NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2016
SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE
One Hundred Fourth Legislature, Second Session

<u>Committee Members</u>
Senator Mark Kolterman, Chairman
Senator Al Davis, Vice-Chairman
Senator Mike Groene
Senator Rick Kolowski
Senator Brett Lindstrom
Senator Heath Mello

Kate Allen, Committee Legal Counsel
Katie Quintero, Committee Clerk

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LB 467	*(Kolterman)* Change provisions relating to State Patrol retirement
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II. Bills Listed by Retirement Plan, Governmental Entity and State Agency or Board

CLASS V (OMAHA) SCHOOL EMPLOYEES RETIREMENT ACT

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LB 447	*(Mello)* Change and provide provisions relating to retirement benefits and plans
LB 448	*(Nordquist)* Make current and new Class V school employee members of the School Employees Retirement System of the State of Nebraska
LB 790	*(Kolterman)* Alphabetize defined terms under various retirement systems
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

COUNTY EMPLOYEES RETIREMENT ACT

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 484	*(Nordquist)* Change county employee and employer retirement contribution rates for certain counties as prescribed
LB 594	*(Kolowski)* Change contribution rates for certain police officers and county employees

COUNTIES (LANCASTER AND SARPY)

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 484	*(Nordquist)* Change county employee and employer retirement contribution rates for certain counties as prescribed
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

COUNTY MEDICAL AND MULTI-UNIT FACILITIES

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act

DEFERRED COMPENSATION PLAN

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans

FIRST AND SECOND CLASS CITIES AND VILLAGES

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 594	*(Kolowski)* Change contribution rates for certain police officers and county employees

FIRST CLASS CITY FIREFIGHTERS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 594	*(Kolowski)* Change contribution rates for certain police officers and county employees
LB 655	*(Davis)* Adopt Cities of the First Class Firefighters Cash Balance Retirement Act

FIRST CLASS CITY POLICE OFFICERS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 594	*(Kolowski)* Change contribution rates for certain police officers and county employees
LB 790	*(Kolterman)* Alphabetize defined terms under various retirement systems

JUDGES RETIREMENT SYSTEM

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 790	*(Kolterman)* Alphabetize defined terms under various retirement systems
LB 803	*(Ret. Comm.)* Change disposition of court fees as prescribed
LB 830	*(B. Harr)* Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

LOCAL BOARDS OF HEALTH

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act

METROPOLITAN CITIES

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

METROPOLITAN TRANSIT AUTHORITY

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act

METROPOLITAN UTILITY DISTRICT

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

MUNICIPAL POLICE OFFICERS AND FIREFIGHTERS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

MUNICIPAL RETIREMENT SYSTEMS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

NEBRASKA ASSOCIATION OF RESOURCE DISTRICTS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act

NEBRASKA INVESTMENT COUNCIL/STATE INVESTMENT OFFICER

LB 447	*(Mello)* Change and provide provisions relating to retirement benefits and plans
LB 448	*(Nordquist)* Make current and new Class V school employee members of the School Employees Retirement System of the State of Nebraska
LB 747	*(Kolterman)* Amend the Nebraska Capital Expansion Act to increase the amount of funds the state investment officer may offer as deposits
LB 1069	*(K. Haar)* Provide duties for the State Investment Officer relating to investment in energy-related companies or funds

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

LB 986	*(Ret. Comm.)* Change duties of the Public Employees Retirement Board

NEBRASKA STATE PATROL RETIREMENT SYSTEM

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 467	*(Kolterman)* Change provisions relating to State Patrol retirement
LB 830	*(B. Harr)* Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

POLITICAL SUBDIVISIONS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

PRIMARY CLASS CITIES

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

PUBLIC EMPLOYEES RETIREMENT BOARD

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 447	*(Mello)* Change and provide provisions relating to retirement benefits and plans
LB 448	*(Nordquist)* Make current and new Class V school employee members of the School Employees Retirement System of the State of Nebraska
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 655	*(Davis)* Adopt Cities of the First Class Firefighters Cash Balance Retirement Act
LB 922	*(Kolterman)* Change terms of Public Employees Retirement Board members as prescribed
LB 986	*(Ret. Comm.)* Change duties of the Public Employees Retirement Board

PUBLIC POWER DISTRICTS

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 551	*(Nordquist)* Adopt the Local Government Employees Retirement Act
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions

STATE TREASURER

LB 447	*(Mello)* Change and provide provisions relating to retirement benefits and plans
LB 448	*(Nordquist)* Make current and new Class V school employee members of the School Employees Retirement System of the State of Nebraska

SCHOOL EMPLOYEES RETIREMENT ACT

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 447	*(Mello)* Change and provide provisions relating to retirement benefits and plans
LB 448	*(Nordquist)* Make current and new Class V school employee members of the School Employees Retirement System of the State of Nebraska
LB 790	*(Kolterman)* Alphabetize defined terms under various retirement systems
LB 830	*(B. Harr)* Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

STATE EMPLOYEES RETIREMENT ACT

LB 236	*(Coash)* Change and eliminate provisions relating to collection of judgments in public retirement plans
LB 805	*(Mello)* Require periodic study of certain retirement plans and report filing by certain political subdivisions
LB 830	*(B. Harr)* Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

III. Status of Retirement Bills

ENACTED

LB 447*(Mello)*	Change and provide provisions relating to retirement benefits and plans **[Incorporated LB 805, LB 922 and LB 986 as amended]**
LB 467*(Kolterman)*	Change provisions relating to State Patrol retirement
LB 790 *(Kolterman)*	Alphabetize defined terms under various retirement systems
LB 803 *(Ret. Comm.)*	Change disposition of court fees as prescribed
LB 830 *(B. Harr)*	Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

AMENDED INTO OTHER BILLS AND ENACTED

LB 805 *(Mello)*	Require periodic study of certain retirement plans and report filing by certain political subdivisions **[Incorporated into LB 447]**
LB 922 *(Kolterman)*	Change terms of Public Employees Retirement Board members as prescribed **[Incorporated into LB 447]**
LB 986 *(Ret. Comm.)*	Change duties of the Public Employees Retirement Board **[Amended and incorporated into LB 447]**

ADVANCED TO GENERAL FILE

LB 747 *(Kolterman)*	Amend the Nebraska Capital Expansion Act to increase the amount of fund the state investment officer may offer as deposits

BRACKETED ON SELECT FILE IN 2015

LB 448 *(Nordquist)*	Change membership of the Nebraska Investment Council and retirement provisions for Class V school districts [In the 2015 session, the bill was bracketed until April 15, 2016. The bill remained bracketed and the provisions of the bill were amended into LB 447 which was enacted]

INDEFINITELY POSTPONED

LB 1069 *(K. Haar)*	Provide duties for the State Investment Officer relating to investment in energy-related companies or funds

DIED IN COMMITTEE AT THE END OF SESSION

LB 236 *(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
LB 484 *(Nordquist)*	Change county employee and employer retirement contribution rates for certain counties as prescribed
LB 551 *(Nordquist)*	Adopt the Local Government Employees Retirement Act
LB 594 *(Kolowski)*	Change contribution rates for certain police officers and county employees
LB 655 *(Davis)*	Adopt Cities of the First Class Firefighters Cash Balance Retirement Act

BILLS IN OTHER COMMITTEES THAT IMPACT RETIREMENT SYSTEMS

LB 830 *(B. Harr)*	Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees [The bill was referenced to the Business and Labor Committee]

IV. Summary of Retirement Bills

ENACTED

<u>LB 447e</u> Change and provide provisions relating to retirement benefits and plans

Status:	Approved by the Governor – March 30, 2016
Operative Date:	March 31, 2016
Plan/Agency:	Class V (Omaha) School Employees Plan School Employees Retirement Plan Nebraska Investment Council State Treasurer Public Employees Retirement Board Douglas County Lancaster County Metropolitan Class Cities Metropolitan Utility District Primary Class Cities Public Power Districts
Repeals/Amends:	13-2402, 72-1237, 72-1239, 79-1239.01, 72-1243, 72-1249, 72-1249.02, 79-916, 79-931, 79-934, 79-935, 72-954, 97-966, 79-978, 79-978.01, 79-979, 79-980, 79-981, 79-982, 79-983, 79-984, 79-985, 79-986, 79-987, 79-989, 79-990. 79-991, 79-992, 79-996, 79-998, 79-9,100, 79-9,102, 79-9,103, 79-9,105, 79-9,107, 79-9,108, 79-9,109, 79-9,111, 79-9,113, 79-9,115, 79-9,117, 84-712.05 and 84-1501

<u>LB 447 as Introduced</u>

As introduced, LB 447 made the following governance changes to the Class V (Omaha) School Employees Retirement Act:

- Removed the board of education members from the board of trustees and provided for the election of member trustees by the respective members of the retirement system

- Placed the retirement system administrator and other retirement system employees under the control of the board of trustees; and

- Created independent investment authority for the board of trustees who make all investment decisions regarding the retirement system's funds

January 25, 2016 Hearing on AM 1815

AM 1815 was filed in early January 2016 and a hearing was held on the amendment on January 25, 2016. AM 1815 strikes the original language in LB 447 and inserts the provisions of LB 448 as advanced by the Committee in 2015 and amended on Select File during 2015 floor debate before the bill was bracketed.

The amendment also includes several new provisions related to the School Employees and Class V (Omaha) School Employees Retirement (OSERS) Plans, and clarifies the language regarding any potential payment of the OSERS actuarially required contribution. The provisions of AM 1815 include the following:

Benefit changes for new Class V (Omaha) school employees hired on or after July 1, 2016:

- Eliminates the State Service Annuity paid by the State
- Eliminates the medical cost-of-living-adjustment
- Retirement benefits are unreduced at age 65 rather than age 62

Benefit changes for School Employees Retirement Plan members:

- Beginning on the effective date of the act, a member receiving a disability retirement benefit may no longer work up to 20 hours a week while receiving the disability benefit
- Employees hired on or after July 1, 2016 will no longer be able to vest at age 65 with half year of service credit

Class V (Omaha) School Employees (OSERS) board of trustees governance changes:

- The OSERS staff is under the control of the board of trustees rather than the board of education
- The board of trustees appoints the OSERS administrator; the board of education votes to approve or disapprove the appointee
- The board of trustees oversees the administrator and OSERS staff rather than the board of education
- The board of trustees may contract for services with a legal advisor
- The board of trustees contracts with the actuary for OSERS rather than the board of education however, the selection of the actuary is approved by the board of education

- The board of trustees no longer makes a recommendation to the board of education regarding the district contribution to the OSERS plan-- only the actuary makes a recommendation to the board of education

- A definition of "solvency" is added for purposes of determining the actuarially required contribution that must be paid by the board of education

- The audit year, which is used for preparation of the OSERS actuarial report and financial audit, is changed to calendar year, except in 2016 the audit year is a 4 month year

- The board of trustees continues to administer the payment of pensions

OSERS Board of Trustees membership:

The three board of education members are eliminated from the membership of the board of trustees; the board of education no longer appoints all the members. Board of Trustees includes:

- Two business members recommended by the trustees and approved by the board of education

- Two certificated employees elected by its membership

- One non-certificated employee elected by its membership

- One retired member elected by its membership; and

- The superintendent or his or her designee as an ex officio voting member

Investment changes:

- The authority to invest OSERS funds and to select banks and custodial arrangements for the OSERS plan investments is transferred to the Nebraska Investment Council, the State Investment Officer, and the State Treasurer

- The OSERS administrator serves as an ex officio non-voting member of the Nebraska Investment Council

- The State Investment Officer is required to submit quarterly reports to the board of trustees regarding the assets of the OSERS retirement system and related costs, fees, and expenses

State funding changes:

- The state-funded State Service Annuity is eliminated for new Class V School Employee Retirement Plan members hired on or after July 1, 2016

- Beginning July 1, 2016, if the School Employees Retirement Plan has an actuarially required contribution (ARC), the state appropriates money for the ARC, and the OSERS Plan has an ARC, then the school district may request a public hearing before the Appropriations Committee to request additional state funding to pay the school district's ARC

  If the Appropriations Committee recommends payment of the OSERS Plan ARC and the Legislature approves such funding, then the School Plan ARC will be computed as a percent of payroll and the state will contribute to OSERS the lesser of the same percent of payroll that was paid to the School Plan or the percent of OSERS members' compensation needed to meet the ARC for the OSERS Plan

Miscellaneous changes:

- Beginning July 1, 2016, the board of education has no duty or responsibility for administration of the Class V School Employees Retirement System including calculation of benefits for members or beneficiaries, except as specifically provided in the Act

- The school district is not liable for acts or omissions in the administration of the Class V School Employees Retirement Act made at the direction of the board of trustees

Committee Amendment AM 1979

- Incorporates all of the provisions of AM 1815

- Establishes a fiduciary duty for the board of trustees members to the Class V School Employees Retirement System members and beneficiaries

- Clarifies that the benefit which allows vesting with half year of service in the School Employees Retirement Act is only eliminated for new members hired on or after July 1, 2016; and

- Inserts technical and clarifying changes throughout the bill

AM 1979 also incorporates the following bills:

LB 805

LB 805, introduced by Senator Mello, amends section 13-2402 to require that after the effective date of the act, each political subdivision with a defined benefit plan must conduct an actuarial Experience Study at least every four years from the date of its most recent Study

LB 922

LB 922, introduced by Senator Kolterman at the request of the Public Employees Retirement Board (PERB), adjusts the terms so that no more than two PERB members would be appointed or reappointed in any one year. It also clarifies that if a PERB member's position is vacated during the term, the member's replacement would at least initially, only be appointed to serve the remaining term. Following expiration of the remaining term, the replacement or another member would be appointed or reappointed for the normal five-year term.

