

# NEBRASKA RETIREMENT SYSTEMS COMMITTEE

## NEBRASKA LEGISLATURE

*One Hundred First Legislature, First Session*

### SUMMARY OF RETIREMENT ISSUES AND DISPOSITION OF BILLS

2009

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Senator Jeremy Nordquist, Vice Chairperson  
Senator LaVon Heidemann  
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# I. Background

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The Nebraska Retirement Systems Committee has jurisdiction over legislation governing state retirement plans which include: the cash balance and defined contribution plans for state and county employees; the defined benefit plans for judges, state patrol, and school employees including the Class V (Omaha) school plan; and plans administered by political subdivisions. The committee also has jurisdiction over legislation relating to the Nebraska Investment Council (NIC) which manages the state's investments including those associated with the retirement plans and the state college savings plans.

**Table 1** lists each retirement plan administered by the state, the year the plan was established and the type of plan (e.g., defined benefit, defined contribution, or cash balance)

Defined benefit (DB) plans provide a specific benefit based on years of service, salary, etc. (Social security is a defined benefit plan.)

Defined contribution plans (DC) are similar to 401(k) plans.

Cash balance plans (CB) guarantee a minimum return of 5%.  
(65.5% of state and 68.2% of county employees are enrolled in CB plans)

**Table 1**

| Employee Group | Year Plan Established | Type of Plan                         |
|----------------|-----------------------|--------------------------------------|
| schools        | 1945                  | defined benefit                      |
| state patrol   | 1947                  | defined benefit                      |
| judges         | 1955                  | defined benefit                      |
| state          | 1964<br>2003          | defined contribution<br>cash balance |
| county         | 1973<br>2003          | defined contribution<br>cash balance |

The schools, state patrol, judges, state, and county plans are administered by the Nebraska Public Employees Board (PERB) under the Nebraska Public Employees Retirement Systems Agency (NPERS).

## Actuarial Reports of State-Administered Retirement Plans

Each year, PERB contracts with Buck Associates of Denver, Colorado to conduct an actuarial valuation of each of the defined benefit and cash balance plans. The defined benefit plans are based on a July-June fiscal year with the actuarial reports issued in the fall. The cash balance plans are based on a calendar year with the actuarial reports issued in the spring.

## Investment Losses in 2008

Significant investment losses were experienced during 2008 due to the decline in the stock market. In February 2009 the National Conference of State Legislatures reported “. . .there has been a dizzying drop in the value of pension plans that cover 80 percent of state and local government employees. Overall, the plans have lost more than 40% of their value in the past year.”<sup>1</sup>

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<sup>1</sup> Ron Snell, “Pension Plans Hammered by Market’s Fall”, *State Legislatures* “ (February 2009): page 13.

The Nebraska Investment Council 2008 Annual Report stated:

[T]he U. S. economy officially entered a recession during 2008, brought on by the subprime mortgage crisis and exacerbated by restrictive credit conditions, falling home prices and sharp declines in prices for “risky” assets (e.g. stocks, corporate bonds, etc.). U.S. large cap stocks, measured by the Russell 1000 Index produced a -37.6% return in 2008. U.S. small cap stocks, as measured by the Russell 2000 Index, produced a -34.8% return during the year. International stocks underperformed their U.S. counterparts, with the MSCI EAFE Index returning -43.4% and the MSCI Emerging Markets Index doing even worse, with a return of -53.3%.<sup>2</sup>

By the end of calendar year 2008, the market assets of the defined benefit and cash balance plans invested by the Nebraska Investment Council and administered by the Public Employees Retirement Board lost \$2.1 billion, a decline of 27.8%.<sup>3</sup>

Because losses are amortized over a 30-year period, the actuarially determined funding status of the defined benefit and cash balance plans does not immediately reflect losses. In addition, a smoothing method is applied, which is an averaging technique used by actuaries to spread variances from the 8% expected rate of return over five years to avoid the year-to-year ups and downs due to marketplace volatility. However, losses will be reflected in the funding status reports issued during the next biennium when the high investment returns from previous years drop out of the five-year smoothing period. These losses are of immediate concern to the legislature because the state General Fund is responsible for financing any actuarial shortfalls in the defined benefit and cash balance plans.

#### Actuarial Projections

In anticipation of higher losses that would require significant increases in state funding in future years, the Retirement and Appropriations Committees requested projections of the state’s obligations for the three defined benefit and two cash balance retirement plans. The analysis was conducted by Buck Consultants.

The consultants’ projections are based on three market recovery scenarios – slow, modest and strong. (See **Appendix A**, which contains summary information from the Buck Consultants analysis based on all three market recovery scenarios). **Table 2** (on the following page) is an abbreviated summary of the consultants’ “Market Return Assumptions” and “Estimated Additional State Contributions,” based on the modest economic recovery scenario.

