



Exhibit B-1

School Retirement System

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM461 (AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

Fiscal Year	Valuation Date (7/1)	Payroll (\$M)	Actuarial	Member	Employer	State	Shortfall/(Margin)	Additional Required Contribution (\$M)	LB 17 AM 461: New Amortization Bases Over 25 Yrs				Additional Required Contribution (\$M)	Change [(13)-(7)]	
									Actuarial	Member	Employer	State			Shortfall/(Margin)
20/21	2020	2,151.72	18.05%	9.78%	9.88%	2.00%	(3.61%)	-	18.05%	9.78%	9.88%	2.00%	(3.61%)	-	(14)
21/22	2021	2,208.43	17.82%	9.78%	9.88%	2.00%	(3.84%)	-	17.78%	9.78%	9.88%	2.00%	(3.88%)	-	(13)-(7)
22/23	2022	2,252.52	18.20%	9.78%	9.88%	2.00%	(3.46%)	-	18.19%	9.78%	9.88%	2.00%	(3.47%)	-	
23/24	2023	2,296.78	18.63%	9.78%	9.88%	2.00%	(3.03%)	-	18.66%	9.78%	9.88%	2.00%	(3.00%)	-	
24/25	2024	2,337.75	18.98%	9.78%	9.88%	2.00%	(2.68%)	-	19.04%	9.78%	9.88%	2.00%	(2.62%)	-	
25/26	2025	2,388.74	18.77%	9.78%	9.88%	2.00%	(2.89%)	-	18.81%	9.78%	9.88%	2.00%	(2.85%)	-	
26/27	2026	2,440.83	18.56%	9.78%	9.88%	2.00%	(3.10%)	-	18.58%	9.78%	9.88%	2.00%	(3.08%)	-	
27/28	2027	2,494.23	18.33%	9.78%	9.88%	2.00%	(3.33%)	-	18.34%	9.78%	9.88%	2.00%	(3.32%)	-	
28/29	2028	2,549.02	18.10%	9.78%	9.88%	2.00%	(3.56%)	-	18.08%	9.78%	9.88%	2.00%	(3.58%)	-	
29/30	2029	2,605.24	17.86%	9.78%	9.88%	2.00%	(3.80%)	-	17.81%	9.78%	9.88%	2.00%	(3.85%)	-	
30/31	2030	2,662.68	17.59%	9.78%	9.88%	2.00%	(4.07%)	-	17.52%	9.78%	9.88%	2.00%	(4.14%)	-	

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.



Exhibit A-2

JUDGES RETIREMENT SYSTEM

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM 461 (5% STATE CONTRIBUTION, INCREASED COURT FEES AND NEW BASES AMORTIZED OVER 25 YEARS)

July 1 Year	Baseline				LB 17 AM 461: 5% State Contribution, Increase in Court Fees and New Bases Amortized Over 25 Years			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	5.49	206.46	200.97	97.3%	5.49	206.46	200.97	97.3%
2021	9.19	217.58	208.40	95.8%	9.19	217.58	208.40	95.8%
2022	12.29	226.33	214.04	94.6%	12.27	226.33	214.07	94.6%
2023	15.42	234.57	219.15	93.4%	14.59	234.57	219.98	93.8%
2024	18.04	242.73	224.69	92.6%	16.05	242.73	226.68	93.4%
2025	17.87	250.06	232.19	92.9%	14.63	250.06	235.43	94.1%
2026	17.58	257.10	239.52	93.2%	12.91	257.10	244.19	95.0%
2027	17.34	264.36	247.01	93.4%	11.05	264.36	253.31	95.8%
2028	16.95	271.30	254.34	93.8%	8.97	271.30	262.33	96.7%
2029	16.61	278.42	261.81	94.0%	6.84	278.42	271.58	97.5%
2030	16.22	285.79	269.56	94.3%	4.64	285.79	281.15	98.4%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects. Also, Court Fees are scheduled to increase over five years. The increase will first be reflected in FY 22/23, with continuing increases until FY 26/27 when the total court fees are expected to be \$5.64 million. Lastly, beginning with the July 1, 2022 actuarial valuation, the State will contribute 5% of payroll to be paid on the following July 1. Once the System has reached a funded ratio of at least 100% for two consecutive years, the State contribution rate may be reduced below the 5% contribution rate at the recommendation of the actuary.