LB 986 as amended

LB 986, introduced by the Committee, adds new duties for the Nebraska Public Employees Retirement Systems' (NPERS) Executive Director, the Public Employees Retirement Board, and the actuary. LB 986 as amended and incorporated into LB 447 includes the following:

- An Experience Study must be conducted at least every 4 years or at the request of the Nebraska Retirement Systems Committee (Retirement Committee)

- The Executive Director of NPERS is required to provide the first draft and final draft copies of the annual valuation reports (judges, state patrol, schools, state, county) and the Experience Study to the Retirement Committee and Governor as soon as the drafts are received from the actuary

- The drafts are considered confidential documents and are exempt from the provisions of the Public Records Act

- The actuary is required to present the Experience Study to the Retirement Committee within 30 business days following presentation to the PERB

- If PERB votes to not adopt one or more of the recommendations of the Experience Study then the Board is required to submit a written explanation to the Retirement Committee within 10 business days of the vote; and

- Business days are defined for purposes of this section

Section-by-Section Summary of LB 447 on Final Reading

Section 1. **(LB 805)** [Amends 13-2402] Requires each political subdivision that has a defined benefit plan to conduct an Experience Study at least every four years from its most recent study

Section 2. [Amends 72-1237] Adds the Omaha School Employees Retirement System (OSERS) administrator as an ex officio non-voting member of the Nebraska Investment Council (NIC) beginning January 1, 2017; strikes obsolete language

Section 3. [Amends 72-1239] Beginning January 1, 2017, exempts the OSERS administrator from receiving per diem for service on NIC

Section 4. [Amends 72-1239.01] NIC assumes investment responsibility for OSERS retirement system assets beginning January 1, 2017; NIC members and the State Investment Officer are not fiduciaries for investments made by the board of education or the board of trustees, nor are they liable for action or inaction related to investment decisions of the board of trustees or the board of education

Section 5. [Amends 72-1243] Beginning January 1, 2017, the State Investment Officer directs investment and reinvestment of OSERS retirement system assets; the NIC annual report which is presented to the Nebraska Retirement Systems Committee each March is requires to include analysis of OSERS' retirement assets

Section 6. [Amends 72-1249] Beginning on the effective date of the Act [March 31, 2016], expenses with respect to transfer and assumption of investment authority to the NIC may be charged against OSERS assets; the Class V School Employees Retirement Cash Fund is created for receipt of funds related to transfer and assumption of investment authority to NIC

Section 7. [Amends 72-1249.02] Beginning on the effective date of the Act [March 31, 2016], a pro rata share may be charged against the Class V School Employees Retirement Fund and transferred to the State Investment Officer's Cash Fund; approval of the board of trustees and the board of education are not required for transfer of funds

Section 8. [Amends 79-916] Limits the State Service Annuity to those Class V (Omaha) school employees (OSERS) hired prior to July 1, 2016; adds reference to section 79-966 regarding possible state funding of percentage of OSERS actuarially required contribution (ARC)

Section 9. [Amends 79-931] Members of the School Employees Retirement Plan hired or rehired on or after July 1, 2016, may retire if at least age 55 and age plus creditable service equal 85, or if a member is at least age 60 with 5 years creditable service; members hired prior to July 1, 2016 may also retire if at least age 65 with half year service

Section 10. [Amends 79-934] Retirement benefits will not be reduced for members of the School Employees Retirement Plan hired or rehired after July 1, 2016 if the member is at least age 55 and age plus creditable service equal 85, or is at least age 60 with 5 years creditable service; members hired prior to July 1, 2016 may also retire if at least age 65 with half year service

Section 11. [Amends 79-935] Clarifies the amount of benefit for members of the School Employees Retirement Plan as a result of changes in sections 79-931 and 79-934

Section 12. [Amends 79-954] On the effective date of the act [March 31, 2016], it eliminates the ability to work up to 20 hours a week while receiving disability retirement benefit under the School Employees Retirement Plan

Section 13. [Amends 79-966] Beginning July 1, 2016, if the School Plan has an ARC, the state appropriates money for the School Plan ARC, and the OSERS Plan has an ARC, then the school district may request a public hearing before the Appropriations Committee to request additional state funding for the OSERS Plan ARC

If the Appropriations Committee recommends payment of the OSERS Plan ARC and the Legislature approves such funding, then the School Plan ARC will be calculated as a percent of payroll and the state will contribute to OSERS the lesser of the same percent of payroll that was paid to the School Plan or the percent of OSERS members' compensation needed to meet the ARC for the OSERS Plan

Limits the state payment for the State Service Annuity to those OSERS employees who became members prior to July 1, 2016

Section 14. [Amends 79-978] Amends or creates the following definitions in the Class V School Employees Retirement Act:

(2) Board of education definition is clarified

(14) Regular interest definition inserts language from the School Employees Retirement Act definition of "regular interest"; beginning September 1, 2016, it is rate based on daily treasury yield curve for one-year treasury securities

(15) Adds definition of interest, which is the investment return assumption used in the most recent actuarial valuation used for purposes of determining purchase of service credit, prior service credit, restored funds and delay payments

(16) Normal retirement date is age 65 with 5 years of service

(17) Early retirement for members hired before July 1, 2016 is age 55 with 10 years of service and for members hired on and after July 1, 2016, it is age 60 with 5 years of service

(23) Adds a definition of audit year which includes a 4 month year in 2016 and thereafter will be calendar year; audit year is used for preparation of the actuarial report and financial audit of the retirement system

(26) Adds definition of Nebraska Investment Council

(27) Adds definition of state investment officer

Section 15. [Amends 79-978.01] Incorporates sections 20, 21, 34 and 46 into the Class V School Employees Retirement Act

Section 16. [Amends 79-979] Amends language related to the retirement system assets held in trust

Section 17. [Amends 79-980] Beginning July 1, 2016, the administration of OSERS is placed with the board of trustees; the three board of education members are eliminated from the board of trustees; the board of education no longer appoints all trustees; the trustees now include the following:

- Two certificated staff, elected by its membership – 1 member serving initial term of 1 year, 1 member serving initial 2-year term

- One classified staff, elected by its membership, serving initial term of 3 years

- One annuitant, elected by its membership, serving initial 4 year term

- Two business persons qualified in financial affairs who are not members of the retirement system; appointments are approved by the board of education

- The superintendent or his or her designee as ex officio voting member

All subsequent trustee terms are 4 years; trustees arrange election of retirement system trustees and may appoint to fill any vacancy on the board of trustees; establishes same board of trustees provisions if there is more than one Class V School Employees Retirement System Board; strikes existing language

No board of education or trustee member is personally liable except in cases of willful dishonesty, gross negligence or intentional violations of law for duties related to the retirement system.

Beginning July 1, 2016, the board of education has no duty or responsibility for administration of the retirement system including the calculation of benefits for members or beneficiaries, except as specifically provided in the Act

Section 18. [Amends 79-981] Beginning on the effective date of the act [March 31, 2016], neither the board of trustees nor the board of education may establish new rules and regulations for the administration of the Class V retirement system without first consulting the State Investment Officer

Beginning January 1, 2017:

- All existing rules and regulations terminate

- All expenses related to the investment of assets will be paid as determined by the State Investment Officer; and

- All contracts for investment assets are assigned to the NIC

Beginning on the effective date of the act [March 31, 2016], the board of education is required to provide retirement account information to the board of trustees in a timely manner

Section 19. [Amends 79-982] Prior to January 1, 2017, investments and reinvestments are subject to approval of the board of education; beginning on the effective date of the act, [March 31, 2016] the board of trustees administers the retirement system and approves (rather than recommends to the board of education) any changes to the administration of the retirement system essential to the actuarial requirements of the fund

Section 20. [NEW SECTION] Establishes a fiduciary duty for the board of trustee members to the retirement system members and the beneficiaries

Section 21. [NEW SECTION] Investment authority is transferred to the NIC and the State Investment Officer on January 1, 2017; the board of trustees administer the non-investment affairs of the system including benefits and management of actuarial requirements

On or before July 1, 2016 the board of trustees and the State Investment Officer enter into a plan for transition, which must address listed items; after the effective date of the act [March 31, 2016] all costs, fees and expenses related to the transition of investment authority incurred by the NIC and the State Investment Officer are paid from the assets of the retirement system

The State Investment Officer is required to provide quarterly reports to the trustees regarding the assets of the retirement system and related costs, fees, and expenses

Section 22. [Amends 79-983] The administrator of the retirement system is appointed by the board of trustees and approved by the board of education; the administrator serves at the pleasure of the board of trustees and hires, dismisses and supervises the staff of the retirement system and serves as an ex officio non-voting member of the NIC

The administrator and staff are employees of the school district with compensation and benefits paid by the board of education as determined by the board trustees

Section 23. [Amends 79-984] The board of trustees contracts for services of an actuary who performs duties as assigned by the trustees; the board of education has approval authority

Section 24. [Amends 79-985] The board of trustees may contract for services of a legal advisor to the board of trustees

Section 25 [Amends 79-986] Prior to January 1, 2017, the school district serves as treasurer and custodian of the retirement system; beginning January 1, 2017, the State Treasurer serves as treasurer and as official custodian of the retirement system cash and securities and approves banks for the custodial accounts

Beginning January 1, 2017, the State Treasurer as treasurer, shall make payments to the school district upon request of the OSERS administrator; payments are directed through the Nebraska Public Employees Retirement System; the school district may only use payments received from the State Treasurer for purposes required in the Act

Section 26. [Amends 79-987] Each fiscal year, at the option of the NIC, either a CPA or the State Auditor conducts an annual audit of the retirement system; costs are paid from funds of the Omaha School Retirement System

Changes the date from March 1 to May 1 of each year for the board of trustees to prepare and file an annual report with the Nebraska Retirement Systems Committee of the Legislature and present the report to the Committee at a public hearing

Section 27. [Amends 79-989] Requires the board of education to make listed records available as requested by the board of trustees that are necessary for actuarial study and administration of the retirement system

Section 28. [Amends 79-990] Establishes the responsibilities of the board of trustees and the board of education regarding the purchase of military service credit

Section 29. [Amends 79-991] Establishes definition for interest rate for purchase of service credit

Section 30. [Amends 79-992] Establishes definition for interest rate for refunded service

Section 31. [Amends 79-996] Strikes language regarding interest rate on purchase of additional service

Section 32. [Amends 79-998] Authorizes trustees to establish rules, regulations and limitation on eligible rollover distributions and direct trustee-to-trustee transfers

Section 33. [Amends 79-9,100] Limits ability to receive an unreduced annuity at age 62 years with 35 years of creditable service to employees who are members prior to July 1, 2016; benefits are reduced 3% per year if age and service do not equal 85

Limits receipt of the State Service Annuity to OSERS employees who are members prior to July 1, 2016

Section 34. [NEW SECTION] OSERS employees who become members on or after July 1, 2016 may retire at age 60 with 5 years of services; benefits will be reduced 25/100% per month if a member retires below age 65

Section 35. [Amends 79-9,102] The board of trustees may deny restoration of creditable service if necessary to comply with the requirements of section 415 of the Internal Revenue Code

Section 36. [Amends 79-9,103] Grants authority to the board of trustees to select a reasonable representative measure of the cost-of-living adjustment for retired employees if the Consumer Price Index–All Urban Consumers is replaced

Eliminates the medical cost-of-living-adjustment for persons hired on or after July 1, 2016

Section 37. [Amends 79-9,105] Clarifies the definition of board of trustees

Section 38. [Amends 79-9,107] Funds of the retirement system not required for current operations may only be invested and reinvested by the board of trustees with the approval of the board of education prior to January 1, 2017; after that date, the NIC and the State Investment Officer are authorized to invest and reinvest funds in accordance with the Nebraska State Funds Investment Act; no trustee, board member or NIC member shall become an endorser or surety for money loaned by or borrowed from the retirement system

Section 39. [Amends 79-9,108] Beginning January 1, 2017, the NIC and the State Investment Officer shall invest and reinvest funds in accordance with the Nebraska State Funds Investment Act; after that date the funds of the retirement system may employ advisors and managers in accordance with the Nebraska State Funds Investment Act; beginning January 1, 2017 the board of trustees and the board of education have no duty, responsibility or authority for investment or reinvestment of funds

Section 40. [Amends 79-9,109] Beginning January 1, 2017, the duty, responsibility and authority under this section are transferred to the NIC, which may delegate such duty, responsibility and authority to the State Investment Officer

Section 41. [Amends 79-9,111] Beginning January 1, 2016, the funds of the retirement system are invested solely by the NIC and the State Investment Officer in accordance with the Nebraska State Funds Investment Act, including sections 79-1239.01(3) and 72-1246; the State Investment Officer may lend securities and vote proxies in accordance with the standards in section 72-1246

Section 42. [Amends 79-9,113] Adds a definition of "solvency" for purposes of determining the actuarially required contribution (ARC) the school district must pay in any fiscal year; eliminates the authority of the board of trustee to make a recommendation to the board of education regarding contributions to the plan; requires the employees' contributions to be immediately transmitted to the account of the retirement system

Eliminates the State Service Annuity for new members hired on or after July 1, 2016

Section 43. [Amends 79-9,115] Inserts the title of the retirement fund as the Class V School Employees Retirement Fund; directs that the administrator and staff of the retirement system are permitted reasonable office and records storage space in the central office building; all expenses of the retirement system office are charged to the retirement system

Beginning on the effective date of the act [March 31, 2016], authorizes any expenses with respect to the transfer and assumption of investment authority by the NIC and State Investment Officer to be charged to the Class V School Employees Retirement Fund without approval of board of education or the board of trustees

Provides that the school district is not liable for acts or omissions in the administration of the act made at the direction of the board of trustees

Directs expenses to be paid by the Plan for clerical work performed by employees of the school district related to the Class V School Employees Retirement Plan

Section 44. [Amends 79-9,117] Authorizes the board of trustees to establish a comprehensive preretirement planning program for school employees

Section 45. **(LB 986 as amended)** [Amends 84-712.05] Drafts received by the Nebraska Retirement Systems Committee of the Legislature from the PERB are exempt from the Public Records Act

Section 46. **(LB 922** [Amends 84-1501] Re-staggers the terms of the members of the PERB

Section 47. [Amends 84-1503] Adds to list of PERB duties, the authority to direct the State Treasurer to transfer OSERS funds for the benefit of the Class V School Employees Retirement System in order to implement the act

(LB 986 as amended) Requires an Experience Study to be conducted at least every 4 years or at the request of the Nebraska Retirement Systems Committee

Requires the director of the Nebraska Public Employees Retirement System to provide draft copies of the actuarial valuation reports and the Experience Study to the Nebraska Retirement Systems Committee and the Governor

Drafts are considered confidential and are exempt from the provisions of the Public Records Act

Requires presentation of the Experience Study by the actuary to the Nebraska Retirement Systems Committee of the Legislature within 30 business days of presentation to the Public Employees Retirement Board

Requires the Public Employees Retirement Board to provide a written explanation to the Nebraska Retirement Systems Committee within 10 business days of its decision, if it rejects one or more of the recommendations in the Experience Study

Section 48. [NEW SECTION] The Class V Retirement System Payment Processing Fund is created to transfer funds as specified in section 79-986; NPERS, PERB, NIC, State Treasurer or employees of these entities have no responsibility to review or verify the accuracy of requests, or any liability arising from payments

Section 49. Sections 17 and 52 become operative July 1, 2016. Sections 31 and 53 become operative September 1, 2016. The other sections become operative on their effective date [March 31, 2016]

Section 50. Severability clause

Secs. 51-53. Repealers

Section 54. Repeals obsolete section 79-988.01. This section of statute refers to the state contribution to the Class V School Employees Retirement Plan for the purchasing power cost-of-living adjustment. This contribution ceased after fiscal year 2013-14

LB 467e Change provisions relating to State Patrol retirement

Status:	Approved by the Governor – April 18, 2016
Operative Date:	April 19, 2016
Plan/Agency:	State Patrol
Repeals/Amends:	81-2014, 81-2014.01, 81-2017, 81-2026, 81-2027.08, and 81-2041

LB 467 as Introduced

As introduced, LB 467 would create a second tier of reduced benefits for officers who became members on and after July 1, 2015. The benefits include:

- The contribution rates for new officers and the employer/state would be 18%
- The maximum cost-of-living-adjustment (COLA) would be 1%. In any year the plan is 100% funded, the Public Employees Retirement Board may grant a one-time supplemental cost-of-living payment up to an additional 1.5%; and
- A retiree's final compensation would be averaged over 5 years of highest salary

In addition, officers who enter the Deferred Option Retirement Plan (DROP) on or after July 1, 2020 would be required to continue to make their required contributions while enrolled in DROP.