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<sup>2</sup> Nebraska Investment Council “Annual Report 2008 Calendar Year”, page 3.

<sup>3</sup> *Ibid.*

**Table 2**

**Summary of Buck Consultants Projections  
for the Defined Benefit and Cash Balance Retirement Plans**

**Market Return Assumptions**

**Defined Benefit Plans**

| <b>Plan Year End</b> | <b>June 2008</b> | <b>June 2009</b> | <b>June 2010</b> | <b>June 2011</b> |
|----------------------|------------------|------------------|------------------|------------------|
| Slow Recovery        | -5.8%            | -22.0%           | 2.0%             | 6.0%             |
| Modest Recovery      | -5.8%            | -22.0%           | 11.5%            | 13.5%            |
| Strong Recovery      | -5.8%            | -22.0%           | 20.5%            | 22.5%            |

**Cash Balance Funds**

| <b>Plan Year End</b> | <b>Dec 2008</b> | <b>Dec 2009</b> | <b>Dec 2010</b> | <b>Dec 2011</b> |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| Slow Recovery        | -27.5%          | 0.0%            | 4.0%            | 8.0%            |
| Modest Recovery      | -27.5%          | 4.0%            | 15.0%           | 12.0%           |
| Strong Recovery      | -27.5%          | 8.0%            | 25.0%           | 20.0%           |

The status of the defined benefit plans is based on a July-June fiscal year while the status of the cash balance funds is based on a calendar year. Therefore, the large negative returns from the fall of 2008 which are reflected in the December 2008 year end status of the cash balance funds, are not reflected until the June 2009 status of the defined benefit plans.

**Estimated Additional Funding Required  
Under Modest Recovery Scenario**

| <b>Modest Recovery</b> | <b>FY 2009-10</b> | <b>FY2010-11</b> | <b>FY2011-12</b> | <b>FY2012-13</b> |
|------------------------|-------------------|------------------|------------------|------------------|
| School System          | 0                 | 31,587,000       | 82,493,000       | 120,608,000      |
| Judges System          | 0                 | 0                | 462,000          | 1,290,000        |
| State Patrol System    | 812,000           | 2,326,000        | 4,390,000        | 5,974,000        |
| State Cash Balance     | 0                 | 0                | 0                | 2,212,000        |
| County Cash Balance    | 0                 | 0                | 0                | 1,659,000        |
| <b>Total</b>           | 812,000           | 33,913,000       | 87,345,000       | 131,743,000      |

**See Appendix A** for the complete analysis which includes slow, modest and strong economic recovery scenarios.

Legislation

Based on the modest economic recovery scenario, the Retirement Committee, in consultation with the Appropriations Committee, felt it was prudent to increase the contribution rates for state patrol, judges, and school employees to help offset potential General Fund obligations to finance the shortfalls in the retirement funds. Contribution rate increases are contained in LB 187e (school employees), LB 414e (judges), and LB 188e (state patrol).

Future state obligations will depend upon actual market results, realized demographics (actual rate of retirement, the age at which people retire, etc.) and potential changes in contribution rates.





## II. Numerical Bill Index

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| <u>Bill #/Introducer</u> | <u>One-Liner</u>  | <u>Page Numbers</u> |
|--------------------------|---|---------------------|
| LB 23 (Friend)           | Change membership provisions of the Nebraska Investment Council<br><b>(Killed in Committee)</b>   | 20, 29              |
| LB 81 (Nordquist)        | Change contribution provisions of the Nebraska State Patrol Retirement Act<br><b>(Killed in Committee)</b><br><b>(Amended into LB 188e, which was enacted)</b>                              | 11, 14,<br>20, 29   |
| LB 140 (Avery)           | Provide duties relating to investment of state funds in Sudan-related companies<br><b>(Held in Committee)</b>   | 21, 29              |
| LB 187e (Committee)      | Change contribution rates for school employee retirement plans<br><b>(Enacted)</b>  | 11, 30              |
| LB 188e (Committee)      | Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol<br><b>(Enacted – includes provisions from LB 81 and LB 425)</b>              | 11, 12, 30          |
| LB 205 (Nordquist)       | Require education and ethics training for board members of certain retirement systems<br><b>(General File)</b>  | 20, 31              |
| LB 242 (Karpisek)        | Increase the mandatory retirement age under the Nebraska State Patrol Retirement Act<br><b>(Held in Committee)</b>  | 21, 22, 31          |
| LB 365 (Pankonin)        | Change retirement annuity provisions under the Judges Retirement Act<br><b>(Held in Committee)</b>  | 21, 22, 31          |
| LB 366 (Pankonin)        | Increase the mandatory contribution rate under the State Employees Retirement Act<br><b>(Held in Committee)</b>   | 21, 22, 32          |
| LB 403* (Karpisek)       | Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs<br><b>(Enacted)</b> | 11, 16, 32          |
| LB 414e* (Ashford)       | Change salary and retirement provisions for judges and a fee<br><b>(Enacted—includes provisions from LB 424)</b>  | 11, 17, 33          |

