NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2015
SUMMARY AND DISPOSITION OF BILLS

NEBRASKA LEGISLATURE
One Hundred Fourth Legislature, First Session

Committee Members

Senator Jeremy Nordquist, Chairperson
Senator Al Davis, Vice Chairperson
Senator Mike Groene
Senator Rick Kolowski
Senator Mark Kolterman
Senator Heath Mello

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LB 126	*(Nordquist)*	Change a combined contribution retirement benefit rate as prescribed
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
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LB 484	*(Nordquist)*	Change county employee and employer retirement contribution rates for certain counties as prescribed

COUNTIES (LANCASTER AND SARPY)

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 126	*(Nordquist)*	Change a combined contribution retirement benefit rate as prescribed
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

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

FIRST CLASS CITY FIREFIGHTERS

LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
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 and public retirement plans

JUDGES RETIREMENT SYSTEM

LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board

LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
LB 468	*(Nordquist)*	Change benefit and contribution provisions relating to judges retirement
LB 602	*(Ret. Comm.)*	Increase court fees and add court fees to pre-trial diversion programs [referred to Judiciary Committee]

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

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

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting

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LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting

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

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LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
LB 448	*(Nordquist)*	Make current and new Class V school employees members of the School Employees Retirement System of the State of Nebraska

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LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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

SCHOOL EMPLOYEES RETIREMENT ACT

LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
LB 448	*(Nordquist)*	Make current and new Class V school employees members of the School Employees Retirement System of the State of Nebraska

STATE EMPLOYEES RETIREMENT ACT

LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board
LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans

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III. Status of Retirement Bills

ENACTED

LB 40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board Board
LB 41	*(Nordquist)*	Redefine county for county retirement plan purposes
LB 42	*(Nordquist)*	Change the due date for certain retirement plan reporting
LB 126	*(Nordquist)*	Change a combined contribution retirement benefit rate as prescribed
LB 446	*(Nordquist)*	Redefine compensation and change provisions for school employees retirement
LB 468	*(Nordquist)*	Change benefit and contribution provisions relating to judges retirement

AMENDED INTO OTHER BILLS AND ENACTED

LB 602	*(Ret. Comm.)*	Increase court fees and add court fees to pre-trial diversion programs

AMENDED INTO OTHER BILLS

LB 447	*(Nordquist)*	Change provisions relating to the Class V School Employees Retirement Act **[amended and inserted into LB 448, which was bracketed]**

BRACKETED

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

CARRIED OVER TO NEXT SESSION

LB 236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans
LB 467	*(Nordquist)*	Change provisions relating to State Patrol retirement
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

IV. Summary of Retirement Bills

ENACTED

LB 40 Grant investigative powers to the Public Employees Retirement Board

Status:	Approved by the Governor – February 26, 2015
Operative Date:	August 30, 2015
Plan/Agency:	Metropolitan Utility District First Class City Police Officers First Class City Firefighters County Employees Retirement Judges Retirement County Municipality Political Subdivision Deferred Compensation School Employees Class V School Employees (Omaha) Nebraska State Patrol State Employees Public Employees Retirement Board
Repeals/Amends:	14-2111, 16-1019, 16-1038, 23-2305.01, 23-2322, 24-704.01, 24-710.02, 48-1401, 79-904.01, 79-948, 79-9,104, 81-2019.01, 81-2032, 84-1305.02, 84-1324, 84-1503, and 84-1505

Summary of LB 40 as Introduced

This bill was introduced at the request of the Nebraska Public Employees Retirement System (NPERS). LB 40 grants the Public Employees Retirement Board the authority to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

LB 40 inserts the language into each of the retirement systems administered by NPERS which includes the County Employees, Judges, Schools, State Patrol and State Employees. It also inserts the language into the statute which identifies the authority of the Public Employees Retirement Board.

Summary of AM 224

In 2012, the legislature passed LB 916 which incorporated a bill introduced by Senator Coash that allowed the attachment of assets in primarily state-administered retirement plans, if a member had been convicted of one of six specified felonies and if a civil judgment was entered related to the crime.

Last year the Nebraska Supreme Court determined that these provisions were special legislation because the law's application to just the six enumerated felonies was unreasonable and arbitrary and therefore unconstitutional.

AM 224 strikes this unconstitutional language from the statutes. It makes no other substantive changes to any of the retirement plans.

Section-by-section Summary LB 40 as introduced:

Section 1. Adds authority to the County Employees Retirement Act for the Public Employees Retirement Board to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 2. Adds authority to the Judges Retirement Act for the Public Employees Retirement Board to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 3. Adds authority to the School Employees Retirement Act for the Public Employees Retirement Board to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 4. Adds authority to the Nebraska State Patrol Retirement Act for the Public Employees Retirement Board to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 5. Adds authority to the State Employees Retirement Act for the Public Employees Retirement Board to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 6. Adds to the Public Employees Retirement Board's list of duties and authority the power to issue subpoenas when NPERS determines there is a need to investigate any overpayment of a benefit after the death of a member or beneficiary.

Section 7. Repealer.

LB 41 Redefine county for county retirement plan purposes

Status: Approved by the Governor – April 26, 2015

Operative Date: August 30, 2015

Plan/Agency: County Employees Retirement Plan (Sarpy County)

Repeals/Amends: 23-1118 and 23-2301

LB 41 as Introduced

LB 41 amends the population size for counties that participate in the County Employees Retirement System. Currently, the county plan includes counties or municipal counties with populations under 200,000. Under LB 41, the population is increased from 200,000 to 250,000 in order to accommodate anticipated growth in Sarpy County.

Section-by-Section Summary

Section 1. Amends section which applies to the establishment of retirement systems in primary class cities. It raises the current threshold size from two hundred thousand to two hundred-fifty thousand in order to correspond with changes in the County Employees Retirement Act regarding county size.

Section 2. Amends the definition of "employee" in the County Employees Retirement Act to change the county size from 200,000 to 250,000.

LB 42 Change the due date for certain retirement plan reporting

Status: Approved by the Governor – April 26, 2015

Operative Date: August 30, 2015

Plan/Agency: Douglas County
Lancaster County
Metropolitan Class Cities
Metropolitan Utility District
Primary Class Cities

Repeals/Amends: 13-2402

LB 42 as Introduced

Beginning in 2014, the legislature required local governmental entities with defined benefit plans to file several reports with the Nebraska Retirement Systems Committee in order to provide committee oversight of plans that are underfunded.

LB 42 simply changes the filing date from November 15 to October 15 of each year for the filing of the most recent annual actuarial report and the report that must be filed with the committee if contributions to the plan do not equal the actuarial requirement for funding, or the funded ratio of the plan is less than 80%.

LB 126 Change a combined contribution retirement benefit rate as prescribed

Status: Approved by the Governor April 26, 2015

Operative Date: August 30, 2015

Plan/Agency: Lancaster County

Repeals/Amends: 23-1118

LB 126 as Introduced

LB 126 increases the combined employee and employer contribution rates from a maximum of thirteen percent to a maximum of sixteen percent for the Lancaster County retirement system.

Explanation and Summary of Committee Amendment 12

- It changes the county population size for counties authorized to create their own county retirement plan. The changes increase the minimum population size from 200,000 to 250,000 and the maximum population size from 300,000 to 500,000; and

- It clarifies that employees receiving a 150% employer contribution match may elect to switch to a 100% employer match for all future contributions. The election to switch is irrevocable.

LB 446 Redefine compensation and change provisions for school employees retirement

Status:	Approved by the Governor March 12, 2015
Operative Date:	August 30, 2015
Plan/Agency:	Class V School Employees Retirement System
Repeals/Amends:	79-902, 79-904.01, 79-934, 79-978, and 79-9,100,

LB 446 as Introduced

LB 446 changes the definition of "compensation" in the Class V School Employees Retirement Act so it is the same as the definition of "compensation" in the School Employees Retirement Act.

It adds a new capping requirement to the Class V School Employees Retirement Act for members whose retirement date is on or after July 1, 2016. The portion of a member's compensation in a plan year that exceeds the compensation by 8% in the preceding year is excluded for purposes of calculating the retirement benefit for a member. If a member's compensation was reduced as a result of unpaid absence from work, the compensation used in the capping calculation will be the greater of (1) the annualized compensation for the preceding years as if it had been fully received or (2) the most recent preceding plan year in which the member had no unpaid absence from work.

It also includes a clean-up provision in the School Employees Retirement Act which moves the capping language from the definition of "compensation" to the section which applies the capping language for purposes of calculation of the final retirement benefit for a member. There are no substantive changes to the capping provision in the School Employees Retirement Act.

Section-by-Section Summary

Section 1. [amends 79-902] Strikes the capping language from the definition of "compensation" in the school plan

Section 2. [amends 79-934] Adds the capping language that was stricken from the definitional section to the section which describes the calculation of the final retirement benefit for a retiree.

Section 3. [amends 79-978] Amends the definition of "compensation" in the Class V School Employees Retirement Act so it is the same as the definition of "compensation" in the School Employees Retirement Act. This definition specifically describes what is not considered compensation such as:

- Fraudulently obtained amounts as determined by the board
- Amounts for unused sick or vacation leave converted into cash payments

- Insurance premiums converted into cash payments
- Reimbursement for expenses incurred
- Fringe benefits
- Per diems paid as expenses
- Bonuses for services not actually rendered including early retirement inducements, cash awards and severance pay
- Employer contributions made for purposes of separation payments made at retirement and early retirement inducements
- Compensation in excess of the IRC limitations

Section 4. Adds capping language to the determination of final average compensation in the determination of the retirement benefit for members who retire on and after July 1, 2016.

The portion of compensation which exceeds 8% of the member's compensation for the preceding plan year will be excluded. If the compensation in the preceding plan year was reduced as a result of an unpaid absence from work, then the compensation used in the capping calculation will be the greater of the (1) the annualized compensation for the preceding year as if it had been fully received, or (2) the most recent preceding plan year in which the member had an unpaid absence from work.

Definitions are included for "capping period" and "final average compensation date".

Section 5. Repealer

Explanation of AM 339

This is a technical amendment. Because the capping language was moved from the definitional section to section 79-934, a statutory reference was inserted to reflect this change.

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LB 468 Change benefit and contribution provisions relating to judges retirement

Status: Approved by the Governor May 29, 2015

Operative Date: May 30, 2015

Plan/Agency: Judges Retirement System

Repeals/Amends: 33-123, 33-124, and 33-125, 24-701, 24-701.01, 24-703, and 24-710.13,

LB 468 as Introduced

LB 468 creates a reduced tier of benefits for new judges who become members on and after July 1, 2015. The maximum cost-of-living adjustment (COLA) for Tier 2 members will be 1% and the final compensation will be averaged over 5 years. The bill includes a provision that allows the Public Employees Retirement Board to grant a supplemental COLA up to 1.5% for Tier 2 members if the plan is fully funded.

The contribution rates for a judge who becomes a member after July 1, 2015 will not decrease after 20 years.

Explanation and Summary of Committee Amendment 1172:

The Committee amendment 1172 to LB 468 includes several new provisions and clarifies language regarding the supplemental COLA.

Under AM 1172, for judges who become members on and after July 1, 2015, the contribution rate increases to 10% and does not decrease after 20 years of service. It re-directs specific county court fees to the Judges Retirement Fund that are currently deposited into the State General Fund. Beginning July 1, 2015, two dollars each from civil, criminal, traffic and probate case docket fees are directed to the Judges Retirement Fund. Beginning July 1, 2017, three dollars each from civil, criminal, traffic and probate case docket fees are directed to the Judges Retirement Fund.