February 4, 2016 Hearing on AM 1865

On February 4, 2016, a hearing was held on AM 1865 which was filed in January 2016. AM 1865 amends several of the original second tier benefits contained in LB 467 as introduced, and adds several additional benefit reductions for officers who become members on or after July 1, 2016. AM 1865 includes:

- The contribution rates for new officers and the employer/state will be 17% of compensation
- The maximum cost-of-living-adjustment (COLA) will be 1%. In any year the plan is 100% funded, then a one-time supplemental cost-of-living payment, up to a maximum of 1.5%, may be granted at the discretion of the Public Employees Retirement Board
- An officer's final compensation will be averaged over 5 years of highest salary
- The definition of compensation is changed for purposes of benefit calculation in order to eliminate the practice of converting unused leave and compensatory time to cash in the year preceding retirement—also known as spiking. Compensation will not include unused sick and

vacation leave, unused holiday compensatory time, unused compensatory time or any other type of unused leave, compensatory time, or similar benefits converted to cash payments.

- For purposes of limiting the final retirement benefit, a capping provision is inserted to limit compensation increases to 8% above the previous year's salary in each of the 5 years preceding retirement.

- Officers eligible for military service credit will only receive the credit to the extent they make contributions, which shall be matched by the employer/state. Eligible military service includes deployment under declared state emergencies and federal service as described in the Uniformed Services Employment and Reemployment Rights Act (USERRA).

- The Deferred Option Retirement Plan (DROP) is eliminated.

<u>Committee Amendment 2351</u>

Committee AM 2351 becomes the bill. It incorporates all of the provisions contained in AM 1865 except all amendments regarding military service credit are not included.

<u>Section-by-Section Summary of AM 2351</u>

AM 2351 strikes the original sections and becomes the bill.

Section 1. [Amends 81-2014] For officers who become members prior to July 1, 2016, compensation for purposes of calculating the retirement benefit does not include unused vacation or sick leave converted to cash

For officers who become members on or after July 1, 2016, compensation for purposes of calculating the retirement benefit does not include unused vacation or sick leave, unused compensatory time, unused holiday leave or any other type of unused compensatory time converted to cash

Section 2. Adds new sections 6 and 7 to the Nebraska State Patrol Retirement Act

Section 3. [Amends 81-2017] For officers who become members prior to July 1, 2016, the contribution rate remains 16% of salary matched by the state contribution rate of 16%

For officers who become members on or after July 1, 2016, the contribution rate is 17% of salary matched by the state contribution rate of 17%

Section 4. [Amends 81-2026] For officers who become members prior to July 1, 2016, final compensation is averaged over 3 years of highest salary

For officers who become member on or after July 1, 2016, final compensation is averaged over 5 years of highest salary

For purposes of limiting the final retirement benefit, a capping provision is inserted to limit compensation increases to 8% above the previous year's salary in each of the 5 years preceding retirement

Section 5.	[Amends 81-2027.08] For officers who become members prior to July 1, 2016, the maximum COLA is 2.5%; strikes obsolete language regarding a purchasing power cost-of-living adjustment contribution by the state which expired in FY2012/13
Section 6.	[NEW SECTION] For officers who become members on or after July 1, 2016, the maximum COLA is 1%
Section 7.	[NEW SECTION] For officers who become members on or after July 1, 2016, in any year the plan is 100% funded, an additional one-time supplemental cost-of-living payment up to 1.5%, may be granted at the discretion of the Public Employees Retirement
Section 8.	[Amends 81-2041] Only officers who become members prior to July 1, 2016 are eligible to enter DROP
Section 9.	Severance clause
Section 10.	Repealer
Section 11.	Emergency clause

LB 790 To alphabetize defined terms under various retirement statutes

Status:	Approved by the Governor – April 6, 2016
Operative Date:	July 21, 2016
Plan/Agency:	First Class City Police Officers Judges School Employees Class V (Omaha) School Employees
Repeals/Amends:	16-1002, 24-701, 24-710.01, 79-902, 79-904.01, 79-934, and 79-978

Definitions are re-ordered in alphabetical order in the First Class City Police Officers Retirement Act, the Judges Retirement Act, the School Employees Retirement Act, and the Class V School Employees Retirement Act. Internal references in the School Employees Retirement Act are changed as a result of the renumbering in the definition section.

LB 803e Change disposition of court fees as prescribed

Status:	Approved by the Governor – April 18,, 2016
Operative Date:	April 19, 2016
Plan/Agency:	Judges
Repeals/Amends:	33-106.02

LB 803 is a clean-up bill to amend 33-106.02 – a section that was inadvertently left out of a bill enacted in 2015 (LB 468).

LB 803 amends the district court docket fee in section 33-106.02 to divert $2 from the General Fund to the Judges' Retirement Fund beginning July 1, 2016, and beginning July 1, 2017, $4 of the docket fee from the General Fund to the Judges' Retirement Fund.

AMENDED INTO OTHER BILLS AND ENACTED

LB 805 Require periodic study of certain retirement plans and report filing by certain political subdivisions

LB 805 amends section 13-2402 to require each political subdivision that has a defined benefit plan to conduct an Experience Study at least every four years from the date of its last Study. LB 805 was amended into LB 447e and enacted.

LB 922 Change terms of Public Employees Retirement Board members as prescribed

LB 922 was introduced at the request of the Public Employees Retirement Board (PERB). It adjusts the board members' terms so that no more than two PERB members are appointed or reappointed in any one year. It also clarifies that if a PERB member's position is vacated during the term, the member's replacement, at least initially, will only be appointed to serve the remaining term. Following expiration of the remaining term, the replacement or another member will be appointed or reappointed for the normal five-year term. LB 922 was amended into LB 447e and enacted.

LB 986 Change duties of the Public Employees Retirement Board relating to an annual valuation report and experience study

LB 986 was introduced by the Retirement Committee. It changes duties of the NPERS Executive Director and the Public Employees Retirement Board:

- Requires the Executive Director to provide the first draft and final draft copies of the annual valuation reports and the Experience Study to the Nebraska Retirement Systems Committee and Governor as soon as the drafts are received from the actuary

- The drafts are considered confidential documents; criminal penalties apply if confidential documents are shared with unauthorized person

- An Experience Study must be conducted at least every 4 years or at the request of the Retirement Committee

- Requires the actuary to present the Experience Study to the Retirement Committee within 30 business days following presentation to the PERB

- If PERB does not adopt one or more of the recommendations in the Experience Study, a written report explaining the Board's rationale must be submitted to the Retirement Committee within 10 days of the Board's decision

LB 986 was amended by the Committee and incorporated into Committee AM 1979 to LB 447. The criminal penalty was eliminated, the draft documents are exempt under the Public Records Act, and business days are defined for the purposes of these provisions. LB 986 as amended and incorporated into LB 447 includes the following provisions:

- An Experience Study must be conducted at least every 4 years or at the request of the Retirement Committee

- The executive director of NPERS is required to provide the first draft and final draft copies of the annual valuation reports and the Experience Study to the Retirement Committee and Governor as soon as the drafts are received from the actuary

- The drafts are considered confidential documents and are exempt from the Public Records Act

- The actuary is required to present the Experience Study to the Retirement Committee within 30 business days following presentation to the Public Employees Retirement Board

- If PERB does not adopt one or more of the recommendations in the Experience Study, a written report explaining the Board's rationale must be submitted to the Retirement Committee within 10 days of the Board's decision; and

- Business days are defined for purposes of this section

LB 447e was enacted with an effective date of March 31, 2016.

ADVANCED TO GENERAL FILE

LB 747 Amend the Nebraska Capital Expansion Act to increase the amount of funds the state investment officer may offer as deposits

LB 747 increases from $6 million to $16 million, the maximum amount of time deposit open accounts made available to banks, capital stock financial institutions and qualifying mutual financial institutions willing to meet the rate and other requirements of the Nebraska Capital Expansion Act.

BRACKETED ON SELECT FILE IN 2015

LB 448 Make current and new Class V school employees members of the School Employees Retirement System of the State of Nebraska

LB 448 as Introduced

In 2015, LB 448 was introduced by Senators Nordquist as a placeholder bill to begin the discussion regarding the process of merging the Class V (Omaha) School Employees Retirement System with the (statewide) School Employees Retirement System. As introduced, LB 448 would transfer all the current members of the Class V (Omaha) School Employees Retirement System into the School Employees Retirement System on and after an unspecified date. It would also require all regular employees of the Class V school district hired on and after an unspecified date to become members of the School Employees Retirement System

Explanation and Summary of Committee Amendment 1555

The Committee AM 1555 strikes the original provisions to merge the Class V (Omaha) School Employees Retirement System and with statewide School Employees Retirement System and inserts the following changes to the Class V (Omaha) School Employees Retirement Act:

- Further aligns the benefits of Class V (Omaha) School Employees Retirement System members with the benefits of the statewide School Employees Retirement System

- Moves investment authority from the Class V (Omaha) School Employees Retirement System board of trustees and Omaha school board to the Nebraska Investment Council

- Restructures the administration and governance of the Class V (Omaha) School Employees Retirement System to more closely align with the Public Employee Retirement Board's governance of the School Employees Retirement System

- Creates greater State funding parity between the School Employees Retirement System and the Class V (Omaha) School Employees Retirement System

Select File – AM 1704 Adopted

During debate on Select File, AM 1704 was introduced by Senator Nordquist and adopted. It amended the proposed funding mechanism in section 79-966 that was included in the Committee Amendment. Under AM 1704, if there is an actuarially required contribution (ARC) for the School Plan, the legislature appropriates funding for the ARC, and the Class V School Employees Retirement Plan has an ARC, then the Appropriations Committee will conduct a hearing to consider transferring money to the Class V School Employees Retirement Plan. The amount transferred would be the same percent of compensation for the School Plan ARC, calculated as a percent of compensation of the Class V School Plan.

During Select File in the 2015 session, LB 448 was bracketed until April 15, 2016.

INDEFINITELY POSTPONED

LB 1069 Provide duties for the state investment officer relating to investment in energy-related companies or funds

LB 1069 directs the State Investment Officer to review state investments and determine the extent to which state funds are invested in companies or funds which derive a substantial portion of their revenue from extraction or combustion of fossil fuels. It also directs the State Investment Officer to review opportunities and begin investing in companies that create clean energy to the extent it is consistent with prudent investment strategies. It requires the State Investment Officer to submit a report to the Legislature and the Governor on the status of fossil fuel divestment and clean energy investment by December 15, 2016.

DIED IN COMMITTEE AT THE END OF SESSION

LB 236 Change and eliminate provisions relating to collection of judgments and public retirement plans

LB 236 as Introduced

LB 236 would make all public pensions subject to attachment, garnishment or other process in bankruptcy and the collection of money judgments if:

- the debtor is convicted of or pleads no contest to a felony or misdemeanor, and
- is found liable for civil damages as a result of such conviction

Attachment would be allowed prior to distribution of benefits. There is an exception for those amounts necessary for support of the member or beneficiaries. Qualified domestic relation orders (QDROs) have priority over any order for payment.

If a conviction is reversed on final judgment, all annuities or benefits are forfeited and returned to the member. These provisions apply to persons convicted of a felony or misdemeanor prior to, or, or after the effective date of the Act.

Section-by-Section Summary

Section 1. [Amends 2-3228] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by Natural Resource Districts

Section 2. [Amends 14-567] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by metropolitan class cities

Section 3. [Amends 14-2111] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by metropolitan utilities districts. Deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 4. [Amends 16-1019] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by first class cities for police officers. Deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 5. [Amends 16-1038] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by first class cities for fire fighters Deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 6. [Amends 19-3501] Clarifies that benefits are subject to attachment and garnishment provisions described in section 9 for plans established by first class and second class cities and villages for their employees

Section 7. [Amends 23-2322] Clarifies that benefits under the County Employees Retirement Act are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 8. [Amends 24-710.02] Clarifies that benefits under Judges Retirement Act are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 9. [NEW SECTION] All public pension plans are no longer exempt from attachment, garnishment or other process in bankruptcy and the collection of a money judgment if:

- The debtor is convicted of, or pleads no contest to a felony or misdemeanor; and
- The debtor is found liable for civil damages as a result of such felony or misdemeanor

The Court may order payment of member's annuities or benefits earned under the retirement plan for civil damages except as necessary for support of the member or beneficiaries

If the conviction is reversed on final judgment, all annuities or benefits will be forfeited and returned to the member

Qualified domestic relations orders (QDROs) have priority over any order for payment

These provisions apply to persons convicted of a felony or misdemeanor prior to, on or after the effective date of this act

Section 10. [Amends 48-1401] Clarifies that benefits under county, municipality or other political subdivision deferred compensation plans are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 11. [Amends 71-1631] Clarifies that benefits under plans established by the board of health of each county district, or city-county health department are subject to attachment and garnishment provisions described in section 9

Section 12. [Amends 79-948] Clarifies that benefits under the School Employees Retirement Act are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 13. [Amends 79-9,104] Clarifies that benefits under the Class V School Employees Retirement Act are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 14. [Amends 81-2032] Clarifies that benefits under the Nebraska State Patrol Retirement Act are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 15. [Amends 84-1324] Clarifies that benefits under the State Employees Retirement Act are subject to attachment and garnishment provisions described in section 9. Deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 16. [Amends 84-1505] Clarifies that benefits under the deferred compensation plan established for state employees administered by the Public Employees Retirement Board are subject to attachment and garnishment provisions described in section 9; deletes provisions passed in 2012 by LB 916 which were struck by Nebraska Supreme Court in 2014 in J.M. vs Hobbs

Section 17. [Amends 85-106] Clarifies that benefits established by the Board of Regents for university employees are subject to attachment and garnishment provisions described in section 9

Section 18. [Amends 85-320] Clarifies that benefits established by the Board of Trustees of the Nebraska State Colleges for its employees are subject to attachment and garnishment provisions described in section 9 of the Act

Background and History of LB 236

In 2006 Mr. Hobbs, a State Trooper with 27 years of service, was arrested and convicted of first degree sexual assault of his 12-year old step-daughter.

Mr. Hobbs resigned from the State Patrol after his arrest and began receiving retirement benefits. He is currently serving 25 to 30 years in prison and continuing to draw his pension.

The girl's father sued Mr. Hobbs on her behalf and won a $325,000 civil judgment. He filed a motion to attach Mr. Hobbs' nonexempt property, including his state patrol retirement benefits in order to satisfy the judgment. Mr. Hobbs objected, claiming his retirement benefits were specifically exempt under section 81-2032. The District and State Supreme Courts agreed with Mr. Hobbs and denied attachment.

2012 Legislation

In 2012, Senator Coash introduced LB 973 on behalf of the family who was denied attachment of the pension benefits of Mr. Hobbs in order to satisfy the judgment they had been awarded.

The bill as introduced, required distribution of the member's benefits prior to retirement and thus raised tax withholding issues. As drafted, it was also contrary to the Internal Revenue Code restriction on in-service third party distributions which could threaten qualified plan status of the retirement systems.

In order to address the concerns about in-service distributions and tax withholding issues, the bill was amended to allow attachment only after the benefit had been distributed to the member or retiree. LB 973 was amended into LB 916 and enacted.