|                   |   |                   |
|-------------------|---|-------------------|
| LB 424 (Pankonin) | Change mandatory contribution rates under the Judges Retirement Act<br><b>(Killed in Committee)</b><br><b>(Provisions amended into LB 414e, which was enacted)</b>                | 11, 18,<br>19, 34 |
| LB 425 (Pankonin) | Change mandatory contribution rates under the Nebraska State Patrol Retirement Act<br><b>(Killed in Committee)</b><br><b>(Provisions amended into LB 188e, which was enacted)</b> | 11, 14,<br>19, 34 |
| LB 426 (Pankonin) | Name and change provisions relating to the Police Officers Retirement Act<br><b>(Held in Committee)</b>   | 21, 22, 34        |
| LB 427 (Pankonin) | Adopt the County Law Enforcement Officers Retirement Act<br><b>(Held in Committee)</b>  | 21, 24, 35        |
| LB 449 (Campbell) | Change disability retirement allowance provisions of the School Employees Retirement Act<br><b>(Enacted)</b>  | 11, 19, 35        |
| LB 612 (Avery)    | Prohibit school districts from making contributions or reimbursements relating to retirement benefits<br><b>(Held in Committee)</b>   | 21, 28, 35        |

LB 403 and LB 414e were referred to the Judiciary Committee. Both bills as enacted contain retirement provisions and are therefore included in this summary. Please refer to the Judiciary Committee 2009 Session Summary for full descriptions of LB 403 and LB 414e.

### **III. Bills Listed by Subject Matter**

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

- LB 187e (Committee)      Change contribution rates for school employee retirement plans
- LB 403 (Karpisek)      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

#### **COUNTY EMPLOYEES RETIREMENT ACT**

- LB 188e (Committee)      Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol
- LB 403 (Karpisek)      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

#### **COUNTY LAW ENFORCEMENT RETIREMENT**

- LB 403 (Karpisek)      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs
- LB 427 (Pankonin)      Adopt the County Law Enforcement Officers Retirement Act

#### **DEFERRED COMPENSATION PLAN**

- LB 188e (Committee)      Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol
- LB 403 (Karpisek)      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

#### **JUDGES RETIREMENT ACT**

- LB 365 (Pankonin)      Change retirement annuity provisions under the Judges Retirement Act
- LB 403 (Karpisek)      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

- LB 414e (Ashford) Change salary and retirement provisions for judges and a fee
- LB 424 (Pankonin) Change mandatory contribution rates under the Judges Retirement Act

**MUNICIPAL RETIREMENT SYSTEMS**

- LB 205 (Nordquist) Require education and ethics training for board members of certain retirement systems
- LB 403 (Karpisek) Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs
- LB 426 (Pankonin) Name and change provisions relating to the Police Officers Retirement Act

**NEBRASKA INVESTMENT COUNCIL**

- LB 23 (Friend) Change membership provisions of the Nebraska Investment Council
- LB 140 (Avery) Provide duties relating to investment of state funds in Sudan-related companies

**NEBRASKA STATE PATROL RETIREMENT ACT**

- LB 81 (Nordquist) Change contribution provisions of the Nebraska State Patrol Retirement Act
- LB 242 (Karpisek) Increase the mandatory retirement age under the Nebraska State Patrol Retirement Act
- LB 403 (Karpisek) Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs
- LB 425 (Pankonin) Change mandatory contribution rates under the Nebraska State Patrol Retirement Act

**PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)**

- LB 188e (Committee) Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol

LB 403 (Karpisek)                      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

**SCHOOL EMPLOYEES RETIREMENT ACT**

LB 187e (Committee)                      Change contribution rates for school employee retirement plans

LB 403 (Karpisek)                      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs

LB 449 (Campbell)                      Change disability retirement allowance provisions of the School Employees Retirement Act

LB 612 (Avery)                          Prohibit school districts from making contributions or reimbursements relating to retirement benefits

**STATE EMPLOYEES RETIREMENT ACT**

LB 188e (Committee)                      Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol

LB 366 (Pankonin)                      Increase the mandatory contribution rate under the State Employees Retirement Act