AM 1172 also incorporates committee amendment 308 to LB 602 which was advanced from the Judiciary Committee. Beginning October 1, 2015, a six dollar fee is assessed on each participant in adult and traffic pre-trial division programs; the fee is directed to the Judges Retirement Fund. On July 1, 2015, each county and city attorney who has established a pre-trial diversion program is required to inform the director of the Nebraska Public Employees Retirement System about which pre-trial diversion programs have been established. City and county attorneys are required to inform the director within sixty days of the establishment of any new pre-trial diversion programs. The county or city treasurer is directed to forward revenue collected from pre-trial diversion participants to the Nebraska Public Employees Retirement System. The Nebraska Public Employees Retirement System director must separately account for fees received from pre-trial diversion programs.

Explanation and Summary of Select File AM 1582

AM 1582 represents a compromise reached regarding the $6 fee attached to participants in pre-trial diversion programs. AM 1582 includes the following changes:

- It strikes the $6 fee on pre-trial diversion programs and all related references to pre-trial diversion programs in the bill;

- It increases the amount diverted from the General Fund to the Judges Retirement Fund beginning in 2017. Committee AM 1172 diverted $3 beginning in 2017, AM 1582 will instead divert $4 beginning in 2017.

- The remainder of the changes in AM 1582 were recommended by the Revisor's Office and include clarifications or corrections, but do not change the meaning and intent of the bill.

Revenue generated under LB 468 as amended by AM 1582:

Based on the most recent information (FY13/14) on revenue deposited into the state General Fund (GF) from court fees, here is a breakdown of how much each dollar generates based on the type of case:

CASE	FY13/14 TOTAL GF REVENUE	FEE TO THE GF	GENERATED BY EACH $1	NUMBER DOLLARS TO JUDGES	FY15/16 DIVERTED TO JUDGES	FY17 & ON DOLLARS TO JUDGES	AMOUNT DIVERTED TO GF
CIVIL	$1,600,000	$18	$90,000	$2	$180,000	$4	$360,000
CRIMINAL	$1,445,000	$18	$80,000	$2	$160,000	$4	$320,000
TRAFFIC	$2,310,000	$18	$130,000	$2	$260,000	$4	$520,000
PROBATE	$600,000	$20	$30,000	$2	$60,000	$4	$120,000
TOTAL					**$660,000**		**$1,320,000**

Section-by-Section Summary of LB 468 as enacted

Section 1. [amends 24-701] amends definition of "final average salary". The salary of new judges hired on and after July 1, 2015 will be averaged over 5 years rather than 3 years when calculating retirement benefit

Section 2. [amends 24-701.01] adds sections 5 and 6 to the Judges Retirement Act

Section 3. [amends 24-703] (2)(a) Judges hired prior to July 1, 2004 who did not elect joint and survivor benefit will continue to contribute 7% for 20 years and then 1% thereafter;

(2)(b) Judges hired prior to July 1, 2004 who elected joint and survivor benefit and those hired after July 1, 2004 and prior to July 1, 2015 will continue to contribute 9% for 20 years and then 5% thereafter;

(2)(c) Judges hired on and after 2015 will contribute 10% with no decrease in contribution after 20 years;

Section 4. [amends 24-710.13] Judges hired prior to July 1, 2015 will receive maximum 2.5% cost-of-living-adjustment (COLA); strikes obsolete accrual rate language

Section 5. [NEW SECTION] Judges hired on and after July 1, 2015 receive maximum 1% COLA, except as provided in section 6

Section 6. [NEW SECTION] (1) Beginning July 1, 2015, judges hired on and after that date are eligible to receive a maximum 1.5% supplemental lump sum COLA at the discretion of the Public Employees Retirement Board (PERB); the COLA may only be granted if the plan is fully funded (100% funded) based on the plan year's actuarial valuation; the supplemental COLA may not be awarded if it would cause the plan to be less than 100%

funded; the COLA must be paid within 60 days of the PERB decision

(2) fully funded is defined for purposes of this section

(3) decision by PERB to award or not to award a supplemental COLA may not be challenged by a member

Section 7. [amends 33-123] Beginning July 1, 2015, redirects $2 of the civil case docket fee from the State General Fund to the Judges Retirement Fund; beginning July 1, 2017 redirects $4 of the civil docket fee from the State General Fund to the Judges Retirement Fund

Section 8. [amends 33-124] Beginning July 1, 2015, redirects $2 of the criminal case docket fee from the State General Fund to the Judges Retirement Fund; beginning July 1, 2017 redirects $4 of the civil docket fee to the Judges Retirement Fund

Section 9. [amends 33-125] Beginning July 1, 2015, redirects $2 of the formal and informal probate case docket fees from the State General Fund to the Judges Retirement Fund; beginning July 1, 2017 redirects $4 of the of the formal and informal probate case docket fees from the State General Fund to the Judges Retirement Fund

[See Appendix A – Actuarial Report on LB 468 proposed funding and benefit changes for the Judges Retirement System]

AMENDED INTO OTHER BILLS AND ENACTED

LB 602 Increase court fees and add court fees to pre-trial diversion programs (amended and incorporated in LB 468)

LB 602 as Introduced

Since LB 602 addresses court costs and fees, it was referenced to the Judiciary Committee for consideration.

LB 602 makes two changes to the Judges Retirement Act. The court fee dedicated to the Judges Retirement Fund is increased from $6 to $8 beginning July 1, 2015. And beginning October 1, 2015, it also places the $8court fee on cases referred to pre-trial diversion programs.

This dedicated court fee is intended to fund the employer contribution match for the Judges' Retirement System. Revenue from court fees has decreased in the last four years due to a number of issues, including the increase in the number of cases that are diverted to pre-trial diversion programs.

Summary of White Copy AM 193 to LB 602

At the hearing, a white copy amendment—AM 193 was introduced to the Judiciary Committee. It includes the following changes:

- Clarifies that the proposed $8 fee will attach to each enrollment in a pretrial diversion program and identifies the statutory authority for establishment of these programs
- Designates either the county or city treasurer as the entity required to submit the revenue from these fees to the director of the Nebraska Public Employees Retirement Systems (NPERS)
- Inserts a requirement – beginning July 1, 2015 -- for each county or city attorney that has established pretrial diversion programs to inform the director of NPERS, in writing, about which programs have been established
- Adds new section to the bill -- 29-3602 which includes language requiring the city or county attorney to report to the NPERS director, about existing adult and minor traffic violation pre-trial diversion programs by July 1, 2015 and within 60 days of establishing new pretrial diversion programs
- Adds new section to the bill – amends 29-3606 regarding pretrial diversion programs for minor traffic violations and clarifies that the fee established in 24-703 shall be collected in addition to other fees collected for this program
- Adds new section to the bill 43-260.02 which inserts the reporting requirement on juvenile pretrial diversion programs; adds language requiring the city or county attorney to report about existing programs by July 1, 2015 and within 60 days of establishing new pretrial diversion programs

Judiciary Committee AM 308

AM 308 maintains the current fee at $6, rather than the proposed increase to $8, but allows the fee to be assessed as a cost for participating in a pretrial diversion program.

Nebraska Retirement Systems Committee AM 1172 to LB 468

AM 308 was incorporated into LB 468 in committee amendment 1172. LB 468 was further amended on Select File and enacted.

[See Appendix B -- Background and discussion of court fees as funding source for the Judges Retirement System]

BRACKETED ON SELECT FILE

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

LB 448 was introduced 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 sections and makes the following changes:

- 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

AM 1704, introduced by Senator Nordquist, was adopted on Select File. It amended the funding mechanism contained in LB 448 in section 79-966. If there is an actuarial required contribution (ARC) for School Plan and the legislature appropriates funding for the ARC, and the Class V Plan has an ARC, then under AM 1704, the Appropriations Committee will conduct a hearing to consider transferring money to the Class V School 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 Plan.

On Select File, LB 448 was bracketed until April 15, 2016.

Section-by-Section Summary of AM 1555 as amended by AM 1704

Strikes the original sections and inserts the following:

Section 1. [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, 2016; strikes obsolete language

Section 2. [amends 72-1239] Beginning January 1, 2016, exempts OSERS administrator from receiving per diem for service on NIC

Section 3. [amends 72-1239.01] Adds NIC investment responsibility for OSERS retirement system assets beginning January 1, 2016; NIC members and state investment officer (SIO) are not fiduciaries for investments made by OPS and Trustees, nor are they liable for action or inaction related to investment decisions of trustees or OPS

Section 4. [72-1243] Beginning January 1, 2016 SIO directs investment and reinvestment of OSERS retirement system assets; incorporates analysis of OSERS retirement assets as a subject in the NIC annual report which is presented to the Nebraska Retirement Systems Committee each March

Section 5. [amends 72-1249] Beginning on the effective date of the Act, expenses with respect to transfer and assumption of investment authority to NIC may be charged against OSERS assets; Class V School Employees Retirement Cash Fund is created for receipt of funds related to transfer and assumption of investment authority to NIC

Section 6. [amends 72-1249.02] Beginning on the effective date of the Act, a pro rata share may be charged against the Class V School Employees Retirement Fund and transferred to SIO Cash Fund; approval of the trustees and OPS board not required

Section 7. [79-916] Limits the State Service Annuity to those employees hired prior to July 1, 2015; adds reference to section regarding state funding of percentage of OSERS actuarial required contribution (ARC) if school plan has ARC

Section 8. [79-966] If actuary determines that an actuarial required contribution (ARC) is necessary for the School Plan and the state appropriates funding for the ARC, then the Appropriations Committee shall conduct a hearing to consider transferring money to the OSERS plan. The amount transferred would be the same percent of compensation for the School Plan ARC, calculated as a percent of compensation of the OSERS plan; limits payment of state for State Service Annuity to those employees who became members prior to July 1, 2015

Section 9. [79-978] Amends or creates the following definitions:

(2) Board of education definition is clarified

(14) Regular interest definition inserts language from School Employees Retirement Act

definition of “regular interest”; beginning September 1, 2015, it is the rate based on daily treasury yield curve for one-year treasury securities

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

(16) Normal retirement date is age 65 with 5 years of service and for employees who become members on or after July 1, 2015 is age 65 with one-half year service

(17) Early retirement for members hired before July 1, 2015 is age 55 with 10 years of service and for members hired on and after July 1, 2015, it is age 60 with 5 years of service

(23) Adds definition of audit year which includes a 4 month year in 2015 and thereafter will be calendar year; audit year is used for preparation of actuarial report and financial audit of the retirement system

(26) Adds definition of Nebraska Investment Council

(26) Adds definition of state investment officer

Section 10. [amends 79-978.01] incorporates sections 14 and 26 into the Class V School Employees Retirement Act

Section 11. [amends 79-979] amends language related to the retirement system assets held in trust

Section 12. [amends 79-980] Beginning July 1, 2015, places the administration of OSERS with the board of trustees (trustees) and changes the membership of the trustees as follows:

- 2 certificated staff – 1 serving initial term of 1 year, 1 serving initial 2-year term
- 1 classified staff serving initial term of 3 years
- 1 annuitant serving initial 4 year term
- superintendent or his or her designee as ex officio voting member
- State Investment Officer or his or her designee as non-voting ex officio
- 2 business persons qualified in financial affairs who are not members of the retirement system; appointments approved by OPS

All subsequent 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

Section 13. [amends 79-981] Beginning on the effective date of the act, neither the trustees nor the board may establish new rules and regulations for the administration of the retirement system without first consulting the SIO; beginning January 1, 2016, all existing rules and regulations terminate; beginning January 1, 2016, all expenses related to investment of assets will be paid as determined by SIO; beginning January 1, 2016, all contracts for investment assets are assigned to the NIC; OPS must get retirement account information to trustees in a timely manner

Section 14. [amends 79-982] Prior to January 1, 2016 investments and reinvestments are subject to approval of the OPS board; beginning effective date of act, trustees administer retirement system and approve (rather than recommend to the OPS board) any changes to the administration of the retirement system essential to the actuarial requirements of the fund

Section 15. [NEW SECTION] Investment authority transferred to NIC and SIO on January 1, 2016; trustees administer non-investment affairs of the system including benefits and management of actuarial requirements

