

# NEBRASKA RETIREMENT SYSTEMS COMMITTEE

## 2020 SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE  
*One Hundred Sixth Legislature, Second Session*

### Committee Members

Senator Mark Kolterman, Chairman  
Senator Brett Lindstrom, Vice-Chairman  
Senator Kate Bolz  
Senator Mike Groene  
Senator Rick Kolowski  
Senator John Stinner

### Committee Staff

Kate Allen, Committee Legal Counsel  
Katie Quintero, Committee Clerk



# TABLE OF CONTENTS

---

	PAGES
I. NUMERICAL BILL INDEX	1
II. BILLS LISTED BY RETIREMENT PLAN & AGENCY	1-2
III. STATUS OF RETIREMENT BILLS	3
IV. SUMMARY OF RETIREMENT BILLS	4-7
V. BILLS MONITORED IN OTHER COMMITTEES THAT IMPACT RETIREMENT SYSTEMS	8-10
VI. BILLS, CONFIRMATIONS & REPORTS STATUS CHART	II
VII. INTERIM STUDY RESOLUTIONS	12-15
VIII. APPENDICES	

## Appendix A

January 28, 2020 letter from Cavanaugh Macdonald Actuarial Services on LB 1054, which indicates no funding impact

## Appendix B

Memo from Senator Mark Kolterman explaining Rule 5 (15) requirement and application of this rule to LB 643, which includes an e-mail from Pat Beckham, Cavanaugh Macdonald actuary declaring no funding impact



# I. Numerical Bill Index

---

- LB 683 (Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members
- LB 706 (Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act
- LB 1054 (Kolterman) Define the required beginning date and change deferment of payment provisions under certain retirement plans

## II. Bills Listed by Retirement Plan or Agency

---

### CLASS V (OMAHA) SCHOOL EMPLOYEES RETIREMENT ACT

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

### COUNTY EMPLOYEES RETIREMENT ACT

- LB 1054 (Kolterman) Define the required beginning date and change deferment of payment provisions under certain retirement plans

### JUDGES RETIREMENT ACT

- LB 1054 (Kolterman) Define the required beginning date and change deferment of payment provisions under certain retirement plans

### NEBRASKA STATE PATROL RETIREMENT ACT

- LB 1054 (Kolterman) Define the required beginning date and change deferment of payment provisions under certain retirement plans

PUBLIC EMPLOYEES RETIREMENT BOARD

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

SCHOOL EMPLOYEES RETIREMENT ACT

LB 1054 (Kolterman) Define the required beginning date and change deferral of payment provisions under certain retirement plans

STATE EMPLOYEES RETIREMENT ACT

LB 1054 (Kolterman) Define the required beginning date and change deferral of payment provisions under certain retirement plans

### III. Status of Retirement Bills

---

#### ENACTED

LB 1054 (Kolterman) Define the required beginning date and change deferral of payment provisions under certain retirement plans

#### CARRYOVER BILLS -- DIED AT THE END OF SESSION WITHOUT ACTION

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

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

## IV. Summary of Retirement Bills

---

### ENACTED

#### LB 1054e

Status: Approved by the Governor – July 24, 2020

Operative Date: July 25, 2020

Plan/Agency: County Employees  
Judges  
School Employees  
State Patrol  
State Employees

Repeals/Amends: 23-2301, 23-2315, 23-2317, 23-2319, 24-701, 24-708, 79-902, 79-932, 81-2014, 81-2025, 84-1301, 84-1317, 84-1319, 84-1320

#### Suspension of Legislative Rule 5, subsection 15(a)

Legislative Rule 5, Section 15 restricts the introduction of retirement bills under specific circumstances. The purpose of this Rule, according to the legislative history, is to place restrictions on when legislation may be introduced if the bill proposes changes to the basic structure of a retirement plan system. An additional purpose of this Rule is to require that an actuarial study is conducted and distributed to the members of the Legislature for consideration if the proposed structural or benefit change will impact the funding of the plan.

The text of Rule 5, Section 15(a) states:

(a) Commencing with the 1997 legislative session, any bill proposing a structural change which impacts the benefits or funding status provided under a public retirement plan, or any bill proposing the creation of a new public retirement plan, shall be introduced only during the first ten days of a 90 day session.