LB 403 (Karpisek)                      Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs



## IV. Summary of Retirement Bills

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### BILLS ENACTED BY THE LEGISLATURE

- LB 187e (Committee)** Change contribution rates for school employee retirement plans
- LB 188e (Committee)** Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol **(includes provisions from LB 81 and LB 425)**
- LB 403\* (Karpisek)** Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs
- LB 414e\* (Ashford)** Change salary and retirement provisions for judges and a fee **(includes provisions from LB 424)**
- LB 449 (Campbell)** Change disability retirement allowance provisions of the School Employees Retirement Act

\* LB 403 and LB 414e were referred to the Judiciary Committee. Both bills as enacted contain retirement provisions and are therefore included in this summary.



#### **LB 187e Change rates for school employee retirement plans**

- Status: Approved by the Governor May 22, 2009
- Operative Date: May 23, 2009
- Plans: Schools Employees Retirement  
Class V (Omaha) School Employees Retirement
- Amends: Sections 79-958, 79-966 and 79-9,113

LB 187 was introduced as a “place-holder” bill in the event a contribution increase was necessary. LB 187 proposed to increase the employee contribution rate by an unspecified amount beginning September 1, 2010, through August 31, 2011. On September 1, 2011, the rate would return to the current contribution rate of 7.28% of compensation.

#### **Committee Amendment 1180**

AM 1180 was adopted. It strikes the original sections of the bill and includes the following provisions:

School Employees Retirement Act

- Beginning September 1, 2009, through August 31, 2014, the school employee retirement member contribution rate is increased 1%, to 8.28% of compensation; on September 1, 2014, the contribution rate returns to 7.28% of compensation. (amends section 79-958)
- The employer contribution rate is 101% of the employee contribution rate, therefore, the employer contribution rate automatically increases to 8.36% beginning September 1, 2009, through August 31, 2014. On September 1, 2014, the employer rate will return to 7.35%, which is 101% of 7.28%. (amends section 79-958)
- Beginning September 1, 2009, through August 31, 2014, the state will deposit 1% of the compensation of all members of the school employees retirement plan (the existing percentage is .7%); on September 1, 2014, the percentage deposited by the state will return to .7%. (amends section 79-966)

Class V (Omaha) School Employees Retirement Act

- Beginning September 1, 2009, the Class V (Omaha) school retirement member contribution rate is increased 1%, to 8.30%. (amends section 79-9,113)
- The employer contribution rate is 101% of the employee contribution rate, therefore the employer contribution rate automatically increases to 8.38% of compensation. (amends section 79-966)
- Beginning September 1, 2009, through August 31, 2014, the state will deposit 1% of the compensation of all members of the Class V (Omaha) school retirement plan into the School Retirement Fund (the existing percentage is .7%); on September 1, 2014, the percentage deposited by the state will return to .7%. (amends section 79-966)
- The emergency clause is added to the bill.

Note:

The mainline budget bill, LB 315, included General Fund appropriations to the School Employees Retirement Fund of \$20,000,000 in FY 2010/11 and \$40,000,000 in FY 2011/12.

*See Appendix C History of Contribution Rate Increases for Judges, State Patrol and School Employees*

*Appendix D School Employees Retirement & Class V (Omaha) School Employees Retirement Funding for FY 2009 through FY 2014 (table showing school employee retirement funding enacted in 2009)*



**LB 188e Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol**

Status: Approved by the Governor May 13, 2009



Effective Date: May 14, 2009

Agency/Plans/Other: Nebraska Public Employees Retirement Board  
State Employees Retirement  
County Employees Retirement  
Nebraska State Patrol Retirement  
Public Records Act

Amends: Sections 23-2308.01, 23-2315, 23-2317, 23-2319, 23-2321, 81-2017, 84-712.05, 84-1302, 84-1307, 84-1309.02, 84-1317, 84-1319, 84-1320, 84-1323, 84-1330, 84-1331 and 84-1512 Reissue Revised Statutes and 23-2306, Revised Statutes Cumulative Supplement 2008

LB 188e was introduced on behalf of the Public Employees Retirement Board (PERB) to make a number of minor substantive changes to the State Employees Retirement Act, the County Employees Retirement Act, and the Public Records Act. LB 188e became a vehicle for several contribution rate increases under the Nebraska State Patrol Retirement Act.