<u>2014 Nebraska Supreme Court Decision</u>

Mr. Hobbs challenged the new provisions. The Nebraska Supreme Court determined that the provisions of LB 916 regarding attachment were arbitrary and special class legislation and were therefore unconstitutional. The court's findings include the following:

- The legislation did not cover all public pension members
- The six enumerated felonies (assault, sexual assault, kidnapping, child abuse, false imprisonment or theft by embezzlement) arbitrarily granted a benefit to the victims of those six enumerated crimes and excluded other crimes that were not substantially different under the act's purpose
- The scope of the attachment is limited to only those employees who were convicted of an enumerated crime which often depends on prosecutorial discretion
- The scope is also limited by the offender's age since a judgment against a younger offender will often lapse because of time constraints. Only attaches to an employee's retirement assets when they are distributed in the normal course of events

<u>LB 484</u> Change county employee and employer retirement contribution rate for certain counties as prescribed

LB 484 was introduced by Senator Nordquist at the request of Sarpy County. It would increase the employee contribution rate in the County Employees Retirement Act from 4.5% to 6.75% for members in counties with population over 100,000 which affects only Sarpy County. The employer contribution match would decrease from 150% to a 100%, however since the county contribution rate is currently 6.75%, the contribution rate would remain unchanged.

The employee contribution change would also result in an increase to the contribution rate for law enforcement members in Sarpy County. Currently law enforcement members contribute 4.5% plus a supplemental rate of 2% for a total of 6.5%. With the proposed increase, Sarpy County law enforcement members would contribute 6.75% plus 2% for a total of 8.75%.

The county contribution rate for Sarpy county law enforcement would remain unchanged. Currently the county contributes 6.75% plus a supplemental contribution of 2% for a total of 8.75%.

Section-by-Section Summary of LB 484

Section 1. [Amends 23-2307] The employee contribution rate would increase from 4.5% to 6.75% for county members in counties with population over 100,000

Section 2. [Amends 23-2308] The employer contribution match would decrease from 150% of the employee contribution to 100% of the employee contribution for county members in counties with population over 100,000

	County EMPLOYEE Contribution Rates	LAW ENFORCEMENT Contribution Rates	COUNTY Contribution Rates	Total Contributions
CURRENT Contribution Rates	4.5%	4.5% + 2% = 6.5%	6.75% + 2% = 8.75%	15.25%
TOTAL Contribution Rates under LB 484 (Sarpy only)	6.75%	6.75% + 2% = 8.75%	6.75% + 2% = 8.75%	17.50%
Contribution Rate INCREASES under LB 484	2.25%	2.25%	0%	

LB 551 Adopt the Local Government Employees Retirement Act

LB 551 creates the Local Government Employees Retirement Plan which is similar to the County Employees Cash Balance Retirement plan. The new Plan includes the following provisions:

- Creates a cash balance plan with an unspecified interest credit rate
- All local governmental entities may elect to, but are not required to, join the plan beginning on an unspecified date
- Employee and employer contribution amounts are unspecified
- If a first class city with a fire fighter or police officer retirement plan elects to transfer to the Plan, a supplemental contribution rate would be added; the combined base and supplemental contribution rates would not be less than the current fire fighter or police officer and employer contribution rates
- Any retirement funds in a pre-existing local government retirement plan would be transferred to the Plan upon election to transfer to the Plan

- The Nebraska Investment Council would invest all funds of the Plan

- If the actuarially required contribution rate exceeds the rate of all contributions, an unspecified entity would provide the additional contributions; and

- The Plan would be administered by the Public Employees Retirement Board; a representative of local government employees would be added to the membership of the Public Employees Retirement Board

<u>Section-by-Section Summary</u>

Section 1. Creates the Local Government Employees Retirement Act

Section 2. Definitions

Section 3. Identifies contributions that would be accepted

Section 4. Directs the Public Employees Retirement Board to administer the Act and adopt rules and regulations to carry out the Act

Section 5. Authorizes the Board to refund contributions, require additional contributions, adjust benefits, credit dividend amounts and require repayment of benefits. Directs the Board to adopt rules and regulations to carry out these provisions including notice and process for disputing adjustments of contributions and benefits

Section 6. Describes composition of membership in the Cash Balance Plan which includes:

- Employees with an account balance
- Members who exercised the option to transfer into the Plan
- Employees who are U.S. Citizens or qualified aliens lawfully present in the United States

Allows 180 days to apply for vesting credit for participation in another Nebraska governmental plan

Requires governmental entities to ensure that employees authorized to participate in the Plan are enrolled in the plan and make required contributions

Section 7. Authorizes full-time and part-time employees from various governmental entities to pay into the Plan the amount of all the employee and employer contributions that had been made to a previous retirement plan

Section 8. Employee contribution is unspecified; includes pick-up language for IRS purposes

Section 9. Creates the Local Employees Retirement Fund. The Fund receives the employee contribution and the city contribution which is 100% of the employee contribution

In addition to daily penalties, the Board may assess a $25 administrative processing fee if the payments are late; DAS may create sub-funds for accounting purposes

Section 10. Establishes what may be included in the accounts of those members who elect to transfer to the Plan

Section 11 Designates the State Treasurer as custodian of the funds in the Plan

Section 12. Creates the Local Employees Retirement Expense Fund which includes forfeitures that may be used to pay pro rata share of administrative expenses incurred by the Board in administering the Plan

Section 13. Requires the Director of the Nebraska Public Employees Retirement Systems to:

- Keep complete records of all the members
- Verify the information from time to time provided by the employer
- Develop and implement employer education program

Section 14. Requires the State Auditor to conduct an annual audit of the Plan and provide its report to the Clerk of the Legislature

Section 15. The system may sue or be sued in the name of the system and all actions brought by or against it are represented by the Attorney General

Section 16. Employees are eligible to retire at age 55 or at any age as a result of disability; establishes the application process for benefits, deferment and Public Employees Retirement Board duties regarding unclaimed benefits

Section 17. Any member regardless of length of service may retire as a result of a disability; describes application process and approval process by the Public Employees Retirement Board

Section 18. The member's account value is the retirement benefit for a retired employee under this act

Section 19. Establishes various annuity options which are the actuarial equivalent of the member's account value; also authorizes selection of a lump sum payment

Requires annual actuarial valuation beginning in an unspecified year using a 25 year amortization period; if the actuarially required contribution rate exceeds the rate of all contributions then additional contributions are made by an unspecified governmental entity

If the unfunded accrued actuarial liability is less than zero then the Board may elect to pay a dividend to all members

Benefits may be deferred no later than age 70 ½ years

Section 20. Upon retirement non-vested members receive only the employee contributions; if the member is vested, the termination benefit includes both the employee and employer contributions; retirees may choose annuity or lump sum benefit; establishes payment timing; members are vested in 3 years

Section 21. The employer account is forfeited if the member is not vested; forfeitures are credited to the Local Employees Retirement Fund and first used to meet expense charges incurred for administering the plan; the charges are credited to the Local Employees Retirement Expense Fund and then to restore employer accounts

Establishes process if employee is terminated and grievance is filed

Section 22. If an employee has a 5 year break in service, the person is considered a new employee and does not receive credit for past service

Members who cease employment before becoming eligible for retirement and again become an employee prior to a five-year break in service, are immediately re-enrolled in the Plan and resume making contributions; if a member withdrew his or her retirement funds, the re-employed member may repay the value of the benefit

If a member retired and then becomes a full-time employee or permanent part-time employee with the city more than 120 days after his or her retirement date, the member will continue receiving retirement benefits

Section 23. Describes death benefit paid if member dies before retirement

Section 24. Retirement annuities or benefits are not subject to garnishment, attachment, levy, operation of bankruptcy laws unless member is convicted or pleads no contest to felony of assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and found liable for civil damages as a result of such felony

Section 25. Describes treatment of employees during military service

Section 26. Establishes definitions for this section regarding rollovers; authorizes Public Employees Retirement Board to adopt rules and regulations regarding direct rollovers

Section 27. Requires retirement system to accept cash rollover contributions from members; authorizes Public Employees Retirement Board to adopt rules and regulations defining procedures for acceptance of rollovers

Section 28. Authorizes trustee-to-trustee transfers

Section 29. Persons who become members of the Plan do not lose their status as plan members while they remain employees.

Section 30. Fraudulent acts prohibit claiming benefit; penalties described; benefits may be denied

Section 31. Retirement allowances and benefits are in addition to benefits and allowance payable under Social Security Act

Section 32. The act becomes effective for each governmental entity upon the adoption by the governmental entity or an unspecified date, whichever is earlier

Section 33. Once the governmental entity adopts the Plan for its governmental entity, the appropriate governmental entity administrator shall certify such action to the Board, and on an unspecified date provide a list of all eligible employees

Section 34. Any claim or action is barred unless brought within 2 years in which claim accrued

Section 35. Contributions are held in trust by the employer for the exclusive benefit of members and their beneficiaries and shall only be used to pay benefits to such persons and administrative costs

Section 36. Upon termination or partial termination of the retirement system or complete discontinuance of contributions, the rights of affected members to amounts credited to the members' accounts are non-forfeitable

Section 37. Sections 1 to 41 is known and may be cited as the Local Governmental Employees Retirement Act

Section 38. Any first class city which elects membership in the Plan for its police officers must fund a supplemental retirement benefit which, when combined with the contribution rates in sections 8 and 9 is equal to the current police officer and city contribution rates as described in sections 16-1005 and 16-1006

Section 39. Any first class city that elects membership in the Plan for its firefighters is required to fund a supplemental retirement benefit which, when combined with the base contribution rates in sections 8 and 9 is equal to the current firefighter and city contribution rates as described in sections 16-1024 and 16-1025

LB 594 Change contribution rates for certain police officers and county employees

LB 594 allows each county that participates in the County Employees Retirement System and each first class city to increase contribution rates for law enforcement officers as long as the rate increase is more than the contribution rates currently established in statute.

The currently established supplemental contribution rates for commissioned law enforcement officers in counties participating in the County Employees Retirement System:

- 2% for counties with population in excess of 85,000
- 1% for counties with population under 85,000

The contribution rates for police officers and cities in first class cities is 7%

Section-by-Section Summary

Section 1. Amends the First Class Cities Police Officers Retirement Act by establishing a minimum member contribution rate of at least 7% beginning October 1, 2015

Section 2. Amends the County Employees Retirement Act by establishing a minimum supplemental member rate of at least 2% for commissioned law enforcement officers in counties with population above 85,000 (Sarpy), beginning on the effective date of the bill

Section 3. Amends the County Employees Retirement Act by establishing a minimum supplemental member rate of at least 1% for commissioned law enforcement officers in counties with population below 85,000 beginning on the effective date of the bill

LB 655 Adopt Cities of the First Class Firefighters Cash Balance Retirement Act

LB 655 as Introduced

LB 655 was introduced as a placeholder bill to create a Cash Balance Retirement Plan for first class city firefighters hired on or after an unspecified date. Currently, all first class city firefighters hired after 1984 are members of defined contribution plans administered by each first class city.

Firefighters currently employed would have a one-time option between unspecified dates to transfer into the Cash Balance Retirement Plan. The Plan would be structured similar to the County and State Cash Balance Retirement Plans which guarantee a minimum 5% interest rate with possible dividends if the Plan is fully funded.

Employee and employer contribution rates would remain the same as the rates for the current members of the firefighter defined contribution plans. The employee rate would be 6.5% of compensation and the employer rate would be 13%. Firefighters do not participate in Social Security.

The Cash Balance Plan would be administered by the Public Employees Retirement Board. A representative of first class city firefighters would be added to the membership of the Public Employees Retirement Board.

As currently drafted, LB 655 tracks the language of the State and County Cash Balance Plans except for differences in the contribution rates and vesting as described in the chart below:

Plan	Employee Rate	Employer Rate	Vesting Schedule
Under the current Firefighter Defined Contribution Plan AND under the proposed Firefighter Cash Balance Plan in LB 655	6.5%	13%	0 to 4 years 0% 4 to <5 40% 5 to <6 60% 6 to <7 80% 7 & over 100%
State Cash Balance	4.8%	7.5%	3 years or at age 55
County Cash Balance	4.5%*	6.75%	3 years or at age 55
*County law enforcement	Additional 1% or 2% based on county population	100% match of additional 1% or 2% rate	

* In the County Plan, law enforcement officers in counties with population under 85,000 contribute an additional 1% and in counties with population over 85,000, law enforcement officers contribute an additional 2%. The county provides a 100% match of the additional contribution.

2016 Activity on the Bill

LB 655 was carried over from the 2015 session and Interim Study LR 230 was introduced by Senator Davis. During the 2015 interim Senator Davis collected data and traveled to 7 first class cities to meet with interested parties to answer questions and understand the cities' concerns. In February 2016, Senator Davis filed white copy amendment 2178, which becomes the bill. A hearing was held on February 25, 2016 on AM 2178.

Summary of AM 2178 – white copy

Strikes the original sections and becomes the bill with the following additions and changes:

- The Cash Balance Plan would go into effect January 1, 2018 and all firefighters hired on or after that date would be in the Cash Balance Plan
- Current members would have the period between July 1, 2017 through October 31, 2017 to opt into the Cash Balance Plan
- Firefighters hired between November 1, 2017 and December 31, 2017 must make a decision by December 31, 2017 whether or not to opt into the Cash Balance Plan
- Cities must submit to PERB, a list of all firefighters including their name, address and gross monthly wage prior to April 1, 2017
- The death and disability benefits are changed to track those benefits offered in the current firefighter retirement system

- ➢ The death and disability benefits are determined and administered by each city—not by the PERB

- ➢ Firefighters in the Cash balance Plan contribute an additional .5% which remains with each city to be held in trust and used exclusively to pay for death and disability benefits for firefighters in that city, as well as any administrative costs; the city does not match this additional contribution

- ➢ Cities are not given the option to opt-in to the Cash Balance Plan; all cities must participate in the Cash Balance Plan

- ➢ The state is assigned liability for any actuarially required contributions

Section-by-Section Summary of AM 2178

Section 1. Creates the First Class Firefighters Cash Balance Retirement Act

Section 2. Definitions

Section 3. Identifies contributions that will be accepted

Section 4. Directs the Public Employees Retirement Board to administer the act and adopt rules and regulations to carry out the act

Section 5. Authorizes the Board to refund contributions, require additional contributions, adjust benefits, credit dividend amounts and require repayment of benefits; the Board must adopt rules and regulations to carry out these provisions including notice and process for disputing adjustments of contributions and benefits

Section 6. Describes Cash Balance Plan membership which includes employees with an account balance and members who exercised the option to transfer into the Plan

Limits membership to U.S. Citizens or qualified aliens lawfully present in the U.S.