On or before July 1, 2015 trustees and SIO enter into plan for transition, which shall address list of items; after the effective date of the act all costs, fees and expenses related to transition of investment authority incurred by NIC and SIO are paid from assets of the retirement system

Section 16. [amends 79-983] the administrator of the retirement system is appointed by the trustees and approved by the OPS board, and serves at the pleasure of the trustees; the administrator hires, dismisses and supervises the staff of the retirement system; administrator and staff are employees of OPS with compensation and benefits paid by OPS as determined by trustees; the administrator serves as ex officio non-voting member of the NIC

Section 17. [amends 79-984] The trustees contract for services of an actuary who performs duties as assigned by the trustees; selection of actuary is approved by OPS board

Section 18. [amends 79-985] The trustees may contract for services of a legal advisor to the trustees

Section 19. [amends 79-986] Prior to January 1, 2016, the school district serves as treasurer and custodian of the retirement system; beginning January 1, 2016, the State Treasurer serves as treasurer and official custodian of the retirement system cash and securities and approves banks for custodial accounts;

Beginning January 1, 2016, the State Treasurer as treasurer, shall make payments to the school district upon request of the OSERS administrator and as directed by NPERS; the school district shall use payments received from State Treasurer, for purposes as requested in the Act

Section 20. [amends 79-987] Annual audit of the retirement system shall be conducted annually each fiscal year and at option of NIC shall be conducted by CPA or State Auditor; costs shall be paid from funds of the system;

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

Section 21. [amends 79-989] OPS shall make listed records available as requested by the trustees that are necessary for actuarial study and administration of the system

Section 22. [amends 79-990] Establishes trustees and board responsibilities regarding purchase of military service credit

Section 23. [amends 79-991] Interest rate on purchase of service credit established by definition

Section 24. [amends 79-992] Interest rate for refunded service established by definition

Section 25. [amends 79-996] Strikes language regarding interest rate on purchase of additional service

Section 26. [amends 79-998] Trustees establish rules, regulations and limitation on eligible rollover distributions and direct trustee-to-trustee transfers

Section 27. [amends 79-9,100] Employees who are members prior to July 1, 2015 may receive an unreduced annuity at age 62 years with 10 years of creditable service; benefits are reduced 3% per year if age and service do not equal 85

Receipt of the State Service Annuity is limited to employees who are members prior to July 1, 2015

Section 28. [NEW SECTION] For employees who become members on and after July 1, 2015 benefits are unreduced at age 65 with at least one-half year creditable service, or at age 55 or greater when age plus service equals or exceeds 85; if age 60 with 5 years of services, benefits are reduced 25/100% per month below age 65; all annuities are paid from the Retirement Fund

Section 29. [amends 79-9,102] Trustees may deny restoration of creditable service if necessary to comply with the requirements of section 415 of the Internal Revenue Code (IRC)

Section 30. [amends 79-9,103] If the Consumer Price Index–All Urban Consumers is replaced, the trustees shall select a reasonable representative measure of the COLA for retired employees

The medical COLA is not available to persons hired on and after July 1, 2015

Section 31. [amends 79-9,104] strikes unconstitutional language regarding attachment of pension benefits

Section 32. [amends 79-9,107] Funds of the retirement system not required for current operations are invested and reinvested by the trustees with board approval prior to January 1, 2016; after that date, the NIC and SIO 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 33. [amends 79-9,108] Beginning January 1, 2016, the NIC and SIO 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, 2016 the trustees, OPS shall not have any duty responsibility or authority for investment or reinvestment of funds

Section 34. [amends 79-9,109] Beginning January 1, 2016, the duty, responsibility and authority under this section shall be transferred to the NIC, which may delegate such duty, responsibility and authority to the SIO

Section 35. [amends 79-9,111] Beginning January 1, 2016, the funds of the retirement system shall be invested solely by the NIC and state investment officer in accordance with the Nebraska State Funds Investment Act, including 79-1239.01(3) and 72-1246; the state investment officer may lend securities and vote proxies in accordance with the standard in 72-1246

Section 36. [amends 79-9,113] Inserts definition of solvency for purposes of determining the contributions of the school district in any fiscal year; strikes trustee recommendation from contribution made by board; requires the employees' contributions to be immediately transmitted to the account of the retirement system

Employees who become members on and after July 1, 2015 shall not receive the State Service Annuity

Section 37. [amends 79-9,115] inserts title of the retirement fund as the Class V School Employees Retirement Fund; the administrator and staff of the retirement system shall be permitted reasonable office and records storage space in the central office building; all expenses of the retirement system office shall be charged to retirement system.

Beginning on the effective date of the act, any expenses with respect to the transfer and assumption of investment authority by the NIC and SIO shall be paid from the Class V School Employees Retirement Fund without approval of OPS or trustees

Section 38. [amends 79-9,117] the trustees shall establish a comprehensive preretirement planning program for school employees

Section 39. [NEW SECTION] Creates the Class V Retirement System Payment Processing Fund to transfer funds as specified in 79-986; NPERS, PERB, NIC, State Treasurer or employees of these entities have no responsibility to review or verify accuracy of requests, or any liability arising from payments

Section 40. [amends 84-1503] adds to list of PERB duties and 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 79-986

Section 41. Severability clause

Section 42. Repeals sections amended by the bill

Section 43. Outright repeals obsolete section 79-988.01 (state contribution which ceased after fiscal year 2013-14 for purchasing power cost-of-living adjustment)

Section 44. Emergency clause

[See Appendix C – Actuarial Report on Funding Impact from Proposed Benefit Changes in LB 448]

[See Appendix D – Comparison of Class V (Omaha) School Employees Retirement Plan to (Statewide) School Employees Retirement Plan]

AMENDED INTO ANOTHER BILL

LB 447 Change provisions relating to the Class V School Employees Retirement Act (portions amended into LB 448, which was bracketed)

LB 447 as Introduced

LB 447 make the following major changes to the Class V (Omaha) School Employees Retirement Act:

- It removes the board of education members from the board of trustees and provides for the election of member trustees by members of the retirement system
- It places the retirement system administrator and other retirement system employees under the control of the board of trustees; and
- It creates an independent investment authority for the board of trustees who make all investment decisions regarding the retirement system's funds

Section-by-Section Summary

Section 1. [amends 79-978] Definition changes as follows:

- defines board of trustees;
- clarifies that the board of trustees determines the regular interest;

- board of trustees sets the retirement date for purposes of retirement or disability

Section 2. [amends 79-980] Removes the general administration of the Class V School Employees Retirement System from the Omaha Board of Education and changes it to board of trustees

The membership of the Board of Trustees is reduced from 10 members to 7 members by eliminating the 3 board of education members

Members of the board of trustees are no longer appointed by the board of education;

The 4 members of the board of trustees who are members of the retirement system shall be elected by the members of the retirement system that each position represents;

The trustees who are business persons should be elected to 4-year terms by the trustees who are not business persons.

The board of trustees shall appoint a qualified individual to fill any vacancy on the board of trustees

Section 3. [amends 79-981] Changes the rule-making authority and the authority to appoint an administrator of the retirement system from the board of education to the board of trustees

All rules and regulations in force prior to the effective date of the act shall remain in force until amended, replaced, or voided by action of the board of trustees

Compensation for employees of the retirement system shall be determined by the board of trustees instead of the board of education

The board of education shall continue to maintain a separate account of each member's retirement account information and make it available in a timely manner to the member and the board of trustees upon request

The board of trustees, rather than the board of education, shall compile such data as necessary for the actuarial valuation

Section 4. [amends 79-982] The board of trustees, rather than the board of education, shall:

- conduct open, public regular meetings;
- shall make all investment decisions and supervise the financial affairs of the retirement system; and
- approve any changes in the administration of the retirement system essential to the actuarial requirements of the fund

Section 5. [amends 79-983] The administrator of the retirement system no longer reports to the board of education, but serves at the pleasure of the board of trustees; and hires, dismisses and otherwise supervises the other staff of the retirement system

The administrator and staff of the retirement system shall be employees of the Class V school district with compensation and benefits determined by the board of trustees

The retirement system shall reimburse the Class V school district for the cost of salary and fringe benefits provided to the retirement system staff

Section 6. [amends 79-984] The board of trustees, rather than the board of education, shall contract for services with an actuary

Section 7. [amends 79-984] The board of trustees, rather than the board of education, shall contract for services with a legal advisor to the board of trustees

Section 8. [amends 78-985]The school district shall act as treasurer of the system and the official custodian of cash and securities belonging to the system subject to the order of the board of trustees, rather than the board of education

The board of trustees, rather than the board of education, shall approve the banks in which the cash and tax revenue shall be deposited

Section 9. [amends 79-987]The board of trustees, rather than the board of education, shall determine whether the annual audit of the retirement system is conducted by a certified public accountant or the Auditor of Public Accounts

Section 10. [amends 79-989] The board of education shall make the following information available in a timely manner regarding each employee entitled to membership in the retirement system for actuarial study and the administration of the system:

- name, address, title, social security number, sex, date of birth;
- beneficiary records and annual compensation;
- length of creditable and non-creditable service in hours, standard hours, contract days, bargaining unit and annual contributions of each member; and
- any other information as may be specified by the board of trustees

Any school employee, member of the school board or agent of the employer who willfully fails or refuses to furnish information to the board of trustees in a timely manner shall be guilty of a Class V misdemeanor

Section 11. [amends 79-990] Board of education remains responsible for funding contributions necessary to provide benefit attributable to member’s creditable service purchase after reemployment following military service. The board of trustees directs how the member’s payments shall be made to the system

Board of trustees promulgates rules and regulations regarding purchase of service and rate of interest on such service credits for leave of absence

Section 12. [amends 79-991] Purchase of various service credits will be subject to payment schedules and rate of interest as determined by the board of trustees rather than the board of education

Section 13. [amends section 79-992] Purchase of refunded service credits will be subject to payment schedules and rate of interest as determined by the board of trustees rather than the board of education

Section 14. [amends section 79-996] Board of trustees rather than the board of education will determine rate of interest to be used to determine applicable interest for member's purchase of additional service credit, restored refund, or delayed payments

Section 15. [amends 79-998] Board of trustees, rather than the board of education, may establish rules, regulations and limitations regarding rollovers; the board of trustees shall have no liability with respect to tax consequences of any rollover transfer

Board of trustees, rather than the board of education may prescribe the form used by a member to elect a rollover transfer

Section 16. [amends 79-9,102] Board of trustees, rather than the board of education may suspend or alter payments for restoration of service credits if they if payments exceed limitations of section 415 of the Internal Revenue Code

Section 17. [amends 79-9,103] Board of trustees, rather than the board of education, may award an additional COLA if the actuary determines there is sufficient surplus in the plan

Section 18. [amends 79-9,105] Board of trustees, rather than the board of education may approve disability retirement based on creditable service as determined in accordance with board of education policies governing creditable service

Section 19. [amends 79-9,107] Board of trustees, rather than the board of education invests funds of the retirement system which are not required for current operations;

No board of trustees member or board of education member shall have direct interest in the income, gains, or profits of any investments made by the board of trustees nor receive any pay for services in connection with such investments, nor shall such member become an endorser or surety or obligor for money loaned by or borrowed from the retirement system

No board of trustees member or board of education member shall be personally liable, except in cases of willful dishonesty, gross negligence, or intentional violations of law for actions relating to administrative decisions pertaining to the investment of retirement system funds or administration of the retirement system

Section 20. [amends 79-9,108] Board of trustees invests funds of the retirement system and does not require approval of the board of education for such investment decisions

Board of trustees employs a professional investment manager and does not require approval of the board of education for such employment decision

The professional investment manager makes investment decisions subject to guidelines determined by the board of trustees and submits a report at each board of trustee meeting regarding investment of funds rather than reporting to the board of education

Board of trustees, rather than the board of education approves or disapproves investments and directs the sale of investments and establishes future investment policy

Section 21. [amends 79-9,109] Board of trustees, rather than the board of education is authorized to institute proceedings in the event of default in the payment of principal or interest on investments and is authorized to make adjustments to protect the investment

Section 22. [amends 79-9,111] Board of trustees, rather than the board of education has fiduciary duty regarding investments

Section 23. [amends 79-9,113] Contributions made to the system shall be the greater of 101% of the contributions by employees for such fiscal year or such amount as may be necessary to maintain the solvency of the system as determined annually by the board of trustees rather than the board of education, upon recommendation of the actuary

School district contributions specified in this section shall be made monthly and immediately transmitted to the account of the retirement system

Section 24. [amends 79-9,115] Adds new language granting reasonable office and records storage space to the administrator and staff of the retirement system in the central office building of the Class V school district

All expenses for the retirement system office accommodations, including those listed, shall be paid for out of the general fund of the school district

Section 25. [amends 79-9,117] Board of trustees, rather than the board of education shall establish a comprehensive preretirement planning program for members of the Class V school employees retirement plan

CARRIED OVER TO NEXT 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. 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
- if 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. [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

Background and History of LB 236

In 2006 Mr. Hobbs, a State Trooper with 27 years of service, was arrested and convicted of 1st 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 seeking to collect the judgment against Mr. Hobbs. It was triggered by the denial of attachment of Mr. Hobb's pension benefits for this judgment.