#### Provisions of LB 188e as introduced

- Extends the window for state and county retirement plan members to apply for vesting credit from 30 days to 180 days for years of participation in another Nebraska government plan in which credit was earned (sections 1 and 9).
- Clarifies that state and county retirement plan members who were employed and participated in the retirement system prior to January 1, 2003, terminate employment but return to work after 120 days but before 5 years, will be enrolled in the cash balance plan (sections 2 and 10).
- Provides a moratorium for the calendar year 2009 on Required Minimum Distributions for members of defined contribution plans who have terminated and reached the age of 70½ . This change is pursuant to the Worker, Retiree, and Employer Recovery Act passed by Congress in 2008 to give relief to those defined contribution plan members who have likely suffered declines in their investments due to market conditions. The one-year moratorium would allow those persons to wait for the markets to recover somewhat before being forced to cash out the Required Minimum Distribution amount (sections 3, 4, 5, 12, 13, and 14).
- Extends the window from 120 to 180 days from date of death for beneficiaries to file death benefit applications under the state and county retirement plans (sections 6 and 15).
- Provides that records received by the Nebraska Public Employee Retirement System from the Department of Administrative Services and other employers for the purpose of administering various retirement systems, are not subject to the Public Records Act and may be withheld from the public. Records that may not be withheld are described in section 84-1512 and include: the member's name, the retirement system in which the member is a participant, the date the member's participation in the retirement system commenced, and the date the member's participation in the retirement system ended, if applicable (sections 7 and 18).
- Allows state retirement plan members to transfer investment retirement accounts to the deferred compensation plan after termination of employment if the deferred compensation plan had been in place prior to termination (section 11).

## General File

On General File, Committee Amendment 611 was adopted. It incorporated provisions of LB 81 to increase contribution rates under the Nebraska State Patrol Retirement Act. AM 611 includes several provisions.

- Beginning July 1, 2009 a state patrol plan member's contribution rate increases from 13% to 15% of the employee's monthly compensation. The employer contribution remains at 15% of monthly compensation.
- The operative date of the bill is July 1, 2009.
- The emergency clause was added.

## Select File

Two amendments were adopted on Select File.

### AM 1063

AM 1063 is a technical amendment. LB 188e as originally introduced struck what was thought to be obsolete provisions in sections 2 and 10. Upon further discussion and review with the Revisor of Statutes, it was determined that these sections should be reinstated.

### AM 1153

AM1153 included provisions of LB 425. Beginning July 1, 2010 contribution rates for both state patrol retirement plan members and the employer will increase from 15% to 16% of compensation.

## Final Reading Section-by-Section Summary

- Section 1. Extends the opportunity from 30 days to 180 days for county plan members to apply for vesting credit for years of participation in another Nebraska government plan in which credit was earned. (amends the County Employees Retirement Act -- section 23-2306)
- Section 2. Clarifies that county members employed and participating in the retirement system prior to January 1, 2003, who terminate but return to work after 120 days but before 5 years, will be enrolled in the cash balance plan. (amends the County Employees Retirement Act -- section 23-2308.01)
- Sec. 3, 4, 5. Creates a moratorium for calendar year 2009 on Required Minimum Distributions for county retirees who have terminated employment and reached the age of 70 1/2. (amends the County Employees Retirement Act -- sections 23-2315, 23-2317, 23-2319)
- Section 6. Extends the window from 120 to 180 days from date of death for beneficiaries to file death benefit applications under the county plan. (amends the County Employees Retirement Act -- section 23-2321)
- Section 7. Beginning July 1, 2009 until July 1, 2010 the contribution rate for state patrol retirement plan members is 15% of compensation. Beginning July 1, 2010 the contribution rate for state patrol retirement plan members is 16% of compensation.

The employer contribution rate also increases to 16% of compensation beginning July 1, 2010. (amends the Nebraska State Patrol Retirement Act -- section 81-2017)