Requires cities to ensure that employees authorized to participate in the Plan are enrolled in the plan and make required contributions

Section 7. Beginning January 1, 2018:

- ➢ For members of the Cash Balance Plan, employee/firefighter contribution is 6.5%; includes pick-up language for IRS purposes

- ➢ Additional Cash Balance Plan .5% firefighter contribution is deposited into the Firefighters Retirement System Fund established by each city; these funds may be used exclusively to provide death and disability benefits to firefighters

- Requires each city to deposit into the Firefighters Retirement System Fund, the .5% firefighter contribution to be used exclusively to provide death and disability benefits

Section 8. Contributions deposited into the Firefighters Retirement System Fund, established by each city are held in trust and are for the exclusive benefit to pay death and disability benefits to members and their beneficiaries and any administrative expenses

Section 9. Directs cities to pay to the board an amount equal to 300% of the 6.5% employee contribution (which includes the 6.5% employee and 13% employer contributions)

Authorizes the PERB to assess, in addition to daily penalties, a $25 administrative processing fee if the payments are late; authorizes DAS to create sub-funds for accounting purposes

Section 10. Creates the Cities of the First Class Firefighters Cash Balance Retirement Fund, administered by PERB; the Fund includes all the contributions described in section 3 of this act

Section 11. Establishes legislative intent to improve competitiveness of the retirement for firefighters in cities; creates cash balance benefit for employees who begin employment on and after January 1, 2018

Allows current members to elect to transfer into the Cash Balance Plan between July 1, 2017 and October 31, 2017

Firefighters hired between November 1, 2017 and December 31, 2017 must make a decision by December 31, 2017 whether or not to opt into the Cash Balance Plan

Establishes what may be included in the accounts of those members who elect to transfer to the Cash Balance Plan

Section 12 Designates the State Treasurer as custodian of the funds in the Plan

Section 13. Creates the Cities of the First Class Firefighters Cash Balance Retirement Expense Fund which includes employer contributions forfeited due to termination before complete vesting; authorizes funds to be used to pay pro rata share of administrative expenses incurred by the board in administering the Plan

Section 14. Requires the Director of the Nebraska Public Employees Retirement Systems to keep complete records of all the members, verify the information provided by the employer from time to time, and develop and implement employer education program

Section 15. Requires the Auditor to conduct an annual audit of the Plan and provide its report to the Clerk of the Legislature

Section 16.	The retirement system may sue or be sued in the name of the system and the Attorney General shall represent the system
Section 17.	Establishes application process for benefits, deferment and Public Employees Retirement Board duties regarding unclaimed benefits
Section 18.	Any member regardless of length of service, may retire as a result of a disability with 50% of salary upon certification by physician to city that firefighter is unable to perform duties In case of temporary disability received in line of duty, firefighter continue to receive salary for period not to exceed 12 months, and if disability continues, receive retirement disability benefit of 50% of salary Worker Comp payments are factored into 50% disability benefit; city makes up any additional amounts which may include Firefighters Retirement System Funds
Section 19.	Firefighters entitled to temporary disability may not receive both full salary and Worker Comp benefits
Section 20.	The retirement benefit for a retired employee is the member's account value
Section 21.	Establishes various annuity options which are the actuarial equivalent of the member's account value; also authorizes employee selection of a lump sum payment Requires annual actuarial valuation for the year ending December 31, 2018 using a 25 year amortization period The State is required to make supplemental appropriation if the actuarially required contribution rate exceeds the rate of all contributions The Board may elect to pay a dividend to all members if the unfunded accrued actuarial liability is less than zero Benefits may be deferred no later than age 70 ½
Section 22.	Upon retirement, non-vested members receive only the amount of the employee contributions If vested the benefit includes both employee and employer contributions; authorizes retiree to choose annuity or lump sum benefit; establishes timing of retirement payment Establishes the following vesting schedule:

Less than 4 years	Zero % vested
4 to less than 5 years	40% vested
5 to less than 6 years	60% vested
6 to less than 7 years	80% vested
7 or more years	100% vested

Section 23. If member is not vested employer account is forfeited; credits all forfeitures to First Class Firefighters Cash Balance Retirement Fund; funds are first used to meet expense charges incurred for administering the plan, which charges are credited to the First Class Firefighters Cash Balance Retirement Expense Fund and then to restore employer accounts

Section 24. If an employee has a 5 year break in service, the person is considered a new employee and does not receive credit for past service

Members who cease employment before becoming eligible for retirement and again become an employee prior to a five-year break in service are immediately re-enrolled in the Plan and resume making contributions; if a member withdrew his or her retirement funds the re-employed member may repay the value of the benefit

If a member retired and then becomes a full-time employee or permanent part-time employee with the city more than 120 days after his or her retirement date, the member continues to receive retirement benefits

Section 25. Death benefit for firefighter who dies other than in the line of duty is the final account value

Death benefit for firefighter at least age 50 with 21 years as firefighter who died while providing military service is 25% of salary

Section 26. Death benefit is 50% of salary for firefighter who dies in line of duty; to extent retirement value at date of death exceeds amount to purchase 50% salary pension, benefit is reduced by any amounts paid as worker comp benefits, such excess shall be paid as lump sum or annuity

Section 27. Retirement annuities or benefits are not subject to garnishment, attachment, levy, operation of bankruptcy except benefits subject to qualified domestic relations order (QDRO)

Section 28. Describes treatment of employees during military service regarding granting service credits and requirements for payment of military service credit

Section 29. Establishes definitions for this section regarding rollovers; authorizes Public Employees Retirement Board to adopt rules and regulations regarding direct rollovers.

Section 30. Requires retirement system to accept cash rollover contributions from members; authorizes Public Employees Retirement Board to adopt rules and regulations defining procedures for acceptance of rollovers

Section 31. Authorizes trustee-to-trustee transfers

Section 32.	Persons who become members of the Plan do not lose their status as Plan members while they remain employees
Section 33.	Prohibits false or fraudulent acts in claiming a benefit; describes penalties; benefits may be denied
Section 34.	Requires the city clerk to provide a list of all eligible employees to the Board prior to April 1, 2017; requires the clerk to provide such information to the Board within 10 days of hire for all employees hired on or after April 1, 2017
Section 35.	Bars any claim or action filed under this Act unless brought within 2 years of time in which claim accrued
Section 36.	Contributions are held in trust by the employer for the exclusive benefit of members and their beneficiaries and may only be used to pay benefits to such persons and administrative costs
Section 37.	Upon termination or partial termination of the retirement system or complete discontinuance of contributions, the rights of affected members to amounts credited to the members' accounts are non-forfeitable
Section 38.	[Amends 4-108] Adds Cities of the First Class Firefighters Balance Retirement Act to prohibition on providing public benefits to persons not lawfully within the United States
Section 39.	[Amends 16-1020] Limits provisions of the First Class Cities Firefighters Retirement System to members employed prior to January 1, 2018 or such members who elect <u>not</u> to transfer to the Cash Balance Plan
Section 40.	[Amends 84-1501] Adds a representative of the Firefighters Cash Balance Plan, appointed by the Governor, to the membership on the Public Employees Retirement Board
Section 41.	[Amends 84-1503] Adds administration of the Cities of the First Class Firefighters Cash Balance Retirement Plan to the duties of the Public Employees Retirement Board
Section 42.	[Amends 84-1511] Requires the Board to establish a comprehensive pre-retirement planning program for the members of the Cities of the First Class Firefighters Cash Balance Retirement Plan
Section 43.	Severability clause
Section 44.	Repealer
Section 45.	Emergency clause

BILLS IN OTHER COMMITTEES THAT IMPACT RETIREMENT SYSTEMS

<u>LB 830</u> Redefine employment under the Employment Security Law and change provisions relating to vacation leave for state employees

LB 830 amends the Employment Security Law and requires the employing state agency to pay state employees the cash equivalent of forfeited vacation leave that was requested and denied. Cash payments are considered compensation in the State Employee Defined Contribution and Cash Balance plans but are not considered compensation for state employee defined benefits plans. LB 830 was enacted.

V. Bill Status Chart

LB	INTRODUCER	ONE-LINER	HEARING DATE	ACTION
LB 747	Kolterman	Amend Nebraska Capital Expansion Act to increase the amount of funds the state investment officer may offer as deposits	January 20	Advanced to General File
LB 790	Kolterman	Alphabetize defined terms under various retirement statutes	January 20	Enacted
LB 803	Retirement Committee	Change disposition of court fees as prescribed	January 20	Enacted
LB 805	Mello	Require periodic study of certain retirement plans & report filing by certain political subdivisions	February 5	Amended into LB 447 and Enacted
LB 922	Kolterman	Change terms of Public Employees Retirement Board members as prescribed	February 5	Amended into LB 447 and Enacted
LB 986	Retirement Committee	Change duties of Public Employees Retirement Board	February 5	Amended into LB 447 and Enacted
LB 1069	K. Haar	Provide duties for the State Investment Officer relating to investment in energy-related companies or funds	February 9	Indefinitely Postponed
LB 447 AM1815	Mello	Change and provide provisions relating to retirement benefits and plans	January 25	Enacted [also included LBs 805, 922 and 986}
LB 467 AM1865	Kolterman	Change provisions relating to State Patrol	February 4	Enacted
LB 655 AM2178	Davis	Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act	February 25	Died in Committee at end of session
		CARRYOVER BILLS DIED AT THE END OF SESSION		
LB 236	Coash	Change provisions relating to collection of judgments and public retirement plans		Died in Committee at end of session
LB 448	Nordquist	Change membership of the Nebraska Investment Council and retirement provisions for Class V school districts		Bracketed until April 15, 2016 on Select File in the 2015 session
LB 484	Nordquist	Change county employee and employer retirement contribution rates for certain counties as prescribed		Died in Committee at end of session
LB 551	Nordquist	Adopt the Local Government Employees Retirement Act		Died in Committee at end of session
LB 594	Kolowski	Change contribution rates for certain police officers and county employees		Died in Committee at end of session
		BILLS IN OTHER COMMITTEES THAT IMPACT RETIREMENT		
LB 830	B. Harr	Redefine employment under Employment Security Law & change provisions relating to vacation leave for state employees	Business & Labor Committee	Enacted

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VI. Interim Study Resolutions

LR 483

Introduced by Senator Kolterman

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FOURTH LEGISLATURE OF NEBRASKA, SECOND 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 534

Introduced by Senator K. Haar

WHEREAS, in 1980, the Legislature adopted LR 43, which called for the Nebraska Investment Council to review the list of corporations and banks which invest in South Africa and remove them from the list approved for investment by the state; and

WHEREAS, in 1984, the Legislature passed LB 553, which required divestment of all funds from companies doing business in South Africa; and

WHEREAS, the campaign for divestment from South Africa that the Nebraska Legislature supported has been widely hailed as being an important component in leading to the end of apartheid in 1994; and

WHEREAS, climate change presents serious, many-layered, and ongoing issues for Nebraskans, with projections of far more serious impacts on future generations; and

WHEREAS, there is a scientific consensus that fossil fuels are the major contributor to accelerated rates of climate change; and

WHEREAS, fossil fuel investments, particularly coal and oil, are losing value, becoming more volatile, and increasingly failing to fulfill prudent investment standards; and

WHEREAS, the number of institutions, governmental bodies, and businesses that are divesting from fossil fuels is rapidly increasing, and by the end of 2015, investors controlling over $3.4 trillion in assets have pledged to remove investments from fossil fuel companies; and

WHEREAS, clean energy investments, including wind, solar, and other methods of generating energy that do not produce greenhouse gases or that reduce the amount or impact of greenhouse gas emissions, are increasing throughout the world and represent greater stability and better rates of return, both now and in the future; and

WHEREAS, fiduciaries are acting prudently when they consider the direct risks of a fossil-dependent portfolio and the likely resilience and collateral benefits of clean energy investing; and

WHEREAS, it is appropriate for the Legislature to determine the amount of the state's investments in companies or funds that derive a majority of their income from the extraction or burning of fossil fuels;

WHEREAS, it is appropriate for the Legislature to determine the amount of the state's investments in companies or funds that derive a majority of their income from clean energy; and

WHEREAS, it is appropriate to determine whether the state can effectively divest from fossil fuels and invest in clean energy consistent with its fiduciary obligations.

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

1. That the Nebraska Retirement Systems Committee of the Legislature shall be designated to conduct an interim study to examine the following:

   (a) The extent that state funds are invested in fossil fuels;

   (b) The extent that state funds are invested in clean energy; and

   (c) The feasibility of divestment from fossil fuels and investment in clean energy consistent with the state's fiduciary responsibilities.

2. That the study committee shall work with the state investment officer, the Nebraska Investment Council, and their consultants to determine the extent that state funds are invested in fossil fuels and clean energy and the feasibility of divestment and investment as outlined in this study, to the extent such examination can be conducted without additional cost to the Council.

3. That the committee shall examine such other issues as are necessary for a complete examination of this matter.

4. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

LR 571

Introduced by Nebraska Retirement Systems Committee

PURPOSE: The purpose of this study is to examine local political subdivision retirement plans for public employees.

The study will examine issues as they relate to benefits, contributions, plan structures, fees, funding, and administration of plans.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FOURTH LEGISLATURE OF NEBRASKA, SECOND SESSION

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

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APPENDIX A

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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

February 23, 2016

Senator Mark Kolterman
Chairman, Nebraska Retirement Systems Committee
Nebraska Legislature, Room #2004
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 447, As Amended

Dear Senator Kolterman:

Cavanaugh Macdonald Consulting, LLC serves as the retained actuary for the Omaha School Employees' Retirement System (OSERS). Legislative Bill 447, as amended by AM 1979, makes changes to various aspects of the OSERS including the operation and administration of the System as well as the benefit structure. The changes in the benefit structure are intended to align the OSERS' benefit structure with that of the Nebraska School Retirement System (administered by the Nebraska Public Retirement System). The focus of this letter is solely on the provisions of LB 447 that may impact the costs of the System, and therefore, its long term funding.

The applicable changes to the benefit structure in LB 447 apply only to employees hired on or after July 1, 2016. No changes are proposed for current members of OSERS. This letter has been prepared at the request of the Omaha School Employees' Retirement System to discuss, in general, the actuarial impact of the proposed changes in the benefit structure for new hires after July 1, 2016. Since these changes will only impact members hired in the future, we are unable to quantify the cost impact without preparing a projection model. We can, however, analyze the cost impact of the changes, in general, and provide an opinion on the impact of LB 447 on the long term funding of OSERS.

Benefit Provision Changes in LB 447, As Amended by AM 1979

LB 447, as amended, makes no change to the current benefit provisions for members hired prior to July 1, 2016. The proposed benefit changes for members hired on or after July 1, 2016 are summarized in the following table:

	Plan Provisions	
	Current	LB 447
New Hires Only:		
Early Retirement Date	Age 55 and 10 years of creditable service.	Age 60 and 10 years of creditable service
Early Retirement Factors	3% per year early, but no reduction if benefits commence at age 62 or later. Rule of 84, 83, or 82 will result in a reduction of 3%, 6%, or 9% respectively.	Eliminate provision for no benefit reduction at age 62 and eliminate the Rule of 84, 83 and 82
Medical COLA	$10 per month for each year retired, not to exceed $250 per month prorates for years of service less than 20. Benefit commences 10 years after retirement.	None
State Service Annuity	$3.50 per month times years of service. Funded by the State	None

The changes to the early retirement date and the associated early retirement reduction factors move the earliest date a member may retire and start benefits from age 55 to age 60. More importantly from a cost standpoint, members who retire at age 62 or later will now have a reduction in the amount of their benefit as compared to the current benefit structure which permits early retirement at age 62 with no reduction in the amount of the benefit. This is expected to lower the costs of the benefit structure as members will either retire at the same age (if age 60 or older) and receive a lower benefit or work longer in order to reduce or eliminate the benefit reduction for the commencement of benefits prior to normal retirement age. Under either scenario, the cost to OSERS is lower.

The elimination of the medical COLA will lower the ongoing cost (normal cost) for new hires on and after July 1, 2016. The elimination of the state service annuity however, will lower the ongoing costs for new hires for the State who funds the state service annuity. If either of these changes could be expected to change the retirement patterns of members in the future, there could be an additional cost impact associated with such a change. However, we do not believe the elimination of these benefits is significant enough to alter future retirement patterns.

In conclusion, we believe the net cost impact of the proposed benefit changes to the OSERS' benefit structure for members hired on or after July 1, 2016 in LB 447, as amended, will be a reduction in the ongoing cost (normal cost rate). Because the contribution rates are fixed at the current rates and are unchanged for new hires on or after July 1, 2016, we would expect these benefit changes to result in some improvement in the funded status of OSERS over the long term (20 to 30 years). However, that improvement cannot be quantified without performing projection modeling which is beyond the scope of this analysis.