On January 21, 2020, Chairman Senator Kolterman filed a Motion to Suspend Legislative Rule 5, subsection 15(a) in order to introduce this bill. The Motion was approved.

#### Bill Summary

LB 1054 updates state-administered retirement statutes to comply with new provisions under the Setting Every Community Up for Retirement Enhancement (SECURE) Act passed by Congress and signed into law December 20, 2019 as part of the federal government spending bill.



Under the Internal Revenue Code, retirement plan members are required to take a distribution, called a “required minimum distribution” (RMD) from the member’s retirement account when two criteria are satisfied:

- (1) The member terminates employment from the employer who provides the retirement plan and
- (2) The member reaches a certain age.

Prior to the passage of the SECURE Act, the Internal Revenue Code set the RMD age at 70 1/2 . The SECURE Act changes the standard as follows:

- Anyone who turned 70 ½ before January 1, 2020 will continue to have an RMD age of 70 ½.
- Anyone who turned 70 ½ on or after January 1, 2020 will have an RMD age of 72.

The rationale for delaying the RMD requirement is recognition that individuals are working longer and also living longer. Delaying the age at which a distribution must be taken, delays the age at which a taxpayer must pay taxes on the pension distribution. LB 1054 is a technical change that brings the state-administered retirement plans in line with the new federal law.

There were no Committee Amendments.

#### Legislative Rule 5, subsection 15 – actuarial cost study

Under Legislative Rule 5, subsection 15, no bill proposing a structural change which impacts the benefits or funding status may be enacted until an actuarial study has been conducted to determine the cost of the proposed changes.

The Retirement Committee requested analysis by the actuary, Cavanaugh Macdonald. The analysis has been distributed to each of you. The actuary has concluded that:

“Extending the required minimum distribution age from 70 ½ to age 72 is not expected to have a cost impact on any of the defined benefit plans administered by the Public Employees Retirement Board. There is some chance the change will extend the actual retirement age for certain inactive vested members, and if this occurs, it would have a positive impact on the systems funding. However, the amount of liability involved is small and we would not expect any funding improvement to be material.”

*[SEE APPENDIX A – January 28, 2020 letter from Cavanaugh Macdonald Actuarial Services on LB 1054 which concluded no funding impact.]*

## CARRYOVER BILLS DIED AT END OF 2020 SESSION

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

#### Summary

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

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

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

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

6. Estimates of the effect of the lump sum option on the current and projected actuarial liabilities and funded ratio of the OSERS Plan

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

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

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

Hearing was held on March 19

PROPOSERS: None

OPPOSERS: None

NEUTRAL:

Jason Hayes, Nebraska State Education Association

Cecelia Carter, Omaha School Employees Retirement System

Orron Hill, Nebraska Public Employees Retirement Systems

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

### **Summary**

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

Hearing was held on March 19

PROPOSERS: None

OPPOSERS:

Jason Hayes, Nebraska State Education Association

NEUTRAL: None

## V. Bills Monitored in Other Committees that Impact Retirement Systems

---

### LB 363 (M. Hansen) Adopt the In the Line of Duty Compensation Act

#### Business & Labor Committee

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

The Retirement Committee worked with NPERS, the League of Municipalities and the cities of Lincoln and Omaha to provide any necessary language to the Business & Labor Committee to clarify that compensation paid under the Act was not considered compensation for purposes of calculating a retirement benefit. The bill was held in the Business and Labor Committee. No action taken by the Business & Labor Committee. The bill died in Committee at the end of the session.

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

#### Judiciary Committee

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

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

Senator Wayne was advised that this bill would impact the benefit and structure of retirement plans and therefore Legislative Rule 5 (15) was triggered which requires an actuarial cost study to be completed before a vote could be taken on Final Reading. Because of a number of issues raised, Senator Wayne asked the Judiciary Committee to hold the bill in Committee pending further discussion. No action taken by the Judiciary Committee. The bill died in Committee at the end of the session.

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

## Judiciary Committee

LB 643 heard in the Judiciary Committee, provides that the death or disability of a firefighter or firefighter-paramedic due to breast cancer or ovarian cancer is prima facie evidence that the death or disability was caused while in the line of duty. LB 643 was advanced to General File in 2019 and enacted in 2020.