- Section 8. Amends the Public Records Act to allow records received by the Nebraska Public Employee Retirement System from the Department of Administrative Services and other employers regarding information on the Nebraska Information System to be withheld from the public. Information that remains a public record and may not be withheld from the public is described in section 84-1512 and includes: the member's name, the retirement system in which the member is a participant, the date the member's participation in the retirement system commenced, and the date the member's participation in the retirement system ended, if applicable. (amends the Public Records Act -- section 84-712.05)
- Section 9. Technical change. Strikes statutory sections and inserts the title of the Act. (amends the State Employees Retirement Act -- section 84-1302)
- Section 10. Extends the opportunity from 30 days to 180 days to apply for vesting credit for years of participation in another Nebraska government plan in which credit was earned. (amends the State Employees Retirement Act -- section 84-1307)
- Section 11. Clarifies that state retirement plan members who were employed and participated in the retirement system prior to January 1, 2003, terminated employment but return to work after 120 days but before 5 years, are enrolled in the cash balance plan. (amends the State Employees Retirement Act -- section 84-1309.02)
- Section 12. Creates a new statutory section. Allows state employee retirement plan members who terminate employment to transfer investment retirement accounts to the state deferred compensation plan if the employee was enrolled in the plan prior to termination.
- Sec 13,14,15. Creates a moratorium for calendar year 2009 on Required Minimum Distributions for state retirees who have terminated and reached the age of 70½ . (amends the State Employees Retirement Act -- section 84-1317, 84-1319, 84-1321)
- Section 16. Extends the window from 120 to 180 days from date of death for beneficiaries to file death benefit applications under the state retirement plan. (amends the State Employees Retirement Act -- section 84-1323)
- Section 17. Technical change. Strikes statutory sections and inserts the title of the Act. (amends the State Employees Retirement Act -- section 84-1330)
- Section 18. Technical change. It strikes statutory sections and inserts the title of the Act. (amends the State Employees Retirement Act -- section 84-1331)
- Section 19. Clarifies that records received by the Nebraska Public Employees Retirement System from the Department of Administrative Services and other employers regarding information on the Nebraska Information System are not considered a public record and therefore are not subject to the Public Records Act (84-712 through 84-712.09). The following information remains public information: the member's name, the retirement system in which the member is a participant, the date the member's participation in the retirement system commenced, and the date the member's

participation in the retirement system ended, if applicable. (amends the Public Employees Retirement Board statutes -- section 84-1512)

Section 20. The operative date of the bill is July 1, 2009.

Section 21. The original sections of the bill are repealed.

Section 22. The emergency clause is added.

Note:

The mainline budget bill, LB 315, included General Fund appropriations to the state patrol retirement plan of \$1,150,000 in FY 2010/11 and \$1,150,000 in FY 2011/12. The combined state patrol member and employer contribution rate increases from LB 81 and LB 425 will generate \$5,040,000 in additional funding for the plan over the next 5 years. (Each 1% increase in the contribution rate annually generates approximately \$280,000 in additional funding.)

*See Appendix C History of Contribution Rate Increases for Judges, State Patrol and School Employees*



**LB 403 Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs**

|                 |   |
|-----------------|---|
| Status:         | Approved by the Governor April 8, 2009  |
| Effective Date: | October 1, 2009   |
| Agency/Plans:   | Public Employees Retirement Board<br>State Employees Retirement<br>Nebraska State Patrol Retirement<br>Judges Retirement<br>School Employees Retirement<br>Class V (Omaha) School Employees Retirement<br>County Employees Retirement<br>Cities and Villages<br>Natural Resource Districts<br>Public Utilities & Public Power Districts<br>Universities, Colleges, Post-Secondary Education |

LB 403 was introduced by Senator Karpisek on behalf of the Governor and referred to the Judiciary Committee. Under LB 403 as originally introduced, state agencies and political subdivisions were prohibited from providing federal, state or local public benefits, including retirement benefits, to individuals not lawfully present in the United States.

Impact on state and political subdivision retirement plans

Many Nebraska political subdivisions including cities and villages, universities and colleges, public utilities, public power districts, natural resource districts, and the Omaha public schools, provide and

administer retirement plans for their employees. At the state level, the Public Employees Retirement Board administers state retirement plans for judges, state patrol, public school employees, state employees, and county employees.

#### Federal tax code requirements for retirement plans

Each retirement plan must meet federal requirements in order to be a qualified plan for tax purposes. Under 26 U.S.C. 401 (a) of the federal tax code, a plan member's retirement benefit begins to accrue as soon as the member starts contributing to the retirement plan. The Public Employees Retirement Board and other political subdivision boards, councils, and committees that administer retirement plans, hold these funds in trust and have a fiduciary duty to their plan members. Federal law requires that any contributions paid into a retirement fund must be held in trust by the retirement fund administrator for the exclusive benefit of the contributing member and his or her beneficiaries. The funds may not be used for any other purpose.

#### Conflicting state and federal requirements

If LB 403 had passed in its original form, state and political subdivision plan administrators would have been faced with conflicting statutory provisions. Under LB 403 as introduced, a state or political subdivision retirement plan administrator would not be allowed to distribute retirement benefits to a person who is not lawfully present in the United States or to his or her beneficiaries. However, under federal law, plan administrators could not use those funds for any other purpose so the contributions would remain in the retirement fund indefinitely.

#### AM 680 to AM 413 to LB 403

In order to resolve this conflict, AM 680 to AM 413 to LB 403 was adopted. The amendment clarifies that after the operative date of LB 403 (October 1, 2009), no retirement benefits will be paid to an employee of a state agency or political subdivision who is not authorized to participate in the state or political subdivision retirement plan. In order to be authorized to participate in a retirement plan the employee must either be:

(a) a United States citizen, or

(b) a qualified alien under the federal Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act existed on January 1, 2009, and lawfully present in the United States.