The bill as introduced raised tax withholding issues and Internal Revenue Code violations regarding in-service third party distributions which could threaten qualified plan status of the retirement systems. In addition, NPERS testified that the agency would incur considerable programming and staff costs.

The bill was amended to allow attachment only after the benefit had been distributed to the member or retiree. This addressed the concerns that had been raised. The bill was amended into LB 916 and passed.

<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 others who 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 467</u> Change provisions relating to State Patrol retirement

<u>LB 467 as Introduced</u>

Under LB 467, the following benefit changes apply to officers hired on or after July 1, 2015:

- contribution rates for new officers and the state will be 18%;
- maximum COLA will be 1% unless the plan is 100% funded. If 100% funded the Public Employees Retirement Board may grant a COLA up to an additional 1.5%; and
- final compensation will be averaged over 5 years of highest salary.

Officers who become members <u>prior</u> to July 1, 2015 will continue to:

- contribute 16% of salary matched by the state at 16%;
- receive a maximum COLA of 2.5% and
- final compensation will be averaged over 3 years of highest salary

Officers who enter the DROP on and after July 1, 2020 will be required to continue to make their required contributions while they are enrolled in DROP;

For officers who enter the DROP prior to July 1, 2020, no contributions will be required while enrolled in DROP.

Section-by-Section Summary

Section 1. Adds new section 5 to the Nebraska State Patrol Retirement Act

Section 2. For officers who become members prior to July 1, 2015, the contribution rate will remain at 16% of salary, matched by the state at 16%.

For officers who become member on and after July 1, 2015, the contribution rate will be 18% of salary, matched by the state at 18%. [amends 81-2017]

Section 3. For officers who become members prior to July 1, 2015, final compensation will be averaged over 3 years of highest salary;

For officers who become member on and after July 1, 2015, final compensation will be averaged over 5 years of highest salary; [amends 81-2026]

Section 4. For officers who become members prior to July 1, 2015, the maximum COLA is 2.5%; [amends 81-2027.08]

Section 5. [NEW SECTION] For officers who become member on and after July 1, 2015, the maximum COLA is 1% except the Public Employees Retirement Board may increase the COLA up to a maximum of 2.5% if the plan is 100% funded;

Section 6. Officers who enter the DROP on and after July 1, 2020 will be required to continue to make their required contributions while they are enrolled in DROP;

For officers who enter the DROP prior to July 1, 2020, no contributions will be required while enrolled in DROP. [amends 81-2041]

LB 484 Change county employee and employer retirement contribution rate for certain counties as prescribed

LB 484 was introduced at the request of Sarpy County. It increases 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 will 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%.

	County Employee Contribution Rates	Law Enforcement Contribution Rates	County Contribution Rates	Total Contributions
Current	4.5%	4.5% + 2% = 6.5%	6.75% + 2% = 8.75%	15.25%
Under LB 484 **Sarpy only**	6.75%	6.75% + 2% = 8.75%	6.75% + 2% = 8.75%	17.50%
TOTAL		2.25% increase in contributions	0% increase in contributions	2.25% increase

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.

LB 551 Adopt the Local Government Employees Retirement Act

LB 551 as Introduced

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:

- It is 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 shall by added; the combined base and supplemental contribution rates shall 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 shall be transferred to the Plan upon election to transfer to the Plan;

- The Nebraska Investment Council shall invest all funds of the Plan;

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

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

Section-by-Section Summary

Section 1. Creates the Local Government Employees Retirement Act

Section 2. Definitions

Section 3. Identifies contributions that will be accepted

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

Section 5. The Board is authorized to refund contributions, require additional contributions, adjust benefits, credit dividend amounts and require repayment of benefits. The Board shall 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
- limits membership to those who are U.S. Citizens or qualified aliens lawfully present in the U.S.

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 shall receive 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. The Director of the Nebraska Public Employees Retirement Systems is required 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. The Auditor is required 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 shall be 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 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 retirement benefit for a retired employee under this Act is the member's account value

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 shall be 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 of age

Section 20. Upon retirement, non-vested members receive only the employee contributions

If vested the termination benefit includes both the employee and employer contributions

Retiree may choose annuity or lump sum benefit; establishes payment timing

Members are vested in 3 years

Section 21. If member is not vested employer account is forfeited. Forfeitures are credited to Local Employees Retirement Fund and first used to meet expense charges incurred for administering the plan, which 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 shall 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 their 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 shall 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. False or fraudulent acts prohibited in claiming a 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 filed 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 shall be 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 shall fund a supplemental retirement benefit which, when combined with the contribution rates in sections 8 and 9 shall be 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 which elects membership in the Plan for its firefighters shall fund a supplemental retirement benefit which, when combined with the base contribution rates in sections 8 and 9 shall be 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 as Introduced

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 currently established for police officers in first class cities:

- the rate is currently 6 ½% until October 1, 2015;
- beginning October 1, 2015, the rate increases to 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 creates a Cash Balance Retirement Plan for first class city firefighters hired on and 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.

Current firefighters 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 county and state cash balance plans, except for differences in the contribution rate and vesting as described in the chart below:

Plan	Employee Rate	Employer Rate	Vesting Schedule
Under the current Firefighter DC Plan and under the proposed Firefighter CB Plan	6.5%	13%	0 to 4 years 0% 4 to < 5 40% 5 to < 6 60% 6 to < 7 80% 7 & over 100%
State CB	4.8%	7.5%	3 years
County CB	4.5%*	6.75%	3 years
*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 an 100% match of the additional contribution.

Section-by-Section Summary of LB 655

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

Section 2. Definitions

Section 3. Identifies contributions that will be accepted

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

Section 5. The Board is authorized to refund contributions, require additional contributions, adjust benefits, credit dividend amounts and require repayment of benefits. The Board shall 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
- limits membership to those who are U.S. Citizens or qualified aliens lawfully present in the U.S.

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

Requires cities 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 who become firefighters for a city pursuant to a merger to pay into the Plan the amount of all the employee and employer contributions that had been made to a previous retirement plan. The payment must be received within 5 years after the merger

Section 8. Employee/firefighter contribution is 6.5%; includes pick-up language for IRS purposes

Section 9. Creates the Cities of the First Class Firefighters Cash Balance Retirement Fund. The Fund shall receive the employee contribution of 6.5% and the city contribution of 13% (which is 200% of the employee contribution)

In addition to daily penalties, the Board may assess a $25 administrative processing fee if the payments are late

Section 10. Establishes legislative intent to improve competitiveness of the retirement for firefighters in cities and creates cash balance benefit for employees who begin employment on and after an unspecified date

Allows current members to elect to transfer into the Cash Balance Plan between unspecified dates. Establishes what may be included in the accounts of those members who elect to transfer to the Cash Balance Plan

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

Section 12.	Creates the Cities of the First Class Firefighters Cash Balance 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.	The Director of the Nebraska Public Employees Retirement Systems is required 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.	The Auditor is required to conduct an annual audit of the Plan and provide its report to the Clerk of the Legislature
Section 15.	Employees are eligible to retire at age 55 or at any age as a result of disability; establishes application process for benefits, deferment and Public Employees Retirement Board duties regarding unclaimed benefits.
Section 16.	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 17.	The retirement benefit for a retired employee under this Act is the member's account value
Section 18.	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 a supplemental appropriation shall be made. 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 of age
Section 19.	Upon retirement, non-vested members receive only the amount of the employee contributions If vested the termination benefit includes both the employee and employer contributions Retiree may choose annuity or lump sum; establishes timing of retirement payment Establishes vesting schedule as follows: less than 4 years — zero percent vested 4 to less than 5 — 40% vested 5 to less than 6 — 60% vested

6 to less than 7	80% vested
7 or more years	fully vested

Section 20. If member is not vested, the employer account is forfeited. Forfeitures are credited to First Class Firefighters Cash Balance Retirement Fund and 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

Establishes process if employee is terminated and grievance is filed

Section 21. If an employee has a 5 year break in service, the person is considered a new employee and shall 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 shall continue receiving retirement benefits

Section 22. Describes death benefit paid if member dies before retirement

Section 23. 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 24. Describes treatment of employees during military service

Section 25. Establishes definitions for this section regarding rollovers; authorizes Public Employees Retirement Board to adopt rules and regulations regarding direct rollovers

Section 26. 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 27. Authorizes trustee-to-trustee transfers

Section 28. Persons who become members of the Plan do not lose their status as plan members while they remain employees

Section 29. False or fraudulent acts are prohibited in claiming a benefit; penalties are described; benefits may be denied

Section 30. Retirement allowances and benefits are in addition to benefits and allowance payable under Social Security Act

Section 31. The provisions of the Act take effect on the operative date

Section 32. The Act becomes effective for each city upon the adoption by the city council or an unspecified date, whichever is earlier

Section 33. Once the city council adopts the Plan for its city, the city clerk 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 filed under this Act is barred unless brought within 2 years of time 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. [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 38. [amends 16-1020] Limits provisions of Firefighters Retirement System to members employed prior to unspecified date or such members who elect not to transfer to the Cash Balance Plan

Section 39. [amends 84-1501] Adds a representative of the Firefighters Cash Balance Plan, appointed by the Governor, to the membership of the Public Employees Retirement Board

Section 40. [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 41. [amends 84-1511] Requires the Board to establish a comprehensive pre-retirement planning program the members of the Cities of the First Class Firefighters Cash Balance Retirement Plan

Section 42. Repealer

Section 43. Emergency Clause

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V. Bill Status Chart

LB	Introducer	One-Liner	Hearing Date	Status
40	*(Nordquist)*	Grant investigative powers to the Public Employees Retirement Board	Jan. 27	Enacted
41	*(Nordquist)*	Redefine county for county retirement plan purposes	Jan. 20	Enacted
42	*(Nordquist)*	Change the due date for certain retirement plan reporting	Jan. 20	Enacted
126	*(Nordquist)*	Change a combined contribution retirement benefit rate as prescribed	Jan. 20	Enacted
236	*(Coash)*	Change and eliminate provisions relating to collection of judgments and public retirement plans	Jan. 27	Held in Committee
446	*(Nordquist)*	Redefine compensation and change provisions for school employees retirement	Jan. 29	Enacted
447	*(Nordquist)*	Change provisions related to the Class V School Employees Retirement Act	March 5	Amended and incorporated into LB 448--bracketed
448	*(Nordquist)*	Make current and new Class V school Employees members of the School Employees Retirement System of Nebraska	March 5	Bracket on Select File until April 15, 2016
467	*(Nordquist)*	Change provisions relating to State Patrol retirement	Feb. 10	Held in Committee
468	*(Nordquist)*	Change benefit and contribution provisions relating to judges retirement	Feb. 10	LB 602 amended & incorporated into bill -- Enacted
484	*(Nordquist)*	Change county employee and employer retirement contribution rates for certain counties as prescribed	Jan. 29	Held in Committee
551	*(Nordquist)*	Adopt the Local Government Employees Retirement Act	Feb. 24	Held in Committee
594	*(Kolowski)*	Change contribution rates for certain police officers and county employees	Feb. 4	Held in Committee
655	*(Davis)*	Adopt the Cities of the First Class Firefighters Cash Balance Retirement Act	Feb. 24	Held in Committee
		Gubernatorial Appointments		
		John Dinkel, Nebraska Investment Council		Confirmed
		Michael Walden-Newman		Confirmed
		Denis Blank, Public Employees Retirement Board		Confirmed
		Dennis Leonard, Public Employees Retirement Board		Confirmed
		Kelli Ackerman, Public Employees Retirement Board		Confirmed
		J. Russell Derr, Public Employees Retirement Board		Confirmed

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VI. Interim Study Resolutions

LR 230

Introduced by Senators Davis, Baker, Gloor, Hughes, Kolowski, Kolterman, Mello, Nordquist, Schnoor, Schumacher, Stinner and Watermeier

PURPOSE: The purpose of this resolution is to study pensions provided for firefighters from cities of the first class.