Numbers may not add or subtract due to rounding.



**Exhibit A-1
JUDGES RETIREMENT SYSTEM**

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AM 461 (5% STATE CONTRIBUTION, INCREASED COURT FEES AND NEW BASES AMORTIZED OVER 25 YEARS)

Fiscal Year	Valuation Date (July 1)	Payroll (\$M)	Baseline Contribution (\$M)						LB 17 AM 461: 5% State Contribution, Increase in Court Fees and New Bases Amortized Over 25 Years						Change Total Non EE Contribs (\$M)		
			Actual	Employee	Employer	Court Fees	Additional State	Total Non-EE	Actual	Employee	Employer	Court Fees	5% State	Additional State		Total State	Total Non-EE
20/21	2020	25.25	6.55	2.11	4.44	3.02	1.43	4.44	6.55	2.11	4.44	3.02	-	1.43	1.43	4.44	-
21/22	2021	26.22	7.13	2.26	4.86	3.19	1.67	4.86	7.15	2.26	4.89	3.19	-	1.69	1.69	4.89	0.02
22/23	2022	27.03	7.53	2.36	5.16	3.37	1.79	5.16	7.51	2.36	5.15	4.58	1.31	-	1.31	5.88	0.72
23/24	2023	27.81	7.94	2.47	5.47	3.55	1.92	5.47	7.89	2.47	5.42	5.12	1.34	-	1.34	6.47	1.00
24/25	2024	28.56	8.32	2.56	5.75	3.55	2.20	5.75	8.21	2.56	5.64	5.37	1.38	-	1.38	6.75	1.00
25/26	2025	29.42	8.51	2.67	5.83	3.55	2.29	5.83	8.32	2.67	5.64	5.50	1.42	-	1.42	6.93	1.09
26/27	2026	30.35	8.73	2.79	5.94	3.55	2.39	5.94	8.45	2.79	5.65	5.64	1.47	-	1.47	7.11	1.17
27/28	2027	31.26	8.93	2.90	6.03	3.55	2.48	6.03	8.54	2.90	5.64	5.64	1.51	-	1.51	7.15	1.13
28/29	2028	32.18	9.12	3.02	6.10	3.55	2.55	6.10	8.62	3.02	5.60	5.64	1.56	-	1.56	7.20	1.10
29/30	2029	33.14	9.37	3.13	6.24	3.55	2.69	6.24	8.75	3.13	5.62	5.64	1.60	-	1.60	7.25	1.00
30/31	2030	34.14	9.63	3.25	6.38	3.55	2.83	6.38	8.88	3.25	5.63	5.64	1.65	-	1.65	7.29	0.91
			91.75	29.54	62.22	37.97	24.25	62.22	88.87	29.54	59.33	55.00	13.24	3.12	16.36	71.36	9.14

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 AM 461 reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects. Also, Court Fees are scheduled to increase over five years. The increase will first be reflected in FY 22/23, with continuing increases until FY 26/27 when the total court fees are expected to be \$5.64 million. Lastly, beginning with the July 1, 2022 actuarial valuation, the State will contribute 5% of payroll to be paid on the following July 1. Once the System has reached a funded ratio of at least 100% for two consecutive years, the State contribution rate may be reduced below the 5% contribution rate at the recommendation of the actuary.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.