This cost analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

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.

If you have any questions or additional information is needed, please let us know. We are available to provide additional analysis or explanation.

Sincerely,

Patrice Beckham

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

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

APPENDIX B

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Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

February 23, 2016

Ms. Phyllis Chambers
Executive Director
Nebraska Public Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 447, As Amended by AM 1979

Dear Phyllis:

Legislative Bill 447, as amended by AM 1979, makes two changes to the benefit provisions of the School Retirement System administered by the Nebraska Public Employees Retirement System (NPERS). The changes are:

(1) Eliminate the ability to work up to 20 hours per week while receiving a disability retirement benefit for current and future members.
(2) Eliminate the ability to vest at age 65 with a half year of service credit for employees hired on or after July 1, 2016.

It is difficult to anticipate the change in member behavior that may result from the elimination of the provision that permits a member to work up to 20 hours per week while receiving a disability retirement benefit. Losing the ability for the member to supplement their disability income may result in longer disability retirement periods because members can no longer transition gradually from disability retirement to active employment. This behavior could increase the cost of disability benefits from the Plan. Alternatively, the loss of the additional income from working 20 hours per week could incent members to return to fulltime employment more quickly. If this occurs, it would have a positive impact on plan costs. The total number of members currently on disability retirement in the School Retirement System is very small (324 members) and the subset of those who are currently working up to 20 hours week, and thus impacted by this change, is even smaller. Therefore, regardless of the change in behavior, positive or negative, it is expected to have very little impact on the System's long term funding.

The elimination of the provision that provides full vesting at age 65 with a half year of service credit for employees hired on or after July 1, 2016 will require certain members to work longer if they are to vest and receive benefits. Some members may choose to work longer in order to vest and receive a benefit. Alternatively, if these members do not change their retirement pattern and leave before working five years, they will receive only a refund of their employee contribution balance. Because the situation of reaching age 65 before earning five years of service occurs infrequently and the benefit amounts are quite small, any reduction in the ongoing (normal cost) from this change is expected to be very small. Because the contribution rates are fixed in statute and remain unchanged for new hires on or after July 1, 2016, the same amount of contributions will be made to the School System. However, the slightly lower cost of the benefit structure due to this change will result in some small improvement in the funding status over the long term.

This cost analysis has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statement of Actuarial Opinion of the American Academy of Actuaries.

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.

If you have any questions or additional information is needed, please let us know. We are available to provide additional analysis or explanation.

Sincerely,

Patrice Beckham

Brent A. Banister

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

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

APPENDIX C

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

March 11, 2016

Ms. Phyllis Chambers
Executive Director
Nebraska Public Employees Retirement System
Post Office Box 94816
Lincoln, NE 68509

Re: Committee Amendment 2351 to LB 467 (Tier 2 for State Patrol Retirement System)

Dear Phyllis:

As you requested, we have estimated the potential financial impact to the Nebraska State Patrol Retirement System under the provisions of Committee Amendment 2351 to LB 467. It is our understanding that the proposed changes apply only to new employees hired after June 30, 2016, i.e., current members and those hired before July 1, 2016 remain under the current benefit provisions. The calculations reflected in this study are based on the data, assumptions, plan provisions, and results of the July 1, 2015 actuarial valuation of the State Patrol Retirement System and the projection methods and assumptions of the July 1, 2015 valuation model, unless otherwise noted.

The proposed changes under Committee Amendment 2351 to LB 467 include:

1. The contribution rates for new officers and the employer are 17% of compensation; current officers continue to contribute 16% with a state match of 16%.

2. The maximum cost-of-living-adjustment (COLA) is 1% unless the plan is 100% funded, then a supplemental cost-of-living payment, up to a maximum of 1.5%, may be granted at the discretion of the Public Employees Retirement Board (PERB).

3. An officer's final compensation is averaged over the 5 years of highest salary; current officer's final compensation will continue to be averaged over the 3 years of highest salary.

4. The definition of compensation is changed for purposes of benefit calculation in order to eliminate the practice of converting unused leave and compensatory time to cash in the year preceding retirement. For new officers, compensation will not include unused sick and vacation leave, unused holiday compensatory time, unused compensatory time or any other type of unused leave, compensatory time, or similar benefits converted to cash payments. For current officers compensation will continue to include unused holiday and other compensatory time converted to cash.

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5. A provision is added which limits the increase in compensation to 8% per year for purposes of benefit calculation in each of the 5 years preceding retirement. The cap does not apply to current officers.

6. The Deferred Option Retirement Plan (DROP) is eliminated. Current officers will continue to be eligible for DROP.

A comparison of the changes in the benefit provisions for current officers and those hired July 1, 2016 and later is shown below. All other benefit provisions remain unchanged, and thus, are the same for both Tier 1 and 2 members.

BENEFIT	TIER 1 CURRENT OFFICERS	TIER 2 OFFICERS JULY 1, 2016 & AFTER
Contribution rates	16% (with state match)	17% (with state match)
Maximum COLA	2.5%	1% and up to an additional 1.5% cost-of-living payment if plan is 100% funded
Averaging final salary	3 years highest salary	5 years highest salary
Compensation	Includes unused holiday & other comp time converted to cash	Does NOT include unused holiday or other comp time, or any other type leave converted to cash
Capping	No capping	8% capping on each of 5 years preceding retirement
DROP	Eligible	Closed – not eligible to join

As noted above, the COLA for Tier 2 reflects a change from 2.5% for current members to 1% plus an additional supplemental COLA of up to 1.5% to be granted by the PERB when the System is and will remain 100% funded after the supplemental COLA is granted. The proposed change in the COLA structure for Tier 2 presents some interesting funding issues. If the annual valuation funding requirements are based on an assumption that reflects the potential total COLA of 2.5% for Tier 2, then the 2.5% COLA would ultimately be funded and be paid in all future years once full funding is reached (assuming all assumptions are met). The contribution requirements would be higher under such a scenario to provide the higher COLA of 2.5%. On the other hand, if the annual funding requirements are based on an assumption that reflects only the guaranteed COLA of 1% for Tier 2, then the supplemental COLA will not be paid in most years, if all assumptions are met. For purposes of this study we assumed the goal of the legislation was to lower the cost of the benefit structure for Tier 2 so the COLA for Tier 2 was modeled assuming only a 1% COLA is paid in all future years whether or not a supplemental COLA might be payable. This approach is consistent with the methodology previously used to provide cost estimates for the impact of similar COLA provisions for both the Judges and School plans, and is the approach used in the annual valuation for these plans as well.

The actuarial assumptions used in this analysis are the same as those used in the July 1, 2015 actuarial valuation with one exception. The retirement assumption for Tier 2 members was modified to reflect anticipated changes in retirement behavior resulting from the elimination of the DROP provision. Without any available data, it seems reasonable to expect retirement patterns for Tier 2 members to be similar to those that were observed prior to the implementation of the DROP. Therefore, Tier 2 members were assumed to retire when eligible for unreduced retirement benefits as follows:

Age and Service Requirements	Retirement Assumption
Age 55 with 10 years of service or Age 50 with 25 years of service	67% in first year eligible 37% in second year eligible 30% in third year eligible 16% thereafter

No change to the early retirement assumption or the mandatory retirement assumption was made for Tier 2 members.

Results

One way to evaluate the cost impact of the proposed benefit changes is to consider the ultimate normal cost rate once all active members are Tier 2 members, i.e., hired after June 30, 2016. This rate reflects the ongoing annual cost of the benefit structure, based on the assumptions used and the demographics of the covered employees. The following table summarizes the normal cost rates for the current benefit structure and the proposed benefit changes for Tier 2.

	Normal Cost Rate in 2045		
	Total	Employee	Employer
Current provisions (Tier 1)	28.82%	16.00%	12.82%
Proposed provisions (Tier 2)	22.50%	17.00%	5.50%

Because the cost impact of changes to the benefit provisions that apply solely to new hires takes many years to unfold, valuation results were modeled over the next 30 years assuming that all actuarial assumptions, including the 8% assumed investment return, are met each year. We further assumed that as current state patrol officers leave the force, they are replaced by new officers who have similar demographic characteristics as those observed in recent new hires. The exhibits attached to this letter provide selected valuation output measures and contribution requirements to illustrate the cost impact of the proposed changes over the projection period.

Exhibit A compares the actuarial required funding by year under the benefit provisions of the current law and under Committee Amendment 2351 to LB 467. Exhibit B provides similar comparative information on the key funding measurements of the System. Exhibit C shows the detailed actuarial calculations for the entire thirty-year projection period under current law while Exhibit D shows the same information, reflecting the impact of the provisions of Committee Amendment 2351 to LB 467. While Committee Amendment 2351 to LB 467 results in lower costs through 2036, once the unfunded actuarial accrued liability is fully funded, the ongoing costs of the Plan are higher because the member and employer fixed contribution rate is 17% each rather than 16% under current law. It is worth noting that the additional funding would facilitate the granting of supplemental COLAs in addition to the 1% COLA modeled.

Disclaimers, Caveats, and Limitations

The numerical charts that are attached to this letter, and the quantification of the normal cost rate and actuarial accrued liability for the new tier, are based primarily on the July 1, 2015 valuation results, the actuarial assumptions and method used in that valuation (unless otherwise noted elsewhere in this letter), and the projection model prepared by the System's actuary, Cavanaugh Macdonald Consulting, LLC. Significant items are noted below:

- The investment return assumed in all future years was assumed to be 8% on a market value basis.
- All assumptions are the same as those used in the 2015 valuation, unless otherwise noted, 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.
- Benefits are reflected as provided under current law or the provisions of Committee Amendment to LB 467 as described elsewhere in this letter.
- 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, 2015, 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, which could vary significantly from those in this study. 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.

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,

Patrice Beckham

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

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

Exhibit A

Current Provisions vs. Committee Amendment 2351 to LB 467
Nebraska State Patrol Retirement System

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Employer Contribution Rate				Employer Contribution Amount ($M)						
Fiscal	Current		CA 2351 to LB 467		Current			Committee Amendment 2351 to LB 467			
Year	Employer	State Additional	Employer	State Additional	Payroll Based	State Additional	Total	Payroll Based	State Additional	Total	Difference
2016	16.00%	9.59%	16.00%	9.59%	$ 4.55	$ 2.73	$ 7.27	$ 4.55	$ 2.73	$ 7.27	$ -
2017	16.00%	9.10%	16.03%	8.84%	4.71	2.68	7.38	4.71	2.60	7.31	(0.07)
2018	16.00%	7.93%	16.07%	7.36%	4.86	2.41	7.27	4.88	2.24	7.12	(0.15)
2019	16.00%	7.28%	16.10%	6.49%	5.07	2.31	7.38	5.10	2.06	7.16	(0.22)
2020	16.00%	7.88%	16.13%	6.80%	5.26	2.59	7.85	5.30	2.24	7.54	(0.31)
2021	16.00%	7.95%	16.17%	6.50%	5.39	2.68	8.07	5.45	2.19	7.64	(0.43)
2022	16.00%	7.97%	16.21%	6.18%	5.56	2.77	8.34	5.64	2.15	7.79	(0.55)
2023	16.00%	8.01%	16.26%	5.87%	5.74	2.87	8.62	5.83	2.11	7.94	(0.68)
2024	16.00%	8.01%	16.29%	5.55%	5.97	2.99	8.95	6.07	2.07	8.14	(0.81)
2025	16.00%	8.05%	16.34%	5.13%	6.14	3.09	9.23	6.27	1.97	8.24	(0.99)
2026	16.00%	8.20%	16.40%	4.76%	6.24	3.20	9.44	6.40	1.86	8.25	(1.19)
2027	16.00%	8.28%	16.46%	4.42%	6.40	3.31	9.72	6.59	1.77	8.36	(1.36)
2028	16.00%	8.23%	16.50%	3.72%	6.64	3.41	10.05	6.84	1.54	8.39	(1.66)
2029	16.00%	8.55%	16.61%	3.45%	6.64	3.55	10.19	6.89	1.43	8.32	(1.87)
2030	16.00%	8.55%	16.64%	3.14%	6.92	3.70	10.61	7.19	1.36	8.55	(2.06)
2031	16.00%	8.54%	16.68%	2.80%	7.21	3.85	11.06	7.52	1.26	8.78	(2.28)
2032	16.00%	8.51%	16.72%	2.51%	7.50	3.99	11.48	7.84	1.18	9.01	(2.47)
2033	16.00%	8.44%	16.75%	2.13%	7.86	4.15	12.01	8.23	1.05	9.28	(2.73)
2034	16.00%	8.48%	16.79%	1.88%	8.17	4.33	12.49	8.57	0.96	9.53	(2.97)
2035	16.00%	8.46%	16.82%	1.68%	8.53	4.51	13.04	8.96	0.90	9.86	(3.18)
2036	16.00%	8.37%	16.83%	1.41%	8.96	4.69	13.64	9.42	0.79	10.20	(3.44)
2037	16.00%	0.00%	16.85%	0.00%	9.38	-	9.38	9.87	-	9.87	0.49
2038	16.00%	0.00%	16.86%	0.00%	9.86	-	9.86	10.37	-	10.37	0.52
2039	16.00%	0.00%	16.89%	0.00%	10.29	-	10.29	10.83	-	10.83	0.54
2040	16.00%	0.00%	16.89%	0.00%	10.82	-	10.82	11.40	-	11.40	0.57
2041	16.00%	0.00%	16.92%	0.00%	11.27	-	11.27	11.88	-	11.88	0.61
2042	16.00%	0.00%	16.96%	0.00%	11.61	-	11.61	12.26	-	12.26	0.65
2043	16.00%	0.00%	16.99%	0.00%	11.92	-	11.92	12.67	-	12.67	0.76
2044	16.00%	0.00%	16.99%	0.00%	12.41	-	12.41	13.25	-	13.25	0.85
2045	16.00%	0.00%	17.00%	0.00%	12.93	-	12.93	13.84	-	13.84	0.91
2046	16.00%	0.00%	17.00%	0.00%	13.44	-	13.44	14.43	-	14.43	0.99
2047	16.00%	0.00%	17.00%	0.00%	13.94	-	13.94	15.01	-	15.01	1.07
					$ 262.17	$ 69.79	$ 331.96	$ 274.07	$ 36.43	$ 310.49	$ (21.46)

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 10, 2016.
All assumptions, including the 8% investment return, are assumed to be met each year in the future.