### Comment:

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

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

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

*[SEE APPENDIX B – Memo from Senator Mark Kolterman explaining Rule 5 (15) requirement and application of this rule to LB 643 which includes an e-mail from Pat Beckham, Cavanaugh Macdonald actuary concluding no funding impact.]*

**LB 806 (Wayne) Exempt social security benefits and retirement benefits from taxation as prescribed**

Revenue Committee

For taxable years beginning on or after 1/1/2021, federal adjusted gross income would be reduced by amounts received as (a) benefits under Social Security; (b) retirement benefits under 401(a) or 403(a) qualified retirement plans; (c) retirement benefits from OSERS, the County, Judges, Patrol, School and State Retirement Plans; retirement benefits from US Civil Service or Federal Employees Retirement System; and military retirement benefits.

The Fiscal Note impact estimates lost revenue of approximately \$160 million in FY 20/21, \$393 million in FY 20/22, \$414 million in FY 22/23 and \$436 million in FY 23/24. The bill died in Committee at the end of the session.

**LB 1063 (LaGroene) Change provisions relating to the State Treasurer and treasury management**

Banking, Commerce & Insurance Committee

LB 1063 changes a number of provisions of the statutes related to the State Treasurer's duties. Section 23 possibly impacts NPERS by allowing the State Treasurer to collect payments for accounting services for receipt of funds provided on behalf of another state agency. The bill died in Committee at the end of the session.

**LB 1108 (Gragert) Change provisions relating to property under the Uniform Disposition of Unclaimed Property Act, the School Employees Retirement Act, and the Uniform Residential Landlord and Tenant Act**

Banking, Commerce & Insurance Committee

LB 1108 shortens the time before property may be sent to Unclaimed Property from 6 years to 3 years. Section 13 amends the School Plan 5-year provision language in 79-956 and changes it to three years. The bill died in Committee at the end of the session.

## VI. Bills, Confirmations & Reports Status Chart

LB #	SUBJECT	STATUS
LB 1054	(Kolterman) Define the required beginning date and change deferment of payment provisions under certain retirement plans	Enacted
<b>CARRYOVER RETIREMENT COMMITTEE BILLS</b>		
LB 683	(Kolterman) Provide for a work plan under the Class V School Employees Retirement Act relating to a one-time lump sum payment to certain retirement system members	IPP End of Session
LB 706	(Lindstrom) Authorize a one-year freeze of cost-of-living adjustments under the Class V School Employees Retirement Act	IPP End of Session
<b>BILLS IN OTHER COMMITTEES THAT IMPACT RETIREMENT SYSTEMS</b>		
LB 363	(M. Hansen) Adopt In Line of Duty Compensation Act	IPP End of Session
LB 490	(Wayne) Consolidate offices of clerk of the district court and clerk magistrates	IPP End of Session
LB 643	(McDonnell) Change death and disability-related prima facie evidence provisions relating to emergency responders	Enacted
LB 806	(Wayne) Exempt social security benefits and retirement benefits from taxation as prescribed	IPP End of Session
LB 1063	(Lindstrom) Change provisions relating to the State Treasurer and treasury management	IPP End of Session
LB 1108	(Gragert) Change provisions relating to property under the Uniform Disposition of Unclaimed Property Act, the School Employees Retirement Act and the Uniform Residential Landlord and Tenant Act.	IPP End of Session
<b>CONFIRMATION HEARINGS</b>		
	Kelli Ackerman, PERB, School Administration representative	Confirmed
	Michael Jahnke, PERB, State Patrol representative	Confirmed
	Allen Simpson, PERB, State Employee representative	Confirmed
	John Dinkel, NIC	Confirmed
<b>PRESENTATION OF ANNUAL REPORTS</b>		
	Nebraska Public Employees Retirement Systems	April 8, 2020
	Nebraska Investment Council	April 8, 2020

## VII. Interim Study Resolutions

---

### LR 314

Introduced by Senator Kolterman

PURPOSE: Under Neb. Rev. Stat. 84-1503(4)(a) the Public Employees Retirement Board is required to obtain an experience study, at least every four years, of the retirement systems administered by the Board. The retirement systems administered by the Board include the County Employees, Judges, Schools, Nebraska State Patrol and the State Employees. The next experience study is scheduled this year, 2020.