APPENDIX B



Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

MK#24

LB17

April 21, 2021

Mr. Randy Gerke
Executive Director
Nebraska Public Employees Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 17, as Amended by AMS 929 and 978

Dear Randy:

As you requested, we have analyzed the provisions of Legislative Bill 17, as amended by AMS 929 and 978 (LB 17 as advanced to Final Reading) and prepared an estimate of the expected financial impact on the Nebraska Judges Retirement System, Nebraska School Retirement System and the Nebraska State Patrol Retirement System. LB 17 as advanced to Final Reading includes the following changes to the existing statutes:

- Increases the amount of certain court fees used to fund the Judges Retirement System.
- Creates a statutory state contribution rate of 5% of covered payroll, as determined in the annual actuarial valuation, for the Judges Retirement System.
- Changes the amortization period from 30 years to 25 years for new bases established on and after July 1, 2021.
- Grants the Public Employees Retirement Board (PERB) the authority to combine or offset certain amortization bases in order to reduce future volatility in the actuarial contribution rate, subject to certain requirements.

Background

The funding for the Judges Retirement System comes from several different sources including:

- Employee contributions
- Court fees
- Additional state contributions, if needed (deposited from the General Fund the following July 1)

When the System's actuary prepares the annual actuarial valuation, the expected revenue sources for the year (employee contributions and court fees) are compared to the actuarial required contribution to determine whether an additional state contribution is needed to meet the required actuarial contribution. Variances in the court fees from year to year, as well as actual experience different than expected by the actuarial assumptions, impact the amount of the additional state contribution needed, which can create volatility.



For purposes of funding the System, it has been difficult to accurately anticipate the revenue from court fees, either from year to year or over longer periods of time. Even if the court fee revenue remains stable, there will be a growing shortfall between court fees and future actuarial employer contribution amounts since those contribution amounts are designed to increase with payroll, while court fees are anticipated to be level. This disconnect between the funding policy, which creates an increasing contribution pattern in dollar amounts, and the revenue sources has been an ongoing concern for the long-term funding of the System.

Changes in LB 17 as advanced to Final Reading

(1) Increase in Court Fees Earmarked for Judges Retirement System

There are different fees assessed under state statute for various court actions and a portion of those fees are designated to fund the Judges Retirement System. LB 17 as advanced to Final Reading increases some of these amounts for certain types of fees. Based on revenue projections provided by the State Court Administrator’s Office the following table provides the estimated additional revenue from the changes to the court fees earmarked for funding the Judges Retirement System. These estimated court fees were used in the cost analysis provided with this letter.

Year of Fee Increase (July 1)	Fiscal Year Revenue Reflected	Current Fee Estimated Revenue	Projected Additional Revenue	Total Estimated Court Fees
2021	2022/2023	3,370,960	876,000	4,246,960
2022	2023/2024	3,548,379	1,130,000	4,678,379
2023	2024/2025	3,548,379	1,299,000	4,847,379
2024	2025/2026	3,548,379	1,392,000	4,940,379
2025	2026/2027	3,548,379	1,423,900	4,972,279

If actual court fees from the increased fees unfold as expected, the changes in LB 17 as advanced to Final Reading will significantly increase the revenue from court fees used to fund the Judges Retirement System.

(2) Creation of a State Contribution of 5% of Payroll for the Judges Retirement System

Currently, any difference between the employer actuarial contribution and expected court fees in the valuation report is contributed by the State of Nebraska in early July of the following fiscal year (additional contribution in the July 1, 2020 valuation is paid in July 2021). LB 17 as advanced to Final Reading, creates an annual State contribution of 5% of the expected payroll for the year, to be paid beginning July 1, 2023 for the plan year ended June 30, 2023 and each year thereafter. Note that the full amount of this contribution will be paid even if it exceeds the amount needed to meet the full actuarial required contribution. Any amount above the actuarial required contribution will serve to improve the funded status of the Judges Retirement System. If the 5% contribution is insufficient to meet the full actuarial required contribution in any given year, an additional State contribution will still be required.

The bill also provides that if the funded ratio of the system is at or above one hundred percent for two consecutive years, as reported in the annual actuarial valuation, the actuary shall assess whether the percentage of the state contribution rate should be adjusted and make a recommendation to the



PERB as part of the annual actuarial valuation report. If the state contribution rate has been adjusted to less than 5% and the funded ratio is below one hundred percent for two consecutive years, as reported in the actuarial valuation report, the actuary shall assess whether the state contribution rate should be adjusted (not greater than 5%) and make a recommendation to the PERB as part of the annual actuarial valuation report. If the actuarial valuation report includes a recommendation from the actuary to adjust the state contribution rate, the PERB must provide written notice to the Nebraska Retirement Systems Committee of the Legislature of such recommendation within seven business days after their approval of the annual actuarial valuation report.