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

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

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 243

Introduced by the Nebraska Retirement Systems Committee

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, FIRST SESSION:

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

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 301

Introduced by the Nebraska Retirement Systems Committee

PURPOSE: The purpose of this study is to examine the practice of "double dipping" which occurs when public employees retire with a public pension and become reemployed by the same or a different public employer and earn a second public pension benefit. The study shall include, but not be limited to, the frequency of double dipping, the cost, if any, to public retirement systems, and possible mechanisms to limit or eliminate the practice.

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

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

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

Interim studies in other committees with potential impacts on retirement systems

LR 265

Introduced by Davis, Coash, Ebke, Groene, Kolowski, Kolterman, Krist, Mello, Morfeld, Pansing Brooks, Seiler, and Williams

PURPOSE: The purpose of this study is to examine minor traffic violation, adult and juvenile pre-trial diversion programs authorized by counties and municipalities. The examination shall include, but not be limited to, an examination of the following:

1. The pretrial diversion programs authorized by counties and municipalities and the approved private pretrial diversion program providers,
2. The costs for participation in pretrial diversion programs and the additional fees assessed by counties and municipalities including court costs;
3. The delivery of court costs collected by the court system for credit to appropriate funds;
4. The utilization of fees collected by counties and municipalities;
5. The treatment of indigent persons and uncollectible costs and fees; and
6. The feasibility of establishing a central reporting system of all pretrial diversion programs, including the assessment, collection and utilization of program costs and fees

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

1. That the Judiciary Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

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

LR 252

Introduced by Judiciary Committee

PURPOSE: The purpose of this resolution is to study court costs and fees in Nebraska.

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

1. That the Judiciary Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

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

LR 244

Introduced by Harr

PURPOSE: The purpose of this resolution is to study the salaries of all judges in Nebraska, including the history of adjusting these salaries.

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

1. That the Judiciary Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

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

LR 280

Introduced by Crawford

PURPOSE: The purpose of this resolution is to study municipal bankruptcy. The issues examined in this study shall include, but not be limited to, a review of the following:

1. The petitions filed in the United States Bankruptcy Court for the District of Nebraska including whether such petitions were filed by municipalities or other political subdivisions;
2. The fiscal health of Nebraska municipalities compared with the fiscal health of municipalities in other states;
3. Bond ratings and interest rates received on municipal bonds by Nebraska's municipalities; and
4. The financial interests in a municipal bankruptcy filing including continuation of municipal services and pension and other retirement and health care benefits owed to current and former municipal employers, bondholders, and other creditors.

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

1. That the Urban Affairs Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

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

LR 196

Introduced by Hansen

PURPOSE: The purpose of this resolution is to study current state statutes governing population thresholds for Nebraska counties. The study should specifically examine the public policy ramifications of increasing various statutory population thresholds for counties having three hundred thousand or more inhabitants. The study shall include, but not be limited to, an examination of the following:

1. The policy decisions which resulted in exemptions from certain population thresholds for counties;
2. The policy considerations for classifying counties based on population;
3. The projected population of Nebraska counties at the time of the upcoming 2020 United States Census; and
4. Whether legislation is needed to update current state statutes governing population thresholds for counties.

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

1. That the Government, Military and Veterans Affairs 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.

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VII. APPENDICES

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APPENDIX A

March 17, 2015

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

Re: Judges Retirement System Cost Study

Dear Phyllis:

As you requested, we have estimated the potential financial impact to the Nebraska Judges Retirement System under four alternate scenarios requested by the Nebraska Retirement Systems Committee. It is our understanding that the proposed changes apply only to new employees hired after June 30, 2015, i.e., current members and those hired before July 1, 2015 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, 2014 actuarial valuation of the Judges Retirement System and the projection methods and assumptions of the July 1, 2014 valuation model, unless otherwise noted.

In all four of the alternate scenarios studied, the new member contribution rate is 10% for all years of service and a 5-year final average salary is used to determine benefit amounts. Currently, members contribute 9% for the first 20 years of service (certain judges are grandfathered with different contribution rates), and 5% thereafter, and benefits are based on a 3-year final average salary. The differences in the various scenarios are combinations of the COLA for new members and a $1 million increase in the court fees for funding purposes. Specifically, two of the studies maintain the current 2.5% COLA for new members, while the other two provide for a guaranteed COLA of 1% and an additional discretionary COLA of up to 1.5%, available when the System is and would remain 100% funded after the additional COLA is granted. Further, two of the studies make no change to the court fees contributed to the System, while the other two reflect an annual increase in court fees of $1 million.

In addition to the member contribution rate and final average salary change, which apply to all four scenarios, the provisions that vary in the four scenarios are:

(1) 1% COLA plus 1.5% supplemental COLA, $1 million increase in annual court fees
(2) 1% COLA plus 1.5% supplemental COLA, no change in court fees
(3) 2.5% COLA, $1 million increase in annual court fees
(4) 2.5% COLA, no change in court fees

The proposed change in the COLA structure for new hires presents some interesting funding issues. If the annual valuation funding requirements are based on an assumption that reflect the potential total COLA of 2.5%, then the 2.5% COLA would ultimately be funded and be paid in all future years (assuming all assumptions are met). The contribution requirements would be higher under such a scenario to provide the higher COLA. On the other hand, if the annual funding requirements are based on an assumption that reflects only the guaranteed COLA of 1%, then the supplemental COLA will not be paid in most years, if all assumptions are met. For purposes of this study and to more directly compare the cost of a 1% COLA versus a 2.5% COLA, the COLA for new hires was modeled by assuming only a 1% COLA is paid in all future years whether or not a supplemental COLA could have been paid.

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 were hired after June 30, 2015. This rate reflects the ongoing annual cost of the benefit structure, based on the current assumptions. The following table summarizes the normal cost rates for the current benefit structure and proposed benefit changes. Note that the proposal to increase court fees by $1 million does not impact the normal cost rate of the System.

	Normal Cost Rate in 2044		
	Total	Employee	Non-Employee
Current provisions	24.14%	7.35%	16.79%
5-Year Final Average Salary and 10% Employee Contribution Rate	23.25%	10.00%	13.25%
5-Year Final Average Salary , 10% Employee Contribution Rate, and 1% COLA	20.47%	10.00%	10.47%

Because changes to the benefit provisions that apply only to new hires can take 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 judges leave the bench, they are replaced by new judges 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 impact the proposed changes on the funding requirements of the Judges Retirement System over the projection period.

Exhibits 1 through 5 show the funding requirements, by source, as well as the key funding measurements for the System under the current law as well as each of the four alternate scenarios. Exhibit 6 compares the annual required State appropriation under all five scenarios. It should be noted that the amounts shown may not be the actual cost to the State since the contribution of an additional $1 million per year of court fees in alternate scenarios 1 and 3 could result in other impacts on the overall State budget. The impact of this additional $1 million per year is added and shown on the Grand Total line. Finally, Exhibit 7 compares the funded ratio of the system under all five scenarios. While there is some variation in the intervening years, it should be noted that all scenarios end up around 100% funded at the end of the projection period, as would be expected given the funding policy of the System.

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, 2014 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 2014 valuation 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 alternate scenarios as described 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, 2014, and projects future events using one set of assumptions out of a range of many possibilities. A different set of assumptions would lead to different results. The projections do not predict the System's financial condition or its ability to pay benefits in the future and do not provide any guarantee of future financial soundness of the System. Over time, a defined benefit plan's total cost will depend on a number of factors, including the amount of benefits paid, the number of people paid benefits, the duration of the benefit payments, plan expenses, and the amount of earnings on assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the time the projections were prepared. Because not all of the assumptions will unfold exactly as expected, actual results will differ from the projections. To the extent that actual experience deviates significantly from the assumptions, results could be significantly better or significantly worse than indicated in this study.

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

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 1
Nebraska Judges Retirement System
Current Scenario (Baseline)

Valuation Date	Funding Requirements: Member	Court Fees	Appropriation	Actuarial Liability (AL)	Actuarial Assets	Unfunded AL	Funded Ratio
2014	1,595,349	3,102,864	750,607	156,326,683	144,729,946	11,596,737	92.6%
2015	1,659,120	3,102,864	623,504	164,414,542	158,955,107	5,459,435	96.7%
2016	1,723,743	3,102,864	676,029	172,737,169	169,927,349	2,809,820	98.4%
2017	1,795,249	3,102,864	590,152	181,209,636	182,698,341	(1,488,705)	100.8%
2018	1,864,608	3,102,864	647,211	189,402,281	193,807,617	(4,405,336)	102.3%
2019	1,934,395	3,102,864	834,911	197,604,209	202,004,387	(4,400,178)	102.2%
2020	2,004,716	3,102,864	1,031,858	205,623,413	210,037,888	(4,414,475)	102.1%
2021	2,079,920	3,102,864	1,255,925	213,758,409	218,118,438	(4,360,029)	102.0%
2022	2,159,153	3,102,864	1,464,844	222,063,602	226,338,089	(4,274,487)	101.9%
2023	2,244,081	3,102,864	1,692,853	230,567,418	234,736,370	(4,168,952)	101.8%
2024	2,333,296	3,102,864	1,930,509	239,508,023	243,502,906	(3,994,883)	101.7%
2025	2,421,046	3,102,864	2,154,226	248,414,075	252,350,473	(3,936,398)	101.6%
2026	2,517,500	3,102,864	2,402,683	257,546,493	261,375,814	(3,829,321)	101.5%
2027	2,613,985	3,102,864	2,637,280	267,157,914	270,805,819	(3,647,905)	101.4%
2028	2,712,288	3,102,864	2,846,050	276,788,593	280,342,709	(3,554,116)	101.3%
2029	2,816,426	3,102,864	3,102,681	286,801,165	290,178,545	(3,377,380)	101.2%
2030	2,925,844	3,102,864	3,373,705	297,246,773	300,404,807	(3,158,034)	101.1%
2031	3,039,737	3,102,864	3,638,073	308,220,415	311,109,278	(2,888,863)	100.9%
2032	3,157,855	3,102,864	3,911,562	319,528,741	322,160,693	(2,631,952)	100.8%
2033	3,281,959	3,102,864	4,207,736	331,374,013	333,682,075	(2,308,062)	100.7%
2034	3,410,783	3,102,864	4,516,728	343,772,328	345,710,595	(1,938,267)	100.6%
2035	3,544,051	3,102,864	4,849,140	356,374,347	358,013,532	(1,639,185)	100.5%
2036	3,683,248	3,102,864	5,196,092	369,381,345	370,689,503	(1,308,158)	100.4%
2037	3,828,963	3,102,864	5,546,149	383,118,974	383,986,600	(867,626)	100.2%
2038	3,980,504	3,102,864	5,917,577	397,256,525	397,739,737	(483,212)	100.1%
2039	4,137,506	3,102,864	6,295,587	411,809,553	411,921,304	(111,751)	100.0%
2040	4,301,597	3,102,864	6,715,625	427,107,832	426,745,787	362,045	99.9%
2041	4,470,724	3,102,864	7,136,108	442,626,062	441,905,545	720,517	99.8%
2042	4,648,293	3,102,864	7,576,232	458,909,216	457,704,680	1,204,536	99.7%
2043	4,834,685	3,102,864	8,045,453	475,792,680	474,107,967	1,684,713	99.6%
2044	5,027,010	3,102,864	8,512,845	493,506,981	491,268,153	2,238,828	99.5%
	92,747,635	96,188,784	110,079,933				

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Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 17, 2015.

Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 2
Nebraska Judges Retirement System
Proposed Alternate Scenario 1
New Member Changes, Including a 1% COLA, Plus $1 Million Increase in Court Fees

Valuation	Funding Requirements			Actuarial	Actuarial	Unfunded	Funded
Date	Member	Court Fees	Appropriation	Liability (AL)	Assets	AL	Ratio
2014	1,595,349	3,102,864	750,607	156,326,683	144,729,946	11,596,737	92.6%
2015	1,659,120	4,102,864	-	164,414,542	158,955,107	5,459,435	96.7%
2016	1,736,027	4,102,864	-	172,737,169	170,343,076	2,394,093	98.6%
2017	1,820,573	4,102,864	-	181,149,083	183,523,292	(2,374,209)	101.3%
2018	1,924,290	4,102,864	-	189,216,366	195,173,961	(5,957,595)	103.1%
2019	2,025,137	4,102,864	-	197,194,833	203,934,092	(6,739,259)	103.4%
2020	2,131,397	4,102,864	-	204,893,023	212,420,659	(7,527,636)	103.7%
2021	2,241,574	4,102,864	-	212,598,487	220,831,130	(8,232,643)	103.9%
2022	2,354,555	4,102,864	-	220,361,167	229,219,883	(8,858,716)	104.0%
2023	2,475,941	4,102,864	-	228,204,650	237,628,049	(9,423,399)	104.1%
2024	2,596,899	4,102,864	-	236,356,927	246,217,183	(9,860,256)	104.2%
2025	2,737,829	4,102,864	-	244,344,391	254,671,769	(10,327,378)	104.2%
2026	2,887,916	4,102,864	-	252,397,219	263,109,252	(10,712,033)	104.2%
2027	3,030,131	4,102,864	-	260,758,293	271,719,032	(10,960,739)	104.2%
2028	3,196,469	4,102,864	-	268,967,849	280,193,386	(11,225,537)	104.2%
2029	3,362,151	4,102,864	23,994	277,356,805	288,758,109	(11,401,304)	104.1%
2030	3,526,641	4,102,864	144,712	285,979,228	297,463,971	(11,484,743)	104.0%
2031	3,701,041	4,102,864	244,731	294,924,028	306,461,053	(11,537,025)	103.9%
2032	3,887,767	4,102,864	347,908	303,986,701	315,603,544	(11,616,843)	103.8%
2033	4,075,567	4,102,864	477,707	313,357,263	325,011,160	(11,653,897)	103.7%
2034	4,274,303	4,102,864	596,771	323,050,758	334,715,104	(11,664,346)	103.6%
2035	4,492,275	4,102,864	726,697	332,705,185	344,461,111	(11,755,926)	103.5%
2036	4,722,774	4,102,864	870,196	342,510,569	354,347,730	(11,837,161)	103.5%
2037	4,947,577	4,102,864	1,016,807	352,782,803	364,625,483	(11,842,680)	103.4%
2038	5,190,198	4,102,864	1,172,011	363,196,705	375,115,927	(11,919,222)	103.3%
2039	5,439,198	4,102,864	1,338,933	373,769,896	385,795,137	(12,025,241)	103.2%
2040	5,683,909	4,102,864	1,536,284	384,824,377	396,885,943	(12,061,566)	103.1%
2041	5,959,071	4,102,864	1,719,030	395,844,821	408,061,959	(12,217,138)	103.1%
2042	6,224,596	4,102,864	1,929,401	407,354,333	419,641,956	(12,287,623)	103.0%
2043	6,508,239	4,102,864	2,157,226	419,202,889	431,585,222	(12,382,333)	103.0%
2044	6,793,119	4,102,864	2,396,924	431,609,276	444,047,580	(12,438,304)	102.9%
	113,201,633	126,188,784	17,449,938				

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Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 3
Nebraska Judges Retirement System
Proposed Alternate Scenario 2
New Member Changes, Including a 1% COLA, and No Change in Court Fees

Valuation	Funding Requirements			Actuarial	Actuarial	Unfunded	Funded
Date	Member	Court Fees	Appropriation	Liability (AL)	Assets	AL	Ratio
2014	1,595,349	3,102,864	750,607	156,326,683	144,729,946	11,596,737	92.6%
2015	1,659,120	3,102,864	623,504	164,414,542	158,955,107	5,459,435	96.7%
2016	1,736,027	3,102,864	604,793	172,737,169	169,927,349	2,809,820	98.4%
2017	1,820,573	3,102,864	444,578	181,149,083	182,639,870	(1,490,787)	100.8%
2018	1,924,290	3,102,864	381,616	189,216,366	193,625,213	(4,408,847)	102.3%
2019	2,025,137	3,102,864	458,759	197,194,833	201,603,829	(4,408,996)	102.2%
2020	2,131,397	3,102,864	540,883	204,893,023	209,323,504	(4,430,481)	102.2%
2021	2,241,574	3,102,864	654,520	212,598,487	216,987,856	(4,389,369)	102.1%
2022	2,354,555	3,102,864	756,872	220,361,167	224,684,435	(4,323,268)	102.0%
2023	2,475,941	3,102,864	877,606	228,204,650	232,447,407	(4,242,757)	101.9%
2024	2,596,899	3,102,864	1,004,168	236,356,927	240,460,465	(4,103,538)	101.7%
2025	2,737,829	3,102,864	1,088,238	244,344,391	248,419,451	(4,075,060)	101.7%
2026	2,887,916	3,102,864	1,200,095	252,397,219	256,405,756	(4,008,537)	101.6%
2027	3,030,131	3,102,864	1,298,949	260,758,293	264,640,121	(3,881,828)	101.5%
2028	3,196,469	3,102,864	1,348,454	268,967,849	272,807,881	(3,840,032)	101.4%
2029	3,362,151	3,102,864	1,459,461	277,356,805	281,090,987	(3,734,182)	101.3%
2030	3,526,641	3,102,864	1,592,512	285,979,228	289,579,716	(3,600,488)	101.3%
2031	3,701,041	3,102,864	1,705,150	294,924,028	298,354,628	(3,430,600)	101.2%
2032	3,887,767	3,102,864	1,821,239	303,986,701	307,269,793	(3,283,092)	101.1%
2033	4,075,567	3,102,864	1,964,248	313,357,263	316,444,808	(3,087,545)	101.0%
2034	4,274,303	3,102,864	2,096,829	323,050,758	325,910,755	(2,859,997)	100.9%
2035	4,492,275	3,102,864	2,240,587	332,705,185	335,413,242	(2,708,057)	100.8%
2036	4,722,774	3,102,864	2,398,238	342,510,569	345,050,690	(2,540,121)	100.7%
2037	4,947,577	3,102,864	2,559,329	352,782,803	355,073,492	(2,290,689)	100.6%
2038	5,190,198	3,102,864	2,729,350	363,196,705	365,303,069	(2,106,364)	100.6%
2039	5,439,198	3,102,864	2,911,432	373,769,896	375,715,357	(1,945,461)	100.5%
2040	5,683,909	3,102,864	3,124,294	384,824,377	386,533,049	(1,708,672)	100.4%
2041	5,959,071	3,102,864	3,322,912	395,844,821	397,429,615	(1,584,794)	100.4%
2042	6,224,596	3,102,864	3,549,524	407,354,333	408,723,676	(1,369,343)	100.3%
2043	6,508,239	3,102,864	3,793,966	419,202,889	420,374,373	(1,171,484)	100.3%
2044	6,793,119	3,102,864	4,050,666	431,609,276	432,537,372	(928,096)	100.2%
	113,201,633	96,188,784	53,353,379				

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Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 4
Nebraska Judges Retirement System
Proposed Alternate Scenario 3
New Member Changes (No COLA Change) Plus $1 Million Increase in Court Fees

Valuation	Funding Requirements			Actuarial	Actuarial	Unfunded	Funded
Date	Member	Court Fees	Appropriation	Liability (AL)	Assets	AL	Ratio
2014	1,595,349	3,102,864	750,607	156,326,683	144,729,946	11,596,737	92.6%
2015	1,659,120	4,102,864	-	164,414,542	158,955,107	5,459,435	96.7%
2016	1,736,027	4,102,864	-	172,737,169	170,343,076	2,394,093	98.6%
2017	1,820,573	4,102,864	-	181,194,917	183,523,292	(2,328,375)	101.3%
2018	1,924,290	4,102,864	-	189,357,096	195,173,960	(5,816,864)	103.1%
2019	2,025,137	4,102,864	-	197,504,732	203,934,083	(6,429,351)	103.3%
2020	2,131,397	4,102,864	-	205,446,013	212,420,617	(6,974,604)	103.4%
2021	2,241,574	4,102,864	-	213,476,865	220,830,967	(7,354,102)	103.4%
2022	2,354,555	4,102,864	-	221,650,793	229,219,388	(7,568,595)	103.4%
2023	2,475,941	4,102,864	123,514	229,995,420	237,626,780	(7,631,360)	103.3%
2024	2,596,899	4,102,864	303,020	238,746,810	246,337,758	(7,590,948)	103.2%
2025	2,737,829	4,102,864	445,226	247,433,541	255,101,993	(7,668,452)	103.1%
2026	2,887,916	4,102,864	612,345	256,309,772	264,013,768	(7,703,996)	103.0%
2027	3,030,131	4,102,864	771,564	265,626,551	273,299,300	(7,672,749)	102.9%
2028	3,196,469	4,102,864	882,140	274,925,007	282,657,356	(7,732,349)	102.8%
2029	3,362,151	4,102,864	1,048,568	284,561,728	292,279,472	(7,717,744)	102.7%
2030	3,526,641	4,102,864	1,235,912	294,590,658	302,259,021	(7,668,363)	102.6%
2031	3,701,041	4,102,864	1,408,921	305,106,777	312,683,178	(7,576,401)	102.5%
2032	3,887,767	4,102,864	1,583,334	315,916,407	323,419,415	(7,503,008)	102.4%
2033	4,075,567	4,102,864	1,784,933	327,220,429	334,592,224	(7,371,795)	102.3%
2034	4,274,303	4,102,864	1,988,740	339,036,510	346,239,073	(7,202,563)	102.1%
2035	4,492,275	4,102,864	2,201,541	351,013,585	358,123,491	(7,109,906)	102.0%
2036	4,722,774	4,102,864	2,423,423	363,352,740	370,347,274	(6,994,534)	101.9%
2037	4,947,577	4,102,864	2,657,432	376,377,985	383,159,970	(6,781,985)	101.8%
2038	5,190,198	4,102,864	2,900,435	389,761,985	396,394,575	(6,632,590)	101.7%
2039	5,439,198	4,102,864	3,150,312	403,524,500	410,029,230	(6,504,730)	101.6%
2040	5,683,909	4,102,864	3,447,839	417,993,794	424,281,048	(6,287,254)	101.5%
2041	5,959,071	4,102,864	3,722,276	432,647,987	438,838,454	(6,190,467)	101.4%
2042	6,224,596	4,102,864	4,031,391	448,026,420	454,009,140	(5,982,720)	101.3%
2043	6,508,239	4,102,864	4,359,044	463,967,395	469,755,216	(5,787,821)	101.2%
2044	6,793,119	4,102,864	4,691,058	480,698,148	486,228,955	(5,530,807)	101.2%
	113,201,633	126,188,784	46,523,576				