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

1. That upon completion of the experience study of the retirement systems, the results of the experience study shall be presented to the Nebraska Retirement Systems Committee at a public hearing.
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 315

Introduced by Senator Kolterman

PURPOSE: Under Neb. Rev. Stat. 84-1503(2)(h) the Public Employees Retirement Board is required to obtain auditing services for a separate compliance audit of the state-administered retirement systems to be completed by December 31, 2020. The compliance audit is to include, but not be limited to, an examination of records, files, and other documents and an evaluation of all policies and procedures to determine compliance with all state and federal laws.

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

1. That upon completion of the compliance audit of the retirement systems, the results of the compliance audit shall be presented to the Nebraska Retirement Systems Committee at a public hearing.
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 316

Introduced by Senator Kolterman

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

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

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

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

## LR 317

Introduced by Senator Kolterman

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

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

1. That the Nebraska Retirement Systems Committee is designated to conduct an interim study to carry out the purposes of this resolution.
1. 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 318

Introduced by Senator Kolterman

**PURPOSE:** The purpose of this interim study is to review progress in complying with sections 79-9,120 to 79-9,123, which require the Public Employees Retirement Board, in consultation with the Nebraska Retirement Systems Committee, Omaha School Employees Retirement System, Omaha Public Schools and other stakeholders, to prepare a work plan that identifies the tasks, process, costs and timeline involved in transferring management of the Omaha School Employees Retirement System plan to the Public Employees Retirement Board. The work plan must be completed and submitted to the Legislature by June 30, 2020 and shall include:

1. A comparison of the annual Omaha School Employees Retirement System administration costs to the estimated cost for the Nebraska Public Employees Retirement System to manage the Omaha School Employees Retirement System plan.
2. The identification of the necessary tasks and costs to transfer management from the Omaha School Employees Retirement System to the Nebraska Public Employees Retirement System including assessment of the following categories:
  - (a) Administration
  - (b) Actuarial service
  - (c) Accounting
  - (d) Computer infrastructure
  - (e) Information technology
  - (f) Member data and record transfer
  - (g) Necessary statutory changes
  - (h) Staff training and assessment of staffing needs; and
  - (i) Educational and communication plans to fully inform all system stakeholders and affected governmental entities regarding management change
3. Educational and communication plans to fully inform all system stakeholders and affected governmental entities regarding management changes; and
4. Establishment of timelines for completion of identified tasks.

The management transfer is not to include a merger or consolidation of the Omaha School Employees Retirement System with the School Plan nor is it include assumption of liability for the unfunded balance by the State of Nebraska, the Nebraska Public Employees Retirement System or the Public Employees Retirement Board.

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

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

## LR 398

Introduced by McDonnell

PURPOSE: The purpose of this interim study is to examine retirement benefits for law enforcement employees in all counties, except counties containing a city of the metropolitan class, and all cities and villages, except cities of the metropolitan class. The study shall examine the average retirement benefits for such law enforcement officers and compare such average retirement benefits to the retirement benefits for law enforcement officers in other states. The study shall consider any federal policies, including, but not limited to, the federal Healthcare Enhancement for Local Public Safety Retirees Act, as included in the Pension Protection Act of 2006, and any additional contributions allowable by employees and employers to enhance law enforcement retirement benefits.

The study shall examine issues as they relate to the funding needs, benefits, contributions, and policies of retirement systems for such law enforcement officers.

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

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

[This page left intentionally blank]

## VIII. APPENDICES

---



# APPENDIX A

---







AUG 11 REC'D

## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

January 28, 2020

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

### **Re: Changes to the Required Minimum Distribution Requirements**

Dear Randy:

At your request, this letter is written to summarize our conversation regarding the impact of changes to the required minimum distribution requirements included in the SECURE Act, *Setting Every Community Up for Retirement Enhancement*, recently signed by the President. Although the SECURE Act contained numerous provisions intended to strengthen retirement security and savings in the United States, this letter only addresses the impact of the extension of the age for required minimum distributions (RMD) from age 70.5 to age 72. The retirement plans sponsored by the Nebraska Public Employee Retirement System are qualified retirement plans and, therefore, are subject to the RMD requirements.

Previously, participants in all qualified plans, including both defined benefit and defined contribution plans, had to withdraw required minimum distributions (RMD) in the year they turned age 70.5 or commence monthly incomes unless they were actively working. The 70.5 age requirement was based on life expectancies in the early 1960s and had not been updated since that time. The SECURE Act increases that age to 72. However, members who turned age 70.5 in 2019 are still required to withdraw their required minimum distributions for 2019 and continue to take RMDs in future years.