(3) Change to the Amortization Period for the Judges, State Patrol and School Retirement Systems

The amortization methodology used to fund the unfunded actuarial accrued liability is set in statute by the legislature. The School, State Patrol and Judges Retirement Systems all currently use a layered amortization method where a new amortization base is established each year in the valuation based on the actual versus expected unfunded actuarial accrued liability. The payment on each base is determined as a level percent of payroll over a 30-year closed period. If the unfunded actuarial accrued liability is zero or less, all existing amortization bases are eliminated, and the unfunded actuarial accrued liability is reinitialized and amortized over a closed 30-year period.

LB 17 as advanced to Final Reading changes the 30-year amortization periods described in the paragraph above to 25 years, prospectively beginning July 1, 2021, for all three Systems. It also provides that the Public Employees Retirement Board may combine and/or offset certain amortization bases to reduce future volatility in the actuarial contribution rate, if recommended by the System actuary. Certain information and notification to the Retirement Committee is necessary to effect such changes. At this time, there are no changes to the amortization bases being recommended so this provision has no impact on the cost exhibits provided with this letter. The change is included in this legislation to provide flexibility to respond to situations where it might be advantageous to combine or offset amortization bases in the future.

Cost Results

The exhibits attached to this letter provide selected valuation output measures and contribution requirements to illustrate the impact of the proposed changes in LB 17 as advanced to Final Reading on the funding requirements of the Judges Retirement System, School Retirement System and the State Patrol Retirement System over the next 10 years. Note that all changes to the funding parameters for the Judges Retirement System under LB 17 as advanced to Final Reading are reflected in the cost exhibits. These projections assume that all actuarial assumptions are met each year in the future. In reality, there will be variations in the actual versus assumed investment return in future years and the actuarial assumptions used in the valuation will likely change, given that experience studies are performed every four years (next one in 2024). These events will impact the sufficiency of the 5% contribution rate to meet the actuarial contribution amount in future years. With the provision to adjust the payroll-related contribution rate downward once the System is fully funded, contributions above the actuarial contribution in some years will simply reduce state contributions in later years.

Exhibit A-1 shows the funding requirements for the Judges Retirement System, by source, under current law as well as under LB 17 as advanced to Final Reading and Exhibit A-2 compares the unfunded actuarial accrued liability and funded ratio under each scenario for the Judges Retirement System. Similarly,



Mr. Randy Gerke
April 21, 2021
Page 4

Exhibits B-1 and B-2 and C-1 and C-2 show similar information for the School and State Patrol Retirement System, respectively. Please note that the funded status of the School Retirement System (Exhibit B-2) does not change under LB 17 as advanced to Final Reading because the statutory contributions to the System are higher than the actuarial contributions under both the baseline and LB 17 as advanced to Final Reading. Consequently, the same contribution amounts are made to the School Retirement System under both scenarios, so the asset values are also the same.

Disclaimers, Caveats, and Limitations

The numerical charts that are attached to this letter are based primarily on the July 1, 2020 valuation results, using the actuarial assumptions and methods adopted by the PERB in January 2021, and the projection model prepared by the System's actuary, Cavanaugh Macdonald Consulting, LLC. In order to prepare the results in this letter, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the results. Significant items are noted below:

- The investment return assumption of 7.50% for FY 2021, 7.30% for FY 2022, 7.20% for FY 2023, 7.10% for FY 2024 and 7.00% thereafter is assumed to be earned on the market value of assets.
- All assumptions are the same as those recommended in the 2020 Experience Study, and adopted by the Board at their December 2020 meeting, and are assumed to be met in all future years.
- The number of active members in the System in the future is assumed to remain level (neither grow nor decline). As current active members leave covered employment, they are assumed to be replaced with new employees who have a similar demographic profile as recent new entrants to the System.
- Actual court fees are assumed to be equal to the expected court fees which include multi-year increases until they reach the pre-pandemic level for current court fees by FY 2024 (\$3.548 million).
- Benefit provisions are not assumed to change in the future.
- We relied on the membership data provided for the actuarial valuation. If there are material inaccuracies in the data, the results presented herein may be different and the projections may need to be revised.