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Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 5

Nebraska Judges Retirement System

Proposed Alternate Scenario 4

New Member Changes (No COLA Change) and No Increase in Court Fees

Valuation	Funding Requirements			Actuarial	Actuarial	Unfunded	Funded
Date	Member	Court Fees	Appropriation	Liability (AL)	Assets	AL	Ratio
2014	1,595,349	3,102,864	750,607	156,326,683	144,729,946	11,596,737	92.6%
2015	1,659,120	3,102,864	623,504	164,414,542	158,955,107	5,459,435	96.7%
2016	1,736,027	3,102,864	649,414	172,737,169	169,927,349	2,809,820	98.4%
2017	1,820,573	3,102,864	535,574	181,194,917	182,684,491	(1,489,574)	100.8%
2018	1,924,290	3,102,864	537,407	189,357,096	193,764,398	(4,407,302)	102.3%
2019	2,025,137	3,102,864	674,618	197,504,732	201,909,933	(4,405,201)	102.2%
2020	2,131,397	3,102,864	816,295	205,446,013	209,869,921	(4,423,908)	102.2%
2021	2,241,574	3,102,864	986,832	213,476,865	217,853,281	(4,376,416)	102.1%
2022	2,354,555	3,102,864	1,144,027	221,650,793	225,951,088	(4,300,295)	101.9%
2023	2,475,941	3,102,864	1,318,041	229,995,420	234,201,811	(4,206,391)	101.8%
2024	2,596,899	3,102,864	1,504,289	238,746,810	242,794,089	(4,047,279)	101.7%
2025	2,737,829	3,102,864	1,653,393	247,433,541	251,436,869	(4,003,328)	101.6%
2026	2,887,916	3,102,864	1,827,571	256,309,772	260,224,371	(3,914,599)	101.5%
2027	3,030,131	3,102,864	1,994,012	265,626,551	269,382,746	(3,756,195)	101.4%
2028	3,196,469	3,102,864	2,111,977	274,925,007	278,610,695	(3,685,688)	101.3%
2029	3,362,151	3,102,864	2,285,967	284,561,728	288,099,684	(3,537,956)	101.2%
2030	3,526,641	3,102,864	2,481,047	294,590,658	297,943,019	(3,352,361)	101.1%
2031	3,701,041	3,102,864	2,661,972	305,106,777	308,227,800	(3,121,023)	101.0%
2032	3,887,767	3,102,864	2,844,485	315,916,407	318,821,427	(2,905,020)	100.9%
2033	4,075,567	3,102,864	3,054,371	327,220,429	329,848,317	(2,627,888)	100.8%
2034	4,274,303	3,102,864	3,266,658	339,036,510	341,345,862	(2,309,352)	100.7%
2035	4,492,275	3,102,864	3,488,136	351,013,585	353,077,511	(2,063,926)	100.6%
2036	4,722,774	3,102,864	3,718,897	363,352,740	365,144,980	(1,792,240)	100.5%
2037	4,947,577	3,102,864	3,961,989	376,377,985	377,797,736	(1,419,751)	100.4%
2038	5,190,198	3,102,864	4,214,288	389,761,985	390,868,689	(1,106,704)	100.3%
2039	5,439,198	3,102,864	4,473,675	403,524,500	404,335,896	(811,396)	100.2%
2040	5,683,909	3,102,864	4,780,934	417,993,794	418,416,379	(422,585)	100.1%
2041	5,959,071	3,102,864	5,065,328	432,647,987	432,798,475	(150,488)	100.0%
2042	6,224,596	3,102,864	5,384,468	448,026,420	447,789,784	236,636	99.9%
2043	6,508,239	3,102,864	5,722,794	463,967,395	463,352,157	615,238	99.9%
2044	6,793,119	3,102,864	6,066,142	480,698,148	479,638,171	1,059,977	99.8%
	113,201,633	96,188,784	80,598,709				

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Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 6
Nebraska Judges Retirement System
Comparison of State Appropriations

Valuation Date	Current (Baseline)	Proposed Alternate Scenario 1	2	3	4
2014	750,607	750,607	750,607	750,607	750,607
2015	623,504	-	623,504	-	623,504
2016	676,029	-	604,793	-	649,414
2017	590,152	-	444,578	-	535,574
2018	647,211	-	381,616	-	537,407
2019	834,911	-	458,759	-	674,618
2020	1,031,858	-	540,883	-	816,295
2021	1,255,925	-	654,520	-	986,832
2022	1,464,844	-	756,872	-	1,144,027
2023	1,692,853	-	877,606	123,514	1,318,041
2024	1,930,509	-	1,004,168	303,020	1,504,289
2025	2,154,226	-	1,088,238	445,226	1,653,393
2026	2,402,683	-	1,200,095	612,345	1,827,571
2027	2,637,280	-	1,298,949	771,564	1,994,012
2028	2,846,050	-	1,348,454	882,140	2,111,977
2029	3,102,681	23,994	1,459,461	1,048,568	2,285,967
2030	3,373,705	144,712	1,592,512	1,235,912	2,481,047
2031	3,638,073	244,731	1,705,150	1,408,921	2,661,972
2032	3,911,562	347,908	1,821,239	1,583,334	2,844,485
2033	4,207,736	477,707	1,964,248	1,784,933	3,054,371
2034	4,516,728	596,771	2,096,829	1,988,740	3,266,658
2035	4,849,140	726,697	2,240,587	2,201,541	3,488,136
2036	5,196,092	870,196	2,398,238	2,423,423	3,718,897
2037	5,546,149	1,016,807	2,559,329	2,657,432	3,961,989
2038	5,917,577	1,172,011	2,729,350	2,900,435	4,214,288
2039	6,295,587	1,338,933	2,911,432	3,150,312	4,473,675
2040	6,715,625	1,536,284	3,124,294	3,447,839	4,780,934
2041	7,136,108	1,719,030	3,322,912	3,722,276	5,065,328
2042	7,576,232	1,929,401	3,549,524	4,031,391	5,384,468
2043	8,045,453	2,157,226	3,793,966	4,359,044	5,722,794
2044	8,512,845	2,396,924	4,050,666	4,691,058	6,066,142
	110,079,933	17,449,938	53,353,379	46,523,576	80,598,709
Additional Court Fees	-	30,000,000	-	30,000,000	-
Grand Total	110,079,933	47,449,938	53,353,379	76,523,576	80,598,709

This exhibit is an attachment to a letter that contains important information and explanation regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 17, 2015.

Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

Exhibit 7
Nebraska Judges Retirement System
Comparison of Funded Ratios

Valuation Date	Current (Baseline)	Proposed Alternate Scenario 1	2	3	4
2014	92.6%	92.6%	92.6%	92.6%	92.6%
2015	96.7%	96.7%	96.7%	96.7%	96.7%
2016	98.4%	98.6%	98.4%	98.6%	98.4%
2017	100.8%	101.3%	100.8%	101.3%	100.8%
2018	102.3%	103.1%	102.3%	103.1%	102.3%
2019	102.2%	103.4%	102.2%	103.3%	102.2%
2020	102.1%	103.7%	102.2%	103.4%	102.2%
2021	102.0%	103.9%	102.1%	103.4%	102.1%
2022	101.9%	104.0%	102.0%	103.4%	101.9%
2023	101.8%	104.1%	101.9%	103.3%	101.8%
2024	101.7%	104.2%	101.7%	103.2%	101.7%
2025	101.6%	104.2%	101.7%	103.1%	101.6%
2026	101.5%	104.2%	101.6%	103.0%	101.5%
2027	101.4%	104.2%	101.5%	102.9%	101.4%
2028	101.3%	104.2%	101.4%	102.8%	101.3%
2029	101.2%	104.1%	101.3%	102.7%	101.2%
2030	101.1%	104.0%	101.3%	102.6%	101.1%
2031	100.9%	103.9%	101.2%	102.5%	101.0%
2032	100.8%	103.8%	101.1%	102.4%	100.9%
2033	100.7%	103.7%	101.0%	102.3%	100.8%
2034	100.6%	103.6%	100.9%	102.1%	100.7%
2035	100.5%	103.5%	100.8%	102.0%	100.6%
2036	100.4%	103.5%	100.7%	101.9%	100.5%
2037	100.2%	103.4%	100.6%	101.8%	100.4%
2038	100.1%	103.3%	100.6%	101.7%	100.3%
2039	100.0%	103.2%	100.5%	101.6%	100.2%
2040	99.9%	103.1%	100.4%	101.5%	100.1%
2041	99.8%	103.1%	100.4%	101.4%	100.0%
2042	99.7%	103.0%	100.3%	101.3%	99.9%
2043	99.6%	103.0%	100.3%	101.2%	99.9%
2044	99.5%	102.9%	100.2%	101.2%	99.8%

This exhibit is an attachment to a letter that contains important information and explanation regarding the numbers shown. Therefore, the exhibit should only be considered with the accompanying letter from Cavanaugh Macdonald dated March 17, 2015.

Note: all assumption, including the 8% investment return, are assumed to be met each year in the future.

APPENDIX B

Background and Discussion of Court Fees Used as Funding for the Judges Retirement System

Background – Court fees

Court fees were first earmarked for the Judges Retirement Fund in 1957 to fund the "employer match". The fee was increased from $1 to $5 in 2003 and a number of additional cases were added. It increased again to $6 in 2009 in order to add additional funding to the Judges Retirement System after the recession in 2008-2009 when there was a 27% investment loss in plan assets. After an initial increase in revenue from court fees in 2010, the revenue has consistently dropped each year. As a result despite the $1 increase in the court fee in 2009, the 2014 revenue is less than the revenue collected in 2007. There are several proposed explanations for the decrease in court fee revenue including:

- Judges are waiving court fees
- Increased offering of, and enrollment in, pre-trial diversion programs
- Fewer new State Patrol officers to issue traffic citations

Court fees earmarked for Judges' Retirement Fund

SECTION	FEE	COURT/CAUSE OF ACTION/DOCKET FEE
24-703	*$6.00	*District, County, Supreme, Appeals, & Workers Compensation
25-2804	$1.25	Small Claims
33-103	$50.00	Supreme
33-103.01	$50.00	Appeals
33-106.02	$4.00	District (docket fees)
33-123	$2.00	District (civil docket fees)
33-124	$2.00	County (criminal)
33-125	$6.00	County (probate)
33-126.02	$12.00	County (guardianship/conservatorship)
33-126.03	$2.00	County (inheritance tax)
33-126.06	$2.00	County (trust)

*1957 $1 fee on various district and county court filings
2003 Fee increased to $5 and Supreme, Appeals and Workers Compensation Court cases added
2009 Fee increased from $5 to $6

Waiver of court fees

According to data provided by the Court Administrator's Office in 2014, the $2 county court criminal fee (see section 33-124) can be waived and is sometimes being waived by judges; other fees are not being waived. The JUSTICE information provided in 2014 indicated there was approximately $100,000 in uncollected fees for the following reasons:

- Approximately 43% of the fees were waived by the judge – many times due to indigence
- Approximately 32% were not paid because the defendant sat out the costs in jail
- Approximately 14% were not collected under a code called "non-monetary" which means many times the case was dismissed
- The remaining 11% included several reasons such as completion of community service, attendance at traffic or some other alternate method of satisfaction

In 2014, LB 927 was introduced, which would have removed judicial discretion to waive court fees. The bill did not advance from Judiciary Committee.