After October 1, 2009 a new or current employee who fails to meet either of these criteria is not authorized to become a retirement plan member and therefore cannot receive retirement benefits. Any contributions paid into the plan by the employer or the unauthorized employee after the operative date will not count towards the employee's retirement benefits. If it is discovered that an unauthorized employee plan member has paid into a state or political subdivision retirement plan after October 1, 2009, the employee's contributions will be returned to the employee and the employer's contributions will revert back to the employer.



#### **LB 414e Change salary and retirements provisions for judges and a fee**

Status: Approved by the Governor May 19, 2009  
(provisions of LB 424 were amended into the bill by AM 1236)

Operative Date: May 20, 2009  
Plan: Judges Retirement  
Amends: Section 24-703

LB 414e was introduced by Senator Ashford to increase salaries for judges and referred to the Judiciary Committee. LB 414e was amended on General File by AM 1236. The amendment increased filings fees to fund the judges retirement plan and included provisions from LB 424 to increase judges' contribution rates.

### Background

#### Judges' Contribution Rates prior to enactment of LB 414e

- Original members (i.e. a member who served as a judge prior to December 25, 1969 and retired on or before December 31, 1992), contributed 4% of compensation for 20 years and 0 thereafter;
- Judges hired after 2004 and those judges who select Joint & Survivor Benefit contributed 8% of compensation the first 20 years and 4% thereafter;
- Future members, (i.e. all other judges), contributed 6% of compensation during the first 20 years and 0% thereafter.

#### "Employer" Contribution Funding

Funding for the "employer's contribution" to the judges retirement plan is provided by a \$5.00 filing fee assessed on all causes of action filed in district and county courts.

#### AM 1236 to LB 414e

- The contribution rate in each category (original members, future judges, judges hired after 2004) increases 1% beginning July 1, 2009 through June 30, 2014; and
- Beginning July 1, 2009 through June 30, 2014, the \$5.00 court filing fee is increased to \$6.00.

AM 1236 also added a "reverse severability" clause to LB 414e. This means that all of the provisions in LB 414e, including the increase in judges' salaries, the increase in judges' contribution rates, and the increased filing fees, are considered a complete act and the provisions are inseverable. If any provision of the act is declared unconstitutional, then the entire act is invalid.

Note: The increased contribution fees will generate \$1,000,000 and the increased filing fees will generate an estimated \$2,000,000 over the next 5 years for the judges retirement plan.

***See Appendix C History of Contribution Rate Increases for Judges, State Patrol and School Employees***



**LB 449 Change disability retirement allowance provisions of the School Employees Retirement Act**

Status: Approved by the Governor April 22, 2009  
Effective Date: August 30, 2009  
  
Plan: School Employees Retirement  
  
Amends: Section 79-954

As introduced LB 449 would allow a person under age 65 who has been certified by a physician as permanently disabled to return to work as a school employee and continue to collect full disability retirement allowance as long as the employee's monthly income does not exceed the applicable Substantial Gainful Activity (SGA) amounts determined by the Social Security Administration for blind and non-blind persons.

Under existing statute 79-954, the disability retirement allowance ceases for any person who is restored to active service as a school employee. School employees who work more than 15 hours per week are required to become contributing members of the retirement system [see section 79-902(10) which defines "school employee" and section 79-902(40) which includes the 15 hour-per-week requirement]

**Committee Amendment 515**

AM 515 strikes the income limitation and all references to the Social Security Administration and limits a disability beneficiary employee's hours of work as a returning school employee to less than 15 hours per week.

**BILLS INDEFINITELY POSTPONED BY THE COMMITTEE**

- LB 23 (Friend)** Change membership provisions of the Nebraska Investment Council
  
- LB 81 (Nordquist)** Change contribution provisions of the Nebraska State Patrol Retirement Act **(Provisions were amended into LB 188e by AM 611. LB 188e was enacted.)**
  
- LB 424 (Pankonin)** Change mandatory contribution rates under the Judges Retirement Act **(Provisions were amended into LB 414e by AM 1236. LB 414e was enacted.)**
  
- LB 425 (Pankonin)** Change mandatory contribution rates under the Nebraska State Patrol Retirement Act **(Provisions were amended into LB 188e by AM 1153. LB 188e was enacted.)**



**LB 23**      **Change membership provisions of the Nebraska Investment Council**

LB 23 proposed to grant voting privileges to the State Treasurer who is currently a nonvoting ex officio member of the Nebraska Investment Council (NIC). The director of the Nebraska Public Employees Retirement Systems (NPERS) would remain a non-voting ex officio member. The Governor could also have designated any NIC member as chair of the Council, including the State Treasurer or director of NPERS. Currently only one of the five appointed members of the NIC may be designated as chair.