Models are designed to identify anticipated trends and to compare various scenarios rather than predicting some future state of events. The projections are based on the System's estimated financial status on July 1, 2020, and projects future events using one set of assumptions out of a range of many possibilities. A different set of assumptions would lead to different results. The projections do not predict the System's financial condition or its ability to pay benefits in the future and do not provide any guarantee of future financial soundness of the System. Over time, a defined benefit plan's total cost will depend on a number of factors, including the amount of benefits paid, the number of people paid benefits, the duration of the benefit payments, plan expenses, and the amount of earnings on assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the time the projections were prepared. Because not all of the assumptions will unfold exactly as expected, actual results will differ from the projections. To the extent that actual experience deviates significantly from the assumptions, results could be significantly better or significantly worse than indicated in this study.



Mr. Randy Gerke
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We, Patrice A. Beckham, FSA and Brent A. Banister, FSA, are consulting actuaries with Cavanaugh Macdonald Consulting, LLC. We are members of the American Academy of Actuaries, Fellows of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are available to answer any questions or provide additional information as needed.

Please let us know if there are additional questions that arise related to the information presented in this letter. We would be happy to provide additional analysis if needed.

Sincerely,

A handwritten signature in black ink that reads 'Patrice Beckham' in a cursive script.

Patrice A. Beckham, FSA, FCA, EA, MAAA
Principal and Consulting Actuary

A handwritten signature in black ink that reads 'Brent A. Banister' in a cursive script.

Brent A. Banister, PhD, FSA, FCA, EA, MAAA
Chief Actuary



**Exhibit A-1
JUDGES RETIREMENT SYSTEM**

**COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING (5% STATE CONTRIBUTION,
INCREASED COURT FEES AND NEW BASES AMORTIZED OVER 25 YEARS)**

Fiscal Year	Valuation Date (July 1)	Payroll (\$M)	Baseline Contribution (\$M)							LB 17 as advanced to Final Reading: 5% State Contribution, Increase in Court Fees and New Bases Amortized Over 25 Years							Total Non EE Contribs (\$M)
			Actuarial	Employee	Employer	Court Fees	Additional State	Total Non-EE	Actuarial	Employee	Employer	Court Fees	5% State	Additional State	Total State	Total Non-EE	
20/21	2020	25.25	6.55	2.11	4.44	3.02	1.43	4.44	6.55	2.11	4.44	3.02	-	1.43	1.43	4.44	-
21/22	2021	26.22	7.13	2.26	4.86	3.19	1.67	4.86	7.15	2.26	4.89	3.19	-	1.69	1.69	4.89	0.02
22/23	2022	27.03	7.53	2.36	5.16	3.37	1.79	5.16	7.51	2.36	5.15	4.25	1.31	-	1.31	5.55	0.39
23/24	2023	27.81	7.94	2.47	5.47	3.55	1.92	5.47	7.91	2.47	5.44	4.68	1.34	-	1.34	6.02	0.55
24/25	2024	28.56	8.32	2.56	5.75	3.55	2.20	5.75	8.26	2.56	5.69	4.85	1.38	-	1.38	6.23	0.47
25/26	2025	29.42	8.51	2.67	5.83	3.55	2.29	5.83	8.41	2.67	5.74	4.94	1.42	-	1.42	6.36	0.50
26/27	2026	30.35	8.73	2.79	5.94	3.55	2.39	5.94	8.59	2.79	5.79	4.97	1.47	-	1.47	6.44	0.50
27/28	2027	31.26	8.93	2.90	6.03	3.55	2.48	6.03	8.73	2.90	5.83	4.97	1.51	-	1.51	6.48	0.46
28/29	2028	32.18	9.12	3.02	6.10	3.55	2.55	6.10	8.88	3.02	5.86	4.97	1.56	-	1.56	6.53	0.43
29/30	2029	33.14	9.37	3.13	6.24	3.55	2.69	6.24	9.08	3.13	5.95	4.97	1.60	-	1.60	6.57	0.33
30/31	2030	34.14	9.63	3.25	6.38	3.55	2.83	6.38	9.29	3.25	6.04	4.97	1.65	-	1.65	6.62	0.24
			91.75	29.54	62.22	37.97	24.25	62.22	90.36	29.54	60.83	49.78	13.24	3.12	16.36	66.14	3.93