JUDGES' RETIREMENT FUNDING NEEDS

At best, revenue from court fees will remain flat. This means even if all the actuarial assumptions are met, including the rate of return, the state will incur increasing actuarial required contributions (ARCs).

Actuarial Projections	ARCs -- 8% return
2014	$750,000
2015	$624,000
2016	$676,000
2017	$590,000
2018	$647,000
2019	$835,000

PRE-TRIAL DIVERSION

As proposed in LB 602 (as amended by the Judiciary Committee), a $6 fee would attach to pre-trial diversion programs. There are three types of pre-trial diversion programs – juvenile, adult criminal offenses, minor traffic. Either the city attorney or the county attorney is authorized to establish a pre-trial diversion program in the county/city with the concurrence of the governing entity.

Juvenile pretrial diversion

- Director of Juvenile Diversion Program oversees development of juvenile diversion programs in counties and cities and prepares an annual report summarizing juvenile diversion programs

- According to 2014 report, 52 counties have a juvenile diversion program; 4,062 individuals were referred between July 1, 2012 and June 30, 2013

Criminal offenses

- There is no centralized reporting or data collection system for these cases.

Minor traffic violations

- Department of Motor Vehicle approves curriculum for minor traffic violations and sets fees for cost of driver safety program
- DMV knows which counties have traffic diversion programs, but does not collect data on the number of participants
- There are six private providers that offer traffic diversion programs, covering varying jurisdictions. Some of the providers collect $48 in court fees (which includes the $6 fee earmarked for the judges' retirement fund) and some do not.

Private Providers:

Nebraska Safety Center (Kearney)
In 2014, the Nebraska Safety Center's Training Option Program (STOP) taught 143 classes with 1,108 total participants. All participants pay court costs. Jurisdictions include: counties of Adams, Box Butte, Boyd, Buffalo, Furnas, Gosper, Greeley, Hall, Howard, Johnson, Kearney, Nemaha, Otoe, Pawnee, Richardson, Sioux, Webster, and cities of Chadron and Grand Island.

National Safety Center Nebraska (Omaha)
National Safety Center Nebraska (NSCN) does not collect court costs in any of its jurisdictions. There were 8,186 participants in 2014. Jurisdictions include Douglas, Cass and Washington counties.

The City of Omaha/Douglas County misdemeanor diversion program is also operated by NSCN and has about 700 participants annually. That program does not require court costs to be collected either.

Traffic Safety Plus (Lincoln)
Most of the jurisdictions require court costs to be collected. Jurisdictions include 62 counties and the cities of Milford, Wilber, Crete and Beatrice. Total participants 3,626.

Southeast Community College (Lincoln)
Located in Thayer and Seward County; court costs are collected.

Nebraska Safety Council (Lincoln)
The majority of counties (except Lancaster) include court costs of $48. Those fees are remitted to the appropriate county court. Jurisdictions include 21 counties. There are a total of 5,154 participants in all counties – 4,716 do not pay court costs.

Lancaster County Community Corrections (LCCC) (Lincoln)
LCCC administers the STOP course in Lancaster County. Approximately 8,000 people attended in 2014. STOP participants only pay court costs if they register for STOP class after 10 working days and County Court has already filed their ticket. This is usually around 5% of registrations. <u>The other 95% avoid court costs (approximately 7,600 do not pay court costs).</u>

<u>Adult Diversion Cases</u>

There is no central data collection point for adult pretrial diversion programs. The following data was collected by the Legislative Research Division (who contacted the four largest counties) and from a survey sent to all county attorneys; 15 county attorneys responded to the survey.

<u>Douglas</u>	144 cases referred in 2014. No information on assessment of court fees
<u>Hall</u>	No adult pretrial diversion program.
<u>Lancaster</u>	2,000 cases in 2014. No information on assessment of court fees.
<u>Sarpy</u>	921 cases referred in 2014 and intake on 543 cases. No information on assessment of court fees
<u>Omaha</u>	About 700 participants annually. <u>Court costs are not collected.</u>

Of the 15 counties who responded to the survey, 8 counties do not have adult diversion programs (Brown, Boone, Butler, Gosper, Knox, Saunders, Stanton and Thurston). Of the remaining 7 counties, <u>5 collect court costs</u> (Gage, Johnson, Otoe, Platte and Scottsbluff), Adams and Colfax do not.

It appears from data collected, there are approximately 30,000 pre-trial diversion participants that are not currently being charged the $6 court fee. Assessment of the $6 fee would bring in about $180,000 per year to the Judges Retirement Fund.

<u>RE-OPENED CASES</u>

One of the options suggested to generate additional court fees was attaching the court fee to "re-opened" cases. A print-out was provided by the Court Administrators Office from the JUSTICE system which identified a total of approximately 30,000 "re-opened" cases in 2014. However, in follow-up conversations with the Court Administrator's Office, this number was reduced to approximately 3,300 cases that would be eligible for attachment of a court fee. Those cases determined to be ineligible are because of statutory provisions. The county attorney or authorized attorney handling Title IV-D cases (child support) may not be charged any fees under 48-641 and no fees may be assessed for the filing of protection orders under 42-924.01.

COURT FEES EARMARKED FOR STATE GENERAL FUND

According to legislative history, in 1972 the county court system was reorganized and placed under the direction of the Supreme Court. All filing fees and costs were directed for deposit into the State General Fund and all operating costs of county courts were directed to be paid by the State . Section 25-2712 directs all county court fees and costs to be transmitted to the State Treasurer for deposit in the State General Fund. In addition, a small amount of revenue is generated by the filings in the district courts and in the Supreme Court and Court of Appeals. Here is the breakdown for court fees deposited into the State General Fund in FY13/14, and the total revenue for the previous three fiscal years:

FY13/14	$8.5 million
FY12/13	$8.8 million
FY11/12	$9.0 million
FY10/11	$9.2 million

Court fees redirected from the General Fund to the Judges Retirement Fund under LB 468

Provisions of LB 602 were amended in LB 468, which was further amended to redirect General Funds when the pre-trial diversion fee was removed.

Based on the most recent information (FY13/14) on revenue deposited into the state General Fund (GF) from court fees, here is a breakdown of how much each dollar generates based on the type of case:

CASE	FY13/14 TOTAL GF REVENUE	FEE TO THE GF	GENERATED BY EACH $1	NUMBER DOLLARS TO JUDGES	FY15/16 DIVERTED TO JUDGES	FY17 & ON DOLLARS TO JUDGES	AMOUNT DIVERTED TO GF
CIVIL	$1,600,000	$18	$90,000	$2	$180,000	$4	$360,000
CRIMINAL	$1,445,000	$18	$80,000	$2	$160,000	$4	$320,000
TRAFFIC	$2,310,000	$18	$130,000	$2	$260,000	$4	$520,000
PROBATE	$600,000	$20	$30,000	$2	$60,000	$4	$120,000
TOTAL					**$660,000**		**$1,320,000**

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APPENDIX C

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

April 29, 2015

Senator Jeremy Nordquist
Chairman, Public Retirement Systems Committee
Nebraska Legislature, Room #2004
PO Box 94604, District 07
Lincoln, NE 68509

Re: Cost Study for Legislative Bill 448, As Amended

Dear Senator Nordquist:

Cavanaugh Macdonald Consulting, LLC serves as the retained actuary for the Omaha School Employees' Retirement System (OSERS). Legislative Bill 448, as amended, 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 Public School Retirement System (administered by the Nebraska Public Retirement System). The focus of this letter is solely on the provisions of LB 448 that may impact the costs of the System, and therefore, the long term funding of the System.

The applicable changes to the benefit structure in LB 448 apply only to employees hired on ~~and~~ or after July 1, 2015. No changes are proposed for current members of OSERS. This letter has been prepared at the request of the Omaha Public School District to discuss, in general, the actuarial impact of the proposed changes in the benefit structure for new hires after July 1, 2015. Since these changes will only impact members hired in the future, we are unable to quantify the cost impact without a projection model. We can, however, analyze the cost impact of the changes, in general, and provide an opinion on the net impact of LB 448 on the long term funding of OSERS.

Benefit Provision Changes in LB 448, As Amended

LB 448, as amended, makes no change the current benefit provisions for members hired prior to July 1, 2015. The proposed benefit changes for members hired on or after July 1, 2015 are summarized in the following table:

	Plan Provisions	
	Current	**LB 448**
New Hires Only:		
Normal Retirement Date	Age 65 and 5 years of service	Age 65 and ½ year of service
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 important from a cost standpoint is the fact that 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, 2015 for OSERS. 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.

The only change to the benefit structure that is more liberal than the current OSERS' plan design is the provision changing the normal retirement date from age 65 with 5 years of service to age 65 with ½ year of service. Although the lower service requirement for normal retirement will permit some members to retire at an earlier date, it is unlikely to increase costs in a substantive manner. Typically there are relatively few employees who would benefit from the proposed provision and ~~,~~ in such situations, the amount of the benefit earned is likely to be very small given the small number of years of service.

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, 2015 in LB 448 will be a reduction in the ongoing cost (normal cost rate). The reduction in costs related to the other provisions is expected to be more than sufficient to offset any increase in costs due to moving the definition of Normal Retirement Date to age 65 with ½ year of service. Because the contribution rates are fixed at the current rates and are unchanged for new hires on or after July 1, 2015, 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).

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 D

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Comparison of Class V (Omaha) and (Statewide) School Employees Retirement Systems

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	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 benefit	$3.50 per month times years of service is included in the formula annuity 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.	No medical COLA

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	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 $4,330,0000 paid to OSERS.	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)	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 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-present 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

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Compensation Capping	There are no provisions governing compensation capping. 2015 LB 446 imposes 8% cap beginning in July, 2016.	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 decreased 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 reacquire 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 refund 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 time of purchase, agree in writing to retire within 12 months. If do 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)	SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Normal Retirement	Age 65 or greater with at least 5 years of service	Age 65 at termination or greater with at least one-half year of service.
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 Omaha benefits at age 62 Unreduced at age 55 or greater when age plus service equals or exceeds 85	Age 60 with 5 years of service; of 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 35 or more years of service and chooses to retire prior to age 55, benefits are reduced according to normal actuarial tables. Unreduced benefits at age 65 Unreduced at age 55 or greater when age plus service equals or exceeds 85
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 fewer than 15 hours per week. 2013 Members receiving a disability retirement allowance permitted to retain benefits if working fewer than 20 hours per week.
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)	SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Retirement Options	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 120 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 member with 75% 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 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 the member Lifetime annuity to the member with a refund of unpaid accumulated savings account at death 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 180 monthly payments if death occurs sooner 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 spouse 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 to member with 50% of annuity continuing for the life of the non-spouse annuitant at death of member
2014 Membership	Active 7,415 Inactive Vested 937 Retired 4,125 **TOTAL 12,477**	Active 40,462 Inactive Vested 5,749 Inactive Non-Vested 14,951 Retired & Disabled 20,889 **TOTAL 82,051**
Benefit Administration	Ten member Board of Trustees appointed by the Omaha Public Schools 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	Eight member Board appointed by the Governor – system members 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 State Investment Officer – ex officio

FEATURE	OMAHA SCHOOL EMPLOYEES RETIREMENT SYSTEM (OSERS)	SCHOOL EMPLOYEES RETIREMENT SYSTEM (NSERS)
Investment Administration	The Board of Trustees contracts with numerous professional fund management firms to manage a broadly diversified investment portfolio.	The Nebraska Investment Council manages a diversified investment portfolio.
Portfolio Returns	June 30, 2014 3 year 9.6% 5 year 12.6% 10 year 8.3%	June 30, 2014 3 year 10.3% 5 year 13.6% 10 year 7.5%

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