

ONE HUNDRED SEVENTH LEGISLATURE - FIRST SESSION - 2021
COMMITTEE STATEMENT
LB17

Hearing Date: Wednesday January 27, 2021
Committee On: Nebraska Retirement Systems
Introducer: Kolterman
One Liner: Change actuarial valuation and amortization provisions for certain state retirement systems

Roll Call Vote - Final Committee Action:

Advanced to General File with amendment(s)

Vote Results:

Aye: 6 Senators Clements, Kolterman, Lindstrom, McDonnell, Slama, Stinner
Nay:
Absent:
Present Not Voting:

Oral Testimony:

Proponents:

Tyler Mahood
Randy Gerke

Representing:

Introducer for Senator Kolterman
Nebraska Public Employee Retirement Systems, Nebraska
Public Employee Retirement Board

Opponents:

Representing:

Neutral:

Representing:

Summary of purpose and/or changes:

Committee Statement for LB 17

The purpose of LB 17 is to adopt shorter amortization periods to reflect current actuarial standards. Beginning July 1, 2021, closed 25-year amortization periods will apply to all new bases, rather than the current 30-year amortization period in the Judges, State Patrol and School Employees Retirement Acts.

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

Explanation of amendments:

Committee Amendment AM 461

Committee Amendment 461 becomes the bill. It includes LB 17 and incorporates the provisions of LB 24 as introduced and LB 16 as amended by the Committee.

LB 24

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

Oral Testimony

Proponents: Chief Justice, Mike Heavican

Opponents: None

Neutral: None

Written Testimony

Proponents: Tim Hruza, Nebraska State Bar Association

Opponents: Spike Eickholt, ACLU

Tessa Stevens, Nebraska Collectors Association

Neutral: Randy Gerke, Nebraska Public Employees Retirement Systems

LB 24 increases several court fees and increases the earmarked amount of other court fees to provide additional revenue for the current and projected increased funding needs of the Judges' 2019 Retirement System. The proposed court fee changes will begin July 1, 2021. Several of the earmarked amounts and the court fee in section 24-703 will continue to increase annually through July 1, 2025. LB 24 also includes clean-up provisions clarifying that court fee revenues are reported monthly rather than quarterly to the State Treasurer and that the State Court Administrator Office remits information about the collection of such fees to the director of the Nebraska Public Employees Retirement Systems.

LB 16

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

Oral Testimony

Proponents: Chief Justice, Mike Heavican

Opponents: None

Neutral: None

Written Testimony

Proponents: Tim Hruza, Nebraska State Bar Association

Opponents: None

Neutral: Randy Gerke, Nebraska Public Employees Retirement Systems

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

As amended by Committee AM 461, there will be no state contribution in 2021 and 2022. The state contribution, which will begin July 1, 2023, will be 5% of total compensation unless otherwise adjusted by the Legislature. Committee AM 461 clarifies that the state contribution is an annual contribution and is based on the total compensation of all members of the Judges' Retirement System as reported in the most recent actuarial valuation report prepared pursuant to 84-1503.

If specific plan funding ratio scenarios occur, the actuary must assess whether to recommend an adjustment to the state contribution percentage and include a recommendation as part of the annual actuarial valuation report. If an adjustment is recommended, the Public Employees Retirement Board must provide written notification to the Nebraska Retirement Systems Committee within seven business days of the Board's vote on the annual actuarial valuation report. The Legislature may adjust the contribution rate.

Section-by-Section Summary of LB 17 as amended by Committee AM 461

Sec. 1 Judges Retirement Act

[LB 17] [Amends 24-701] Changes internal references to definitions of future member and original member. [Page 6]

Sec. 2 [Amends 24-703]

(3) [LB 24] The current fee dedicated to the Judges Retirement Fund increases from \$6 to \$8 beginning July 1, 2021 and increases annually to \$9 beginning July 1, 2022; to \$10 beginning July 1, 2023; to \$11 beginning July 1, 2024; and to \$12 beginning July 1, 2025. [Page 10]

Also changes language to direct the clerks of the county and district courts to remit court fees monthly (instead of quarterly) directly to the State Treasurer rather than to the Nebraska Public Employees Retirement System director and for the State Court Administrator Office to remit information about the collection of such fees to the director of the Nebraska Public Employees Retirement System. [Page 11]

Strikes obsolete language in subsections (5), (7), (8), and (9) and inserts the stricken language from subsection (7) into subsection. (4). [Pages 11-12]

[LB 17] (5)(a) Describes actuarial methods, considerations and process for the Judges Retirement System annual actuarial valuation report prepared for fiscal years prior to July 1, 2021 which includes amortization over a 30-year period; [Pages 11-13]

(5)(b) Describes actuarial methods, considerations and process for the Judges Retirement System annual actuarial valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial accrued liability on a level percentage of salary basis with new bases measured and amortized over a closed 25-year period; [Pages 13-14]

(5)(c) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary's projection of the contributions to fund the plan if the recommended changes are not implemented; the actuary's projection of the contributions to fund the plan if the recommended changes are implemented; and the actuary's explanation why the combination or offset is in the best interests of the plan at the proposed time; [Page 14]

(5)(d) For purposes of subsection (5), defines the rate of all contributions to include member contributions, the state percentage of total compensation contribution pursuant to subsection (6), and lists the various dedicated and earmarked court fees contributed to the Fund; strikes an obsolete reference and incorporates an additional reference that had been inadvertently omitted; [Page 15]

(6) [LB 16] Beginning July 1, 2023, the state will annually contribute to the Judges' Retirement Fund, 5% of the total compensation of all members of the Judges Retirement System. Total compensation will be based on the total compensation as reported in the most recent actuarial valuation report prepared pursuant to 84-1503.