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects. Also, Court Fees are scheduled to increase over five years. The increase will first be reflected in FY 22/23, with continuing increases until FY 26/27 when the total court fees are expected to be \$4.97 million. Lastly, beginning with the July 1, 2022 actuarial valuation, the State will contribute 5% of payroll to be paid on the following July 1. Once the System has reached a funded ratio of at least 100% for two consecutive years, the State contribution rate may be reduced below the 5% contribution rate at the recommendation of the actuary and approval by the Retirement Committee.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.



Exhibit A-2

JUDGES RETIREMENT SYSTEM

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING (5% STATE CONTRIBUTION, INCREASED COURT FEES AND NEW BASES AMORTIZED OVER 25 YEARS)

July 1 Year	Baseline				LB 17 as advanced to Final Reading: 5% State Contribution, Increase in Court Fees and New Bases Amortized Over 25 Years			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	5.49	206.46	200.97	97.3%	5.49	206.46	200.97	97.3%
2021	9.19	217.58	208.40	95.8%	9.19	217.58	208.40	95.8%
2022	12.29	226.33	214.04	94.6%	12.27	226.33	214.07	94.6%
2023	15.42	234.57	219.15	93.4%	14.93	234.57	219.64	93.6%
2024	18.04	242.73	224.69	92.6%	16.87	242.73	225.85	93.0%
2025	17.87	250.06	232.19	92.9%	16.06	250.06	234.01	93.6%
2026	17.58	257.10	239.52	93.2%	15.02	257.10	242.08	94.2%
2027	17.34	264.36	247.01	93.4%	14.00	264.36	250.36	94.7%
2028	16.95	271.30	254.34	93.8%	12.82	271.30	258.48	95.3%
2029	16.61	278.42	261.81	94.0%	11.65	278.42	266.77	95.8%
2030	16.22	285.79	269.56	94.3%	10.48	285.79	275.30	96.3%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects. Also, Court Fees are scheduled to increase over five years. The increase will first be reflected in FY 22/23, with continuing increases until FY 26/27 when the total court fees are expected to be \$4.97 million. Lastly, beginning with the July 1, 2022 actuarial valuation, the State will contribute 5% of payroll to be paid on the following July 1. Once the System has reached a funded ratio of at least 100% for two consecutive years, the State contribution rate may be reduced below the 5% contribution rate at the recommendation of the actuary and approval by the Retirement Committee.

Numbers may not add or subtract due to rounding.



Exhibit B-1

School Retirement System

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING (AMORTIZATION PERIOD FOR NEW BASES IS 25