### **School, Patrol and Judges Plans**

Due to their traditional "final average pay" plan design, distributions under these plans are generally monthly benefits payable for the lifetime of the member. If RMDs are required, it simply forces the member to start receiving their monthly benefit, i.e., there are no lump sum distributions payable as RMDs. In the valuation, it is assumed all members will commence receiving their benefit by age 70. To the extent a member is actually beyond age 70, they are valued as if they will start receiving benefits immediately. Therefore, the change to the RMD age will have no cost impact on the results of the annual actuarial valuation.

3802 Raynor Pkwy, Suite 202, Bellevue, NE 68123  
Phone (402) 905-4461 • Fax (402) 905-4464  
[www.CavMacConsulting.com](http://www.CavMacConsulting.com)  
Offices in Kennesaw, GA • Bellevue, NE



Mr. Randy Gerke

January 28, 2020

Page 2

To the extent the changes in the SECURE Act impact the actual member behavior and result in benefit commencement dates that are later (age 72 versus age 70.5), it will have a positive impact on the System's funding. If the member is an inactive vested member, the amount of their benefit does not change with a later retirement age so deferring the commencement of the benefit will result in a lower liability. Under the prior law and current law, active members are not required to start receiving benefits until they stop working so the new federal legislation has no impact on that group of members.

### **State and County Cash Balance Plans**

The member's benefit in the Cash Balance Plans is based on their account balance and at retirement a member may elect to receive benefits as either monthly income, lump sum or a combination of both. For inactive vested members, a distribution will now be required once they reach age 72 (currently 70.5). That distribution can be made in the form of monthly income or based on the value in their cash balance account (treated more like a defined contribution plan). Again, in the valuation all inactive vested members are assumed to immediately take a full refund of their account balance so the change in the RMD age would have no impact on the Plans' funding. In actual practice, if the new law changes the behavior of inactive members and distributions from the State or County Cash Balance Plan are delayed, the Plans will have the funds and, at least theoretically, earn more investment income on the plan assets than is credited to the members' account balances. This situation, if it occurs, would serve to improve the Plans' funded status, assets would grow more than liabilities. Of course, in reality the actual earnings could also be lower than the interest credited to the cash balance accounts which would then reduce the Plans' funded status.

### **Conclusions**

Extending the required minimum distribution age from age 70.5 to age 72 is not expected to have a cost impact on any of the defined benefit plans administered by the Public Employees Retirement Board. There is some chance the change will extend the actual retirement age for certain inactive vested members, and if this occurs, it would have a positive impact on the systems funding. However, the amount of liability involved is small and we would not expect any funding improvement to be material.

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

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

Sincerely,

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

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

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

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

# APPENDIX B

---



MEMO

TO: Senators  
FROM: Senator Mark Kolterman, Chair of Nebraska Retirement Systems Committee  
DATE: February, 2020  
RE: LB 643 and actuarial analysis requirements under Legislative Rule 5 (15)

Senator McDonnell's bill, LB 643, was heard by the Judiciary Committee and advanced to General File last session. It was carried over and on January 30, 2020, advanced to Select File.

It proposes to add breast and ovarian cancer to the list of cancers where a firefighter or firefighter-paramedic who dies or is disabled as a result of the disease, is considered prima facie evidence that the death or disability was in the line of duty.

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

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

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

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

Steve,

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

If you need a letter, please let me know if it should be addressed to you, as the union president, or to Senator Kolterman, as chair of the Retirement System Committee. I'll try to move it along quickly, but I am out this Friday and next Monday so it would be nice to have a week to pull the letter together if that works with the legislative calendar. If not, please advise.

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

Thanks,

Pat

Pat Beckham, MAAA, EA, FSA, FCA  
Principal and Consulting Actuary  
Cavanaugh Macdonald Consulting LLC  
3802 Raynor Parkway, Suite 202  
Bellevue, NE 68123  
Phone: (402) 905-4461  
Cell: (402) 630-4122  
Fax: (402) 905-4464  
[patb@cavmacconsulting.com](mailto:patb@cavmacconsulting.com)  
[www.cavmacconsulting.com](http://www.cavmacconsulting.com)