3/11/2016

Exhibit B

Current Provisions vs. Committee Amendment 2351 to LB 467
Nebraska State Patrol Retirement System

(Dollar amounts in millions)

	Current Provisions				Committee Amendment 2351 to LB 467			
Valuation Date	Actuarial Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio	Actuarial Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio
7/1/2015	$ 410.21	$ 356.45	$ 53.76	86.9%	$ 410.21	$ 356.45	$ 53.76	86.9%
7/1/2016	426.94	375.56	51.38	88.0%	426.94	375.56	51.38	88.0%
7/1/2017	444.27	399.24	45.03	89.9%	444.21	399.18	45.03	89.9%
7/1/2018	462.74	420.88	41.86	91.0%	462.54	420.69	41.85	91.0%
7/1/2019	482.13	437.31	44.82	90.7%	481.72	436.91	44.82	90.7%
7/1/2020	501.59	457.29	44.30	91.2%	500.88	456.59	44.30	91.2%
7/1/2021	523.00	479.22	43.79	91.6%	521.87	478.09	43.78	91.6%
7/1/2022	544.83	501.78	43.05	92.1%	543.13	500.09	43.05	92.1%
7/1/2023	567.52	525.25	42.27	92.6%	565.09	522.84	42.26	92.5%
7/1/2024	590.37	549.32	41.05	93.0%	587.05	546.01	41.04	93.0%
7/1/2025	612.46	573.20	39.27	93.6%	608.05	568.76	39.29	93.5%
7/1/2026	634.49	597.11	37.38	94.1%	628.72	591.29	37.43	94.0%
7/1/2027	656.95	621.58	35.38	94.6%	649.54	614.11	35.42	94.5%
7/1/2028	676.61	644.55	32.07	95.3%	667.26	635.03	32.23	95.2%
7/1/2029	697.16	667.80	29.36	95.8%	685.43	655.91	29.52	95.7%
7/1/2030	718.29	692.01	26.28	96.3%	703.82	677.38	26.44	96.2%
7/1/2031	739.68	717.04	22.64	96.9%	722.05	699.25	22.80	96.8%
7/1/2032	762.24	743.49	18.75	97.5%	740.99	722.13	18.86	97.5%
7/1/2033	784.93	770.91	14.03	98.2%	759.58	745.44	14.14	98.1%
7/1/2034	808.78	799.86	8.92	98.9%	778.71	769.73	8.99	98.8%
7/1/2035	834.23	830.90	3.33	99.6%	798.83	795.52	3.31	99.6%
7/1/2036	861.14	864.18	(3.04)	100.4%	819.73	822.87	(3.14)	100.4%
7/1/2037	890.39	895.51	(5.12)	100.6%	842.20	851.71	(9.51)	101.1%
7/1/2038	921.05	928.82	(7.77)	100.8%	865.26	882.32	(17.06)	102.0%
7/1/2039	954.63	965.00	(10.37)	101.1%	890.35	915.62	(25.27)	102.8%
7/1/2040	989.82	1,003.53	(13.71)	101.4%	916.14	951.09	(34.96)	103.8%
7/1/2041	1,025.63	1,043.48	(17.85)	101.7%	941.46	987.79	(46.33)	104.9%
7/1/2042	1,061.56	1,084.17	(22.61)	102.1%	967.01	1,025.89	(58.88)	106.1%
7/1/2043	1,099.39	1,126.72	(27.34)	102.5%	994.30	1,066.63	(72.33)	107.3%
7/1/2044	1,139.35	1,171.84	(32.49)	102.9%	1,023.08	1,110.38	(87.30)	108.5%
7/1/2045	1,181.08	1,219.39	(38.31)	103.2%	1,053.34	1,157.24	(103.90)	109.9%
7/1/2046	1,224.14	1,269.03	(44.89)	103.7%	1,084.90	1,207.16	(122.26)	111.3%

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 10, 2016.
All assumptions, including the 8% investment return, are assumed to be met each year in the future.

3/11/2016

Exhibit C

Nebraska State Patrol Retirement System
Current Provisions

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Liability	Unfunded Act. Liab.	Funded Ratio	Member Rate	Employer Rate	Additional Rate	Member Contributions	Employer Contributions	Add'l State Appropriations	Total State
7/1/2015	363,922,631	356,446,471	410,210,579	53,764,108	86.9%	16.00%	16.00%	9.59%	4,547,633	4,547,633	2,725,738	7,273,370
7/1/2016	381,286,041	375,561,164	426,938,105	51,376,941	88.0%	16.00%	16.00%	9.10%	4,705,268	4,705,268	2,676,121	7,381,389
7/1/2017	399,236,383	399,238,120	444,269,356	45,031,235	89.9%	16.00%	16.00%	7.93%	4,861,524	4,861,524	2,409,493	7,271,017
7/1/2018	417,849,840	420,880,306	462,736,875	41,856,569	91.0%	16.00%	16.00%	7.28%	5,070,533	5,070,533	2,307,093	7,377,626
7/1/2019	437,305,693	437,305,693	482,130,329	44,824,635	90.7%	16.00%	16.00%	7.88%	5,262,048	5,262,048	2,591,559	7,853,607
7/1/2020	457,286,326	457,286,326	501,588,580	44,302,254	91.2%	16.00%	16.00%	7.95%	5,391,049	5,391,049	2,678,678	8,069,727
7/1/2021	479,217,642	479,217,642	523,004,347	43,786,705	91.6%	16.00%	16.00%	7.97%	5,564,928	5,564,928	2,772,030	8,336,958
7/1/2022	501,779,451	501,779,451	544,830,217	43,050,766	92.1%	16.00%	16.00%	8.01%	5,742,746	5,742,746	2,874,962	8,617,708
7/1/2023	525,249,501	525,249,501	567,518,626	42,269,125	92.6%	16.00%	16.00%	8.01%	5,966,284	5,966,284	2,986,871	8,953,155
7/1/2024	549,319,730	549,319,730	590,366,067	41,046,337	93.0%	16.00%	16.00%	8.05%	6,140,615	6,140,615	3,089,497	9,230,112
7/1/2025	573,195,094	573,195,094	612,460,998	39,265,904	93.6%	16.00%	16.00%	8.20%	6,240,476	6,240,476	3,198,244	9,438,720
7/1/2026	597,108,791	597,108,791	634,492,984	37,384,193	94.1%	16.00%	16.00%	8.28%	6,403,884	6,403,884	3,314,010	9,717,895
7/1/2027	621,575,372	621,575,372	656,950,527	35,375,155	94.6%	16.00%	16.00%	8.23%	6,636,255	6,636,255	3,413,524	10,049,778
7/1/2028	644,546,250	644,546,250	676,612,232	32,065,982	95.3%	16.00%	16.00%	8.55%	6,639,257	6,639,257	3,547,853	10,187,110
7/1/2029	667,803,274	667,803,274	697,159,700	29,356,426	95.8%	16.00%	16.00%	8.55%	6,915,988	6,915,988	3,695,731	10,611,718
7/1/2030	692,014,649	692,014,649	718,292,040	26,277,391	96.3%	16.00%	16.00%	8.54%	7,210,955	7,210,955	3,848,847	11,059,802
7/1/2031	717,040,425	717,040,425	739,678,351	22,637,926	96.9%	16.00%	16.00%	8.51%	7,497,341	7,497,341	3,987,648	11,484,989
7/1/2032	743,486,723	743,486,723	762,236,975	18,750,252	97.5%	16.00%	16.00%	8.44%	7,862,245	7,862,245	4,147,334	12,009,580
7/1/2033	770,905,867	770,905,867	784,933,520	14,027,653	98.2%	16.00%	16.00%	8.48%	8,165,820	8,165,820	4,327,885	12,493,705
7/1/2034	799,855,187	799,855,187	808,777,061	8,921,874	98.9%	16.00%	16.00%	8.46%	8,532,592	8,532,592	4,511,608	13,044,199
7/1/2035	830,902,377	830,902,377	834,233,865	3,331,488	99.6%	16.00%	16.00%	8.37%	8,955,923	8,955,923	4,685,067	13,640,990
7/1/2036	864,179,468	864,179,468	861,141,987	(3,037,481)	100.4%	16.00%	16.00%	0.00%	9,377,427	9,377,427	-	9,377,427
7/1/2037	895,511,816	895,511,816	890,392,784	(5,119,032)	100.6%	16.00%	16.00%	0.00%	9,859,040	9,859,040	-	9,859,040
7/1/2038	928,821,238	928,821,238	921,053,482	(7,767,756)	100.8%	16.00%	16.00%	0.00%	10,288,008	10,288,008	-	10,288,008
7/1/2039	964,999,448	964,999,448	954,632,611	(10,366,837)	101.1%	16.00%	16.00%	0.00%	10,821,584	10,821,584	-	10,821,584
7/1/2040	1,003,528,979	1,003,528,979	989,819,565	(13,709,414)	101.4%	16.00%	16.00%	0.00%	11,272,048	11,272,048	-	11,272,048
7/1/2041	1,043,478,819	1,043,478,819	1,025,629,368	(17,849,451)	101.7%	16.00%	16.00%	0.00%	11,610,044	11,610,044	-	11,610,044
7/1/2042	1,084,169,638	1,084,169,638	1,061,555,769	(22,613,869)	102.1%	16.00%	16.00%	0.00%	11,915,709	11,915,709	-	11,915,709
7/1/2043	1,126,723,358	1,126,723,358	1,099,388,179	(27,335,179)	102.5%	16.00%	16.00%	0.00%	12,406,567	12,406,567	-	12,406,567
7/1/2044	1,171,837,296	1,171,837,296	1,139,346,638	(32,490,658)	102.9%	16.00%	16.00%	0.00%	12,927,493	12,927,493	-	12,927,493
7/1/2045	1,219,386,524	1,219,386,524	1,181,079,315	(38,307,209)	103.2%	16.00%	16.00%	0.00%	13,439,768	13,439,768	-	13,439,768
7/1/2046	1,269,033,822	1,269,033,822	1,224,141,748	(44,892,074)	103.7%	16.00%	16.00%	0.00%	13,936,529	13,936,529	-	13,936,529
									262,167,581	262,167,581	69,789,791	331,957,372

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 10, 2016.

All assumptions, including the 8% investment return, are assumed to be met each year in the future.

3/11/2016

Exhibit D

Nebraska State Patrol Retirement System
Committee Amendment 2351 to LB 467

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Liability	Unfunded Act. Liab.	Funded Ratio	Member Rate	Employer Rate	Additional Rate	Member Contributions	Employer Contributions	Add'l State Appropriations	Total State
7/1/2015	363,922,631	356,446,471	410,210,579	53,764,108	86.9%	16.00%	16.00%	9.59%	4,547,633	4,547,633	2,725,738	7,273,370
7/1/2016	381,286,041	375,561,164	426,938,105	51,376,941	88.0%	16.03%	16.03%	8.84%	4,714,495	4,714,495	2,599,660	7,314,155
7/1/2017	399,178,908	399,180,645	444,210,659	45,030,014	89.9%	16.07%	16.07%	7.36%	4,882,443	4,882,443	2,236,301	7,118,744
7/1/2018	417,657,289	420,687,755	462,539,990	41,852,235	91.0%	16.10%	16.10%	6.49%	5,100,781	5,100,781	2,056,735	7,157,516
7/1/2019	436,908,600	436,908,600	481,723,975	44,815,375	90.7%	16.13%	16.13%	6.80%	5,303,458	5,303,458	2,236,370	7,539,828
7/1/2020	456,585,657	456,585,657	500,883,817	44,298,160	91.2%	16.17%	16.17%	6.50%	5,448,947	5,448,947	2,190,114	7,639,060
7/1/2021	478,088,809	478,088,809	521,870,967	43,782,158	91.6%	16.21%	16.21%	6.18%	5,638,620	5,638,620	2,149,453	7,788,074
7/1/2022	500,085,717	500,085,717	543,131,625	43,045,908	92.1%	16.26%	16.26%	5.87%	5,834,337	5,834,337	2,106,870	7,941,207
7/1/2023	522,836,101	522,836,101	565,093,726	42,257,625	92.5%	16.29%	16.29%	5.55%	6,073,939	6,073,939	2,069,555	8,143,494
7/1/2024	546,011,851	546,011,851	587,052,198	41,040,347	93.0%	16.34%	16.34%	5.13%	6,269,481	6,269,481	1,968,835	8,238,316
7/1/2025	568,760,328	568,760,328	608,049,580	39,289,252	93.5%	16.40%	16.40%	4.76%	6,396,824	6,396,824	1,856,542	8,253,366
7/1/2026	591,291,359	591,291,359	628,718,657	37,427,298	94.0%	16.46%	16.46%	4.42%	6,586,110	6,586,110	1,769,073	8,355,183
7/1/2027	614,112,305	614,112,305	649,535,470	35,423,165	94.5%	16.50%	16.50%	3.72%	6,843,472	6,843,472	1,542,929	8,386,401
7/1/2028	635,027,691	635,027,691	667,260,270	32,232,579	95.2%	16.61%	16.61%	3.45%	6,890,399	6,890,399	1,431,590	8,321,989
7/1/2029	655,906,763	655,906,763	685,431,483	29,524,720	95.7%	16.64%	16.64%	3.14%	7,194,624	7,194,624	1,357,263	8,551,887
7/1/2030	677,381,299	677,381,299	703,816,921	26,435,622	96.2%	16.68%	16.68%	2.80%	7,517,480	7,517,480	1,261,917	8,779,397
7/1/2031	699,254,924	699,254,924	722,050,995	22,796,071	96.8%	16.72%	16.72%	2.51%	7,835,314	7,835,314	1,176,145	9,011,459
7/1/2032	722,127,716	722,127,716	740,992,229	18,864,513	97.5%	16.75%	16.75%	2.13%	8,228,780	8,228,780	1,046,661	9,275,442
7/1/2033	745,437,844	745,437,844	759,577,170	14,139,326	98.1%	16.79%	16.79%	1.88%	8,568,001	8,568,001	959,484	9,527,485
7/1/2034	769,726,178	769,726,178	778,714,302	8,988,124	98.8%	16.82%	16.82%	1.68%	8,964,445	8,964,445	895,597	9,860,042
7/1/2035	795,520,900	795,520,900	798,831,982	3,311,082	99.6%	16.83%	16.83%	1.41%	9,415,076	9,415,076	788,627	10,203,703
7/1/2036	822,867,962	822,867,962	819,727,725	(3,140,237)	100.4%	16.85%	16.85%	0.00%	9,867,827	9,867,827	-	9,867,827
7/1/2037	851,710,218	851,710,218	842,202,694	(9,507,524)	101.1%	16.86%	16.86%	0.00%	10,374,281	10,374,281	-	10,374,281
7/1/2038	882,321,122	882,321,122	865,257,231	(17,063,891)	102.0%	16.89%	16.89%	0.00%	10,832,430	10,832,430	-	10,832,430
7/1/2039	915,620,866	915,620,866	890,347,626	(25,273,240)	102.8%	16.89%	16.89%	0.00%	11,395,400	11,395,400	-	11,395,400
7/1/2040	951,094,691	951,094,691	916,136,160	(34,958,531)	103.8%	16.92%	16.92%	0.00%	11,884,785	11,884,785	-	11,884,785
7/1/2041	987,785,884	987,785,884	941,456,844	(46,329,040)	104.9%	16.96%	16.96%	0.00%	12,263,409	12,263,409	-	12,263,409
7/1/2042	1,025,893,365	1,025,893,365	967,010,428	(58,882,937)	106.1%	16.99%	16.99%	0.00%	12,672,196	12,672,196	-	12,672,196
7/1/2043	1,066,627,552	1,066,627,552	994,301,770	(72,325,782)	107.3%	16.99%	16.99%	0.00%	13,253,820	13,253,820	-	13,253,820
7/1/2044	1,110,382,385	1,110,382,385	1,023,079,591	(87,302,794)	108.5%	17.00%	17.00%	0.00%	13,838,965	13,838,965	-	13,838,965
7/1/2045	1,157,241,176	1,157,241,176	1,053,340,311	(103,900,865)	109.9%	17.00%	17.00%	0.00%	14,425,029	14,425,029	-	14,425,029
7/1/2046	1,207,161,807	1,207,161,807	1,084,901,917	(122,259,890)	111.3%	17.00%	17.00%	0.00%	15,006,441	15,006,441	-	15,006,441
									274,069,242	274,069,242	36,425,458	310,494,700

This exhibit is an attachment to a letter that contains important information and explanations regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 10, 2016.
All assumptions, including the 8% investment return, are assumed to be met each year in the future.