Fiscal Year	Valuation Date (7/1)	Payroll (\$M)	Actuarial	Member	Employer	State	Shortfall/(Margin)	Additional Required Contribution (\$M)	LB 17 as advanced to Final Reading: New Bases Amortized Over 25 Years					Change (14) (13)-(7)	
									Actuarial	Member	Employer	State	Shortfall/(Margin)		Additional Required Contribution (\$M)
20/21	2020	2,151.72	18.05%	9.78%	9.88%	2.00%	(3.61%)	-	18.05%	9.78%	9.88%	2.00%	(3.61%)	-	-
21/22	2021	2,208.43	17.82%	9.78%	9.88%	2.00%	(3.84%)	-	17.78%	9.78%	9.88%	2.00%	(3.88%)	-	-
22/23	2022	2,252.52	18.20%	9.78%	9.88%	2.00%	(3.46%)	-	18.19%	9.78%	9.88%	2.00%	(3.47%)	-	-
23/24	2023	2,296.78	18.63%	9.78%	9.88%	2.00%	(3.03%)	-	18.66%	9.78%	9.88%	2.00%	(3.00%)	-	-
24/25	2024	2,337.75	18.98%	9.78%	9.88%	2.00%	(2.68%)	-	19.04%	9.78%	9.88%	2.00%	(2.62%)	-	-
25/26	2025	2,388.74	18.77%	9.78%	9.88%	2.00%	(2.89%)	-	18.81%	9.78%	9.88%	2.00%	(2.85%)	-	-
26/27	2026	2,440.83	18.56%	9.78%	9.88%	2.00%	(3.10%)	-	18.58%	9.78%	9.88%	2.00%	(3.08%)	-	-
27/28	2027	2,494.23	18.33%	9.78%	9.88%	2.00%	(3.33%)	-	18.34%	9.78%	9.88%	2.00%	(3.32%)	-	-
28/29	2028	2,549.02	18.10%	9.78%	9.88%	2.00%	(3.56%)	-	18.08%	9.78%	9.88%	2.00%	(3.58%)	-	-
29/30	2029	2,605.24	17.86%	9.78%	9.88%	2.00%	(3.80%)	-	17.81%	9.78%	9.88%	2.00%	(3.85%)	-	-
30/31	2030	2,662.68	17.59%	9.78%	9.88%	2.00%	(4.07%)	-	17.52%	9.78%	9.88%	2.00%	(4.14%)	-	-

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.



Exhibit B-2

School Retirement System

**COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING
(AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)**

July 1 Year	Baseline				LB 17 as advanced to Final Reading: New Bases Amortized Over 25 Years			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	1,152.26	13,832.47	12,680.22	91.7%	1,152.26	13,832.47	12,680.22	91.7%
2021	992.22	14,267.55	13,275.33	93.0%	992.22	14,267.55	13,275.33	93.0%
2022	1,083.13	14,892.97	13,809.84	92.7%	1,083.13	14,892.97	13,809.84	92.7%
2023	1,182.71	15,506.77	14,324.06	92.4%	1,182.71	15,506.77	14,324.06	92.4%
2024	1,247.16	16,105.84	14,858.69	92.3%	1,247.16	16,105.84	14,858.69	92.3%
2025	1,128.16	16,646.36	15,518.20	93.2%	1,128.16	16,646.36	15,518.20	93.2%
2026	994.80	17,185.97	16,191.17	94.2%	994.80	17,185.97	16,191.17	94.2%
2027	845.97	17,724.54	16,878.57	95.2%	845.97	17,724.54	16,878.57	95.2%
2028	680.45	18,261.85	17,581.40	96.3%	680.45	18,261.85	17,581.40	96.3%
2029	497.00	18,797.61	18,300.61	97.4%	497.00	18,797.61	18,300.61	97.4%
2030	294.30	19,331.48	19,037.18	98.5%	294.30	19,331.48	19,037.18	98.5%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Numbers may not add or subtract due to rounding.



**Exhibit C-1
State Patrol Retirement System**

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING (AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

