

ONE HUNDRED THIRD LEGISLATURE - SECOND SESSION - 2014
COMMITTEE STATEMENT
LB759

Hearing Date: Wednesday January 22, 2014
Committee On: Nebraska Retirement Systems
Introducer: Mello
One Liner: Require annual reports from various defined benefit retirement plans

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:
Aye: 6 Senators Conrad, Davis, Karpisek, Kolowski, Mello, Nordquist
Nay:
Absent:
Present Not Voting:

Proponents:
Senator Heath Mello
Dick Clark

Representing:
Introducer
Platte Institute

Opponents:

Representing:

Neutral:
Gary Krumland

Representing:
League of Nebraska Municipalities

Summary of purpose and/or changes:

LB 759 requires any governing entity that offers a defined benefit plan, to file a report with the Nebraska Retirement Systems Committee if the most recent actuarial valuation report indicates that (1) the contributions do not equal the actuarial requirement for funding or (b) the funded ratio of the plan is less than eighty percent. The annual reporting requirement begins November 1, 2014 and continues each November 1 thereafter.

The report must include, at a minimum, an analysis of the future benefit changes, contribution changes, or other proposed corrective action to improve the plan's funding condition. The Nebraska Retirement Systems Committee may require the entity to present the report to the Committee at a public hearing.

The bill amends existing reporting requirements for governmental subdivisions that have current defined benefit plans by requiring such governmental subdivisions to file annual actuarial reports rather than quadrennial actuarial reports.

Explanation of amendments:

AM2140 adds several clarifying amendments to LB 759, incorporates LB 929 as amended, and LB 713, LB 918, and LB 977.

LB 759 clarifying amendments:

(1) clarifies that only those political subdivisions that offer a defined benefit plan open to new members on January 1,

2004 are required to notify the Nebraska Retirement Systems Committee on or before November 1, 2014 that it offers such a plan;

(2) clarifies that all political subdivisions that offer such a plan must file a copy of the most recent actuarial valuation report with the Committee on or before November 15, 2014 and each November 15 thereafter;

(3) changes the filing date to November 15, 2014 and each November 15 thereafter for the report filed with the Committee detailing analysis of future changes or other proposed corrective action;

(4) authorizes the Auditor of Public Accounts to audit, or caused to be audited, the political subdivision at the political subdivision's own expense, if the political subdivision does not file the required reports by November 15 of each year;

(5) adds a definition for political subdivision;

(6) adds language to Auditor of Public Accounts statute authorizing Auditor to audit or cause to be audited, any political subdivision that does not comply with the reporting requirements of this act;

(7) clarifies within each of the specified political subdivision sections of statute that: (a) the reporting requirement only applies to defined benefit plans that were open to new members on January 1, 2004; and (b) if the entity does not submit the required reports within six months of the plan year, the Auditor of Public Accounts may audit, or caused to be audited, the political subdivision at the political subdivision's own expense. Specified political subdivision statutes that are amended include: Nebraska Association of Resource Districts, Wyuka Cemetery, Metropolitan Cities, Metropolitan Transit Authority, Metropolitan Utility District, Primary Class Cities, First Class City Police Officers Retirement Act, First Class City Firefighters Retirement Act, First and Second Class Cities and Villages, Counties not participating in the County Employees Retirement Act (Douglas, Sarpy and Lancaster Counties), County Medical and Multi-unit Facilities, and Local Boards of Health.

LB 929 as amended:

It amends the city of the first class police and firefighter retirement acts to define the term sex-neutral basis. The definition allows a city to use either the insurance or annuity tables when they are available, or a formula to find sex-neutral payouts when the tables are not available.

It also clarifies that when a retiree requests the averaging of three different estimates, all estimates have to use the same calculation method. All calculations must be based on products that are available for purchase in Nebraska.

LB 713

Under the Nebraska Capital Expansion Act, banks, capital stock financial institutions, and qualifying mutual financial institutions are currently eligible to obtain time deposit open accounts in the amount of \$1 million from funds available for investment by the State Investment Officer. Under LB 713, if the total amount of funds offered are not accepted, the State Investment Officer is authorized to re-offer the balance of the funds in an amount not to exceed each entity's pro rata share of the remaining funds, or \$5 million, whichever is less.

LB 918

The County and State Employees Retirement Acts require a stable return account to be offered as an investment option to participants in the defined contribution plans. The statute specifies that the stable return account is to be invested by the State Investment Officer in one or more guaranteed investment contracts. LB 918 removes this limitation and grants the State Investment Officer more flexibility that provides capital preservation and consistent, steady returns.

LB 977

Retirement or pension funds of most political subdivisions must be invested with corporate trustees according to the prudent person rule pursuant to section 30-3209. Investments are restricted to bonds, stocks of certain companies, or other commercial paper. Subsection (2) of the statute contains an exception for the city of the metropolitan class, a metropolitan utilities district and a county in which a city of the metropolitan class is located. These exempted retirement plans can offer investment in any fund, as long as it is a prudent investment. LB 977 adds a city of the primary class and public power districts to the list of exempt entities and also allows exempt entities to use a custodian to hold the funds of the plan.

Jeremy Nordquist, Chairperson