3/11/2016

APPENDIX D

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UPDATED* Comparison of Omaha and Nebraska School Employees Retirement Systems

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
System Founded	1909	1945
Final Average Salary Formula	1982	1968
Formula Multiplier Factor	1982 – 1.50% 1989 – 1.65% 1992 – 1.70% 1995 – 1.80% 1998 – 1.85% 2000 – 2.00%	1968 – 1.00% or Savings & Service, pay greater 1975 – 1.25% or Savings & Service, pay greater 1982 – 1.50% or Savings & Service, pay greater 1984 – 1.65% or Savings & Service, pay greater 1993 – 1.73% or Savings & Service, pay greater 1996 – 1.80% or Savings & Service, pay greater 1999 – 1.90% or Savings & Service, pay greater 2001 – 2.00% or Savings & Service, pay greater
Benefit Formula	2% of average salary of highest 3 years times years of service 2013 2% of average salary of highest 5 years for members hired after July 1, 2013	2% of average salary of highest 3 years times years of service 2013 2% of average salary of highest 5 years for members hired after July 1, 2013
State Service Annuity	$3.50 per month times years of service paid by the State in addition to the Omaha retirement benefit 2016 Service Annuity eliminated for employees hired after July 1, 2016	$3.50 per month times years of service paid by the State in addition to the Omaha retirement benefit 2002 Service Annuity Fund was merged into the School Retirement Fund to help reduce the Unfunded status of the School Retirement Fund. This merger eliminated the Service Annuity for NSERS members.
Cost of Living Adjustments to Retirement Annuities	Automatic annual COLA of 1.5% of the Omaha benefit. If inflation has been greater than 1.5% then the Board of Education can authorize additional payment no greater than the rate of inflation. 2013 Automatic annual COLA limited to 1.0% for members hired on or after July 1, 2013	Automatic annual COLA of 2.5% of the total benefit. Benefits will not be less than 75% of the purchasing power of the initial benefit. 2013 Automatic annual COLA limited to 1.0% for members hired on or after July 1, 2013
Medical Cost of Living Adjustment	A COLA to assist with medical inflation will be paid commencing after 10 years of retirement, beginning at $10 per month for each year of retirement and increasing by $10 each year of retirement to a maximum of $250 per month. For retirees with less than 20 years of service, the benefit is reduced proportionately. 2016 Medical COLA eliminated for employees hired After July 1, 2016	No medical COLA

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
State Contributions	0.7% of payroll plus amount to pay State Service Annuities 1996 – purchasing power COLA added equals 14.11604% of $6,895,000 ($973,300) 2009 – State contribution increased to 1% of payroll 2014 -- purchasing power COLA of $973,300 ends 2014 -- State contribution increased to 2% of payroll	0.7% of payroll plus amount to pay State Service Annuities 1996 – purchasing power COLA added equals 81.7873% of $6,895,000 ($5,638,937) Payment was dedicated to be paid into the Annuity Reserve Fund 2002 --Service Annuity Fund was merged into the School Retirement Fund to help reduce the unfunded status of the School Retirement Fund. This merger eliminated the Service Annuity for NSERS members 2007 – State contributed additional $12,847,537 for Annual Required Contribution (ARC) 2009 – State contribution increased to 1% of payroll 2013 – purchasing power COLA of $5,638,937 ends 2014 – State contribution increased to 2% of payroll
School District (Employer) Contributions	1951 Employer contributions must be sufficient to maintain the solvency of the system 1999 Employer must contribute the greater of 100% of employee contributions or the amount required to maintain the solvency of the system 2003 additional contribution of $2,316,040 2004 additional contribution of $2,804,300 2005 additional contribution of $3,100,000 2006 additional contribution of $8,434,000 2007 Employer must contribute greater of 101% of employee contributions or amount required to maintain solvency of the system additional contribution of $5,067,000 2008 additional contribution of $3,171,000 2012 OPS and bargaining units agreed to have health insurance premium holiday contribution of $4,330,000 paid to OSERS. 2016 A definition of "solvency" added	1945-1967 None 1967-1976 20% of employee = .70% 1977 45% of employee = 1.57% 1978-1979 55% of employee = 1.92% 1980 58% of employee = 2.03% 1981 41% of employee = 1.43% 1982 45% of employee = 1.57% 1983 53% of employee = 1.85% 1984-1985 100% of employee = 4.80% 1986-1987 101% of employee = 5.45% 1988 101% of employee = 5.45% 1989 101% of employee = 5.96% 1990 101% of employee = 6.24% 1991-1993 101% of employee = 6.58% 1994 101% of employee = 7.81% 1995 101% of employee = 7.33% 1996-2004 101% of employee = 7.32% 2005 101% of employee = 8.06% 2006 101% of employee = 7.91% 2007 101% of employee = 7.32% 2008 101% of employee = 7.36% 2009-2010 101% of employee = 8.36% 2011 101% of employee = 8.97% 2012-present 101% of employee = 9.88%

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Employee Contributions	1909-1950 None 1951 5.00% of first $5,000 1955 3.00% of first $6,000 1962 2.75% of first $6,000 1963 2.75% first $4,800 + 5% of remainder 1966 2.75% first $6,600 + 5% of remainder 1968 2.75% first $7,800 + 5% of remainder 1976 2.75% first $7,800 + 5.25% of remainder 1982 4.90% of all pay 1989 5.80% 1995 6.30% 2007 7.30% 2009 8.30% 2011 9.30% 2013 9.78%	1945-1966 5% of first $2,400 mandatory with a voluntary ceiling of $3,600 1967-1983 3.50% of all pay 1984-1985 4.80% of all pay 1986-1987 5.40% of all pay 1988-1995 49.75% of the actuarially determined funding rate 1988 5.40% 1989 5.90% 1990 6.18% 1991-1993 6.52% 1994 7.73% 1995 7.26% 1996-2004 7.25% 2005 7.98% 2006 7.83% 2007 7.25% 2008 7.28% 2009-2010 8.28% 2011 8.88% 2012 9.78%
Employer "Pick Up" Date	January 1, 1985	January 1, 1986
Unfunded Actuarial Liability (UAL)	Amortized over not more than 30 years. Employer has statutory duty to maintain OSERS solvency however, OSERS has been operated on the basis of approximately equal employee and employer contributions	Amortized over not more than 30 years, paid for by State of Nebraska
UAL of State Service Annuity	Amortized over not more than 30 years, paid for by State of Nebraska	
Membership	Mandatory. All regular full-time employees with minimum of 30 hours per week.	Mandatory. All full and part-time employees with minimum of 15 hours per week. Effective July 1, 2013, part-time employees with minimum of 20 hours per week.
Service Years Counted	1/10 year increments, based on 1,000 hours per fiscal year	1/1000 year increments based on 1,000 hours per fiscal year
Vesting	5 years OPS service	5 years of service or at least age 65 with one-half year of service. 2016 Vesting with one-half year service is eliminated for employees hired after July 1, 2016.

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Compensation Capping	There are no provisions governing compensation capping. 2015 LB 446 imposes 8% cap.	1999 Annual increases in compensation taken into account for purposes of calculating retirement benefits capped at 10% per year in each of the 5 years preceding retirement, with certain exceptions. 2005 Cap on annual increases in compensation taken in account for purposes of calculating retirement benefits reduced from 10% to 7% with certain exceptions. 2012 Cap on annual increases in compensation taken in account for purposes of calculating retirement benefits increased from 7% to 9% with no exceptions. 2013 Cap on annual increases in compensation used in calculating retirement benefits was reduced from 9% to 8%.
Purchase of Service	For public school service outside of Omaha Public Schools, purchase limited to amount of service forfeited – up to 10 years. Member pays their contribution on salary earned at other public school, with accrued interest. Full payment must be received within 5 years of employment with OPS. For previously refunded OPS service, member may repurchase all previously forfeited time. Member pays the amount of the refund they received upon withdrawal, with accrued interest. Full payment must be received within 5 years of reemployment with OPS. After 10 years of OPS service, an additional 5 years of service may be purchased. Member pays actuarial cost of benefit attributable to additional service. Full payment must be received within 5 years of election to purchase additional service.	For public service outside of Nebraska or with OPS, purchase limited to amount of service forfeited – up to 10 years. Members pay actuarial cost for additional service credit. Full payment must be received within 5 years of election to purchase or prior to termination – whichever occurs first. For previously refunded service, the member pays the amount of the refund received plus the actuarial assumed rate of return. Timeframes for repayment vary between 5 or 6 years from re-employment or election to repay. An additional 5 years of service may be purchased if, at the time of purchase, agree in writing to retire within 12 months. If member does not retire within 12 months, purchase canceled and payments returned. Must pay actuarial cost for additional service credit.
Return-to-work Post Retirement	Board Policy 4.26 adopted 1/22/2014 The Board of Education shall not re-employ in any capacity individuals who have retired unless such employment is: 1) more than 180 days following retirement; 2) bona fide unpaid voluntary service; 3) temporary service following a bona fide separation from service of not less than 30 days; or 4) substitute service.	Member not deemed terminated if subsequently provide service to any employer in the NSERS within 180 calendar days after ceasing employment unless service is voluntary or substitute and provided on an intermittent basis. If return prior to 180 calendar days, benefit will stop and member must repay any retirement benefits received with interest. After 180 calendar days, return as new employee. Contributions withheld and receive service credit. Will continue to receive retirement benefit.

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Normal Retirement	Age 65 or greater with at least 5 years of service.	Age 65 or greater at termination with at least one-half year of service. 2016 Vesting with one-half year service is eliminated for employees hired after July 1, 2016.
Early Retirement	Age 55 with 10 years of service (minimum of 5 years of service in OPS. Between ages 55 and 62 (or prior to when the sum of age and service equals 85) benefits are reduced 3% per year. With the rule of 84, the reduction is 3%; Rule of 83 it is 6%; Rule of 82, it is 9%. Unreduced at age 55 or greater when age plus service equals or exceeds 85 – Rule of 85. Unreduced Omaha benefits at age 62. 2016 Unreduced at age 65 for employees hired after July 1, 2016.	Age 60 with 5 years of service. At any age with 35 years of service. Between ages 60 and 65 (or prior to when the sum of age and service equals 85) benefits are reduced 3% per year. If a member has 36 or more years of service and chooses to retirement prior to age 55, benefits are reduced according to normal actuarial tables. Unreduced benefits at age 65.
Retention of Disability Benefits	To be eligible for disability retirement benefits a member must be totally and permanently disabled from continued employment. Therefore, a member who is found to be engaging in gainful employment would not be in compliance with the statutory definition of disabled and disability benefits would cease. When a member reaches age 65, the disability benefit changes to normal retirement and gainful employment is not an issue.	2009 Members receiving a disability retirement allowance permitted to retain benefits if working less than 15 hours per week. 2013 Members receiving a disability retirement allowance permitted to retain benefits if working less than 20 hours per week. 2016 Eliminated ability for members to work while receiving disability retirement benefit
Pre-retirement Joint and Survivorship	If an active member dies after 20 years of creditable service, that member's primary beneficiary (any age if spouse or for any other person if his/her adjusted age is no more than ten years less than the attained age of the member) will automatically receive a lifetime survivorship annuity. If the primary beneficiary does not qualify or if the primary beneficiary requests, a lump sum refund of the employee's contributions plus interest will be made. Adjusted age is the joint annuitant's attained age plus the number of years, if any, by which the member's attained age is younger than seventy (IRS regulations).	If an active member dies after age 65 or after acquiring 20 years of creditable service, that member's spouse (if sole primary beneficiary) may choose to receive a lifetime annuity (if NSERS is notified of the death within one year) or a refund of the members contributions plus accumulated interest, and the employer/school districts 101% contributions

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Retirement Options		Lifetime annuity to the member
		Lifetime annuity to the member with a refund of unpaid accumulated savings account at death
	Option "A" Lifetime annuity to the member with a guarantee of no fewer than 60 monthly payments if death occurs sooner	Lifetime annuity to the member with a guarantee of no fewer than 60 monthly payments if death occurs sooner
		Lifetime annuity to the member with a guarantee of no fewer than 120 monthly payments if death occurs sooner
	Lifetime annuity to the member with a guarantee of no fewer than 120 monthly payments if death occurs sooner	Lifetime annuity to the member with a guarantee of no fewer than 180 monthly payments if death occurs sooner
	Lifetime annuity to the member with identical annuity continuing for the lifetime of the joint annuitant at death of the member	Lifetime annuity to the member with identical annuity continuing for the lifetime of the joint spouse annuitant at death of the member
	Lifetime annuity to member with 75% of annuity continuing for the lifetime of the joint annuitant at death of the member	Lifetime annuity to member with 75% of annuity continuing for the lifetime of the joint spouse annuitant at death of the member
	Lifetime annuity to member with 50% of annuity continuing for the lifetime of the joint annuitant at death of the member	Lifetime annuity to member with 50% of annuity continuing for the lifetime of the joint spouse annuitant at death of the member
	Lifetime annuity during the life of the joint annuitant shifting at the death of the joint annuitant, to the Option "A" annuity benefit amount for the remaining lifetime of the member	Lifetime annuity to member with 50% of annuity continuing for the life of the non-spouse annuitant at death of member

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Benefit Administration	Ten member Board of Trustees appointed by the Omaha Public School Board of Education composed of: 1 Superintendent of Schools 3 Board of Education members 2 Certificated employees 1 Classified employee 1 Retiree 2 Business Community members 2016 Board membership reduced from 10 members to 7 members. The school board members are eliminated. Membership elects each of its board members. Membership composed of: 1 Superintendent of Schools—ex officio voting 2 Certificated employees 1 Non-certificated employee 1 Retiree 2 Business Community members recommended by Trustees and approved by Board of Education	Eight member Board appointed by the Governor. Members representing retirement systems may be active or retired. 1 School Administrator System member 1 School Teacher System member 1 Judge System member 1 State Patrol System member 1 County System member 1 State Employees System member 2 Public members, not employees of the State or any political subdivision 1 State Investment Officer – ex officio non-voting
2016 Membership	**Total – 12,728** Includes 7,393 active; 984 deferred vested and 4,351 retired/beneficiaries	**Total – 85,331** Includes 42,482 active; 9,120 inactive and 21,836 retired/beneficiaries
Investment Administration	The Board of Trustees contracts with numerous professional fund management firms to manage a broadly diversified investment portfolio. Effective January 1, 2017 investment authority is transferred from the board of trustees and school board to the Nebraska Investment Council and SIO	The Nebraska Investment Council manages a diversified investment portfolio.
Portfolio Returns And Funding Status	**2014** / **2015** **3 year** 9.6% / 6.3% **5 year** 12.6% / 7.8% **10 year** 6.2% / 6.2% **Funding Status** 73% / 74%	**2014** / **2015** **3 year** 10.3% / 11.6% **5 year** 13.6% / 11.8% **10 year** 7.5% / 7.7% **Funding Status** 83% / 88%

*2016 Updates are pursuant to passage of LB 447

Updated: April 2016
Kate Allen, Retirement Committee Legal Counsel