The actuary, as part of the annual valuation report, may recommend adjustments to the percentage of the state contribution based on specific plan funding ratio scenarios. If an adjustment is recommended, the Public Employees Retirement Board must provide written notification to the Nebraska Retirement Systems Committee within seven business days of the Board's vote on the annual actuarial valuation report. The Legislature may adjust the contribution rate. [Pages 15-16]

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

Sec. 4 [LB 24] [Amends 24-2804] Of the \$6.25 court fee for filing actions in Small Claims Court, the current \$1.25 currently earmarked for the Judges Retirement Fund will increase to \$2 beginning July 1, 2021. [Pages 18-19]

Sec. 5 [LB 24] [Amends 33-106.02] Of the \$42 district court docket fee, the current \$6 earmarked for the Judges Retirement Fund will increase to \$7 beginning July 1, 2021 - the additional \$1 will come from the \$1 that is currently going into the State General Fund; strikes obsolete language. [Pages 20-21]

Sec. 6 [LB 24] [Amends 33-123] Of the \$20 county civil court fee, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language. [Pages 21-22]

Sec. 7 [LB 24] [Amends 33-124] Of the \$20 county criminal court, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently increased annually to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language. [Page 22]

Sec. 8 [LB 24] [Amends 33-125] Of the \$22 court fee for county probate proceedings commenced and closed informally court, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language. [Page 23]

Of the \$22 court fee for subsequent petition or application filed within an the informal proceeding, not including the fee for a petition for determination of inheritance tax as provided in section 33-126.03, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language. [Page 23]

Of the \$22 court fee for any other proceeding under the Nebraska Probate Code for which no court fee is established by statute, the current \$6 that is earmarked for the Judges Retirement Fund increases to \$8 beginning July 1, 2021; earmarked fees are subsequently annually increased to \$9 beginning July 1, 2022, \$10 beginning July 1, 2023, \$11 beginning July 1, 2024, and \$12 beginning July 1, 2025; strikes obsolete language. [Pages 23-24]

Sec. 9 [LB 24] [Amends 33-126.02] Of the \$22 court fee on guardianships and conservatorships, the \$2 currently earmarked for the Judges Retirement Fund increases to \$4 beginning July 1, 2021. [Page 27]

Sec. 10 [LB 24] [Amends 33-126.03] Of the \$22 court fee on inheritance tax proceedings, the \$2 currently earmarked for the Judges Retirement Fund increases to \$4 beginning July 1, 2021. [Page 27]

Sec. 11 [LB 24] [Amends 33-126.06] Of the \$22 court fee on trust proceedings, the \$2 currently earmarked for the Judges

Retirement Fund increases to \$4 beginning July 1, 2021. [Pages 27-28]

Sec. 12 School Employees Retirement Act

[LB 17] [Amends 79-966] Strikes the "thirty-year" language from this section where it specifies the amortization period. The amortization period under this section is now designated as the amortization period specified in 79-966.01. [Page 29]

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

(1) Describes actuarial methods and process for the School Employees Retirement System annual actuarial valuation report prepared for fiscal years prior to July 1, 2021 which includes amortization over 30-year period; [Pages 29-30]

(2) Describes actuarial methods and process for the School Employees Retirement System annual actuarial valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial accrued liability (UAAL) on a level percentage of salary basis with new bases measured and amortized over a closed 25-year period; [Page 31]

(3) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary's projection of the contributions to fund the plan if the recommended changes are not implemented, the actuary's projection of the contributions to fund the plan if the recommended changes are implemented, and the actuary's explanation why the combination or offset is in the best interests of the plan at the proposed time. [Page 32]

Sec. 14 Nebraska State Patrol Retirement Act

[LB 17] [Amends 81-2017] (3)(a) Describes actuarial methods and process for the Nebraska State Patrol Retirement annual actuarial valuation report prepared for fiscal years prior to July 1, 2021 which includes amortization over 30-year period; [Page 32]

(b) Describes actuarial methods and process for the Nebraska State Patrol Retirement annual actuarial valuation report prepared for each fiscal year beginning July 1, 2021 and each fiscal year thereafter, including using entry-age actuarial cost method amortizing the unfunded actuarial accrued liability (UAAL) on a level percentage of salary basis with new bases measured and amortized over a 25-year period; [Pages 33-34]

(c) Upon recommendation of the actuary and after the Public Employees Retirement Board notifies the Nebraska Retirement Systems Committee in writing, it may combine or offset certain amortization bases to reduce future volatility of the actuarial contribution rate. Notification includes: the actuary's projection of the contributions to fund the plan if the recommended changes are not implemented, the actuary's projection of the contributions to fund the plan if the recommended changes are implemented, and the actuary's explanation of why the combination or offset is in the best interests of the plan at the proposed time. [Pages 34-35]

Includes the emergency clause.

Mark Kolterman, Chairperson