Fiscal Year	Valuation Date (7/1)	Payroll (\$M)	Baseline					LB 17 as advanced to Final Reading: New Amortization Bases Over 25 Yrs					Change (Final minus Baseline) Add'l Contribs
			Actuarial	Member	Employer	Shortfall/(Margin)	Additional Required Contribution (\$M)	Actuarial	Member	Employer	Shortfall/(Margin)	Additional Required Contribution (\$M)	
20/21	2020	31.11	45.42%	16.15%	16.15%	13.12%	4.08	45.42%	16.15%	16.15%	13.12%	4.08	-
21/22	2021	31.72	47.38%	16.20%	16.20%	14.98%	4.92	47.52%	16.20%	16.20%	15.12%	4.97	0.05
22/23	2022	32.45	49.07%	16.24%	16.24%	16.59%	5.57	49.36%	16.24%	16.24%	16.88%	5.67	0.10
23/24	2023	33.35	50.79%	16.28%	16.28%	18.23%	6.29	51.23%	16.28%	16.28%	18.67%	6.44	0.15
24/25	2024	34.03	53.26%	16.33%	16.33%	20.60%	7.25	53.93%	16.33%	16.33%	21.27%	7.49	0.24
25/26	2025	34.31	53.41%	16.39%	16.39%	20.63%	7.32	54.08%	16.39%	16.39%	21.30%	7.56	0.24
26/27	2026	34.77	53.54%	16.45%	16.45%	20.64%	7.42	54.20%	16.45%	16.45%	21.30%	7.66	0.24
27/28	2027	35.56	53.43%	16.54%	16.54%	20.35%	7.49	54.09%	16.54%	16.54%	21.01%	7.73	0.24
28/29	2028	35.17	54.00%	16.61%	16.61%	20.78%	7.56	54.67%	16.61%	16.61%	21.45%	7.80	0.24
29/30	2029	36.16	53.92%	16.65%	16.65%	20.62%	7.71	54.57%	16.65%	16.65%	21.27%	7.95	0.24
30/31	2030	37.19	53.83%	16.70%	16.70%	20.43%	7.86	54.47%	16.70%	16.70%	21.07%	8.11	0.25
							73.48					75.46	1.98

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

Note: Numbers may not add due to rounding.



Exhibit C-2

State Patrol Retirement System

COMPARISON OF VALUATION RESULTS FOR BASELINE (NO CHANGE) VERSUS LB 17 AS ADVANCED TO FINAL READING
(AMORTIZATION PERIOD FOR NEW BASES IS 25 YEARS)

July 1 Year	Baseline				LB 17 as advanced to Final Reading: New Amortization Bases Over 25 Yrs			
	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio	Unfunded Actuarial Liability (\$M)	Actuarial Liability (\$M)	Actuarial Assets (\$M)	Funded Ratio
2020	60.61	510.76	450.15	88.1%	60.61	510.76	450.15	88.1%
2021	67.56	536.63	469.07	87.4%	67.56	536.63	469.07	87.4%
2022	74.69	559.05	484.36	86.6%	74.64	559.05	484.41	86.6%
2023	82.21	581.80	499.59	85.9%	82.06	581.80	499.74	85.9%
2024	93.41	609.57	516.17	84.7%	93.10	609.57	516.47	84.7%
2025	91.34	628.31	536.96	85.5%	90.78	628.31	537.53	85.6%
2026	89.13	647.38	558.25	86.2%	88.29	647.38	559.09	86.4%
2027	86.71	666.29	579.58	87.0%	85.57	666.29	580.72	87.2%
2028	83.07	682.23	599.16	87.8%	81.61	682.23	600.62	88.0%
2029	79.93	698.40	618.47	88.6%	78.12	698.40	620.28	88.8%
2030	76.37	714.53	638.16	89.3%	74.19	714.53	640.34	89.6%

Projections are based on the July 1, 2020 actuarial valuation and assume that all assumptions are met in the future, including the phase-in of the assumed rate of return. To the extent actual experience differs from that assumed, the actual valuation results in future years will also differ from the projections shown here. Please see the July 1, 2020 valuation report for details on the actuarial methods and assumptions used in this study. This information is provided for comparative purposes only.

The baseline scenario reflects the phase-in of economic assumptions including lowering the assumed rate of return from 7.50% to 7.30%, 7.20%, 7.10% and 7.00% beginning with the July 1, 2021 actuarial valuation. The current amortization period of 30 years applies to all amortization bases.

LB 17 as advanced to Final Reading reflects the same phase-in of economic assumptions as the baseline. In addition, beginning with the July 1, 2021 actuarial valuation new amortization bases are amortized over a closed 25-year period as opposed to a closed 30-year period as the baseline reflects.

Numbers may not add or subtract due to rounding.