**LB 81**      **Change contribution provisions of the Nebraska State Patrol Retirement Act (Provisions were amended into LB 188e by AM 611. LB 188e was enacted.)**

LB 81 increases the state patrol plan member's contribution rate from 13% to 15% of compensation beginning July 1, 2009. The employer contribution rate remains 15% of compensation. LB 81 was amended into LB 188e by Committee Amendment 611.

**LB 424**      **Change mandatory contribution rates under the Judges Retirement Act (Provisions were amended into LB 414e by AM 1236. LB 414e was enacted.)**

LB 424 was introduced as a "place-holder" bill in the event a contribution adjustment was necessary to the Judges Retirement Act. It proposed to raise judges' contribution rates to an unspecified amount beginning July 1, 2009.

LB 424 was amended into LB 414e by AM1236. LB 414e was introduced by Senator Ashford to increase judges' salaries and referred to the Judiciary Committee.

**LB 425**      **Change mandatory contribution rates under the Nebraska State Patrol Retirement Act (Provisions were amended into LB 188 by AM 1153. LB 188 was enacted.)**

LB 425 was introduced as a "place-holder" bill in the event a contribution adjustment was necessary for the state patrol retirement plan in the next fiscal year. It proposed unspecified increases in both the employee and employer contribution rates beginning July 1, 2009.

LB 425 was amended into LB 188e on Select File by AM1153. Both employee and employer contribution rates increase to 16% beginning July 1, 2010.

**BILLS ON GENERAL FILE**

**LB 205**      **Require education and ethics training for board members of certain retirement systems**

Under LB 205, beginning January 1, 2010 each member of a pension board, council or committee that supervises a retirement plan for a metropolitan, primary, first, and second class city, and village would be required to obtain at least 3 hours of ethics training every 4 years, and at least 6 hours each year of educational training in the management of public employee retirement pension systems, actuarial analysis, or employee benefits. Members would be reimbursed for their expenses.



Committee amendment AM 689 makes several changes to the bill.

- The training and education requirements are limited to metropolitan and primary class cities.
- The annual 6 hour training requirement on retirement issues is reduced to 6 hours of training in every even-numbered year.
- A three-fifths majority vote of the board is required to authorize reimbursement of member training expenses.

LB 205 was advanced to General File and was not debated this session.

### **BILLS HELD IN COMMITTEE**

|                          |  |
|--------------------------|--|
| <b>LB 140 (Avery)</b>    | <b>Provide duties relating to investment of state funds in Sudan-related companies</b>                       |
| <b>LB 242 (Karpisek)</b> | <b>Increase the mandatory retirement age under the Nebraska State Patrol Retirement Act</b>                  |
| <b>LB 365 (Pankonin)</b> | <b>Change retirement annuity provisions under the Judges Retirement Act</b>                                  |
| <b>LB 366 (Pankonin)</b> | <b>Increase the mandatory contribution rate under the State Employees Retirement Act</b>                     |
| <b>LB 426 (Pankonin)</b> | <b>Name and change provisions relating to the Police Officers Retirement Act</b>                             |
| <b>LB 427 (Pankonin)</b> | <b>Adopt the County Law Enforcement Officers Retirement Act</b>  |
| <b>LB 612 (Avery)</b>    | <b>Prohibit school districts from making contributions or reimbursements relating to retirement benefits</b> |



**LB 140      Provide duties relating to investment of state funds in Sudan-related companies**

Under LB 140 within 90 days after the effective date of the act, the state investment office would be required to identify all companies that have business operations that contract with or provide supplies or services to the government of Sudan in which the state has direct or indirect holdings as a result of its investments. LB 140 outlines the state investment officer's duties, responsibilities and reporting requirements, establishes conditions for re-engagement with scrutinized companies, and exempts the state investment officer and Nebraska Investment Council from conflicting statutory obligations for investment decisions.

**LB 242**      **Increase the mandatory retirement age under the Nebraska State Patrol Retirement Act**

LB 242 increases the mandatory retirement age for state patrol officers from age 60 to age 65.

**LB 365**      **Change retirement annuity provisions under the Judges Retirement Act**

LB 365 creates two benefit enhancements for judges. It “frontloads” the retirement annuity computation for judges who retire after July 1, 2010. Currently, each judge receives a monthly annuity payment equal to 3 ½% of his or her final average compensation. Under LB 365, each judge who works 20 years or less would be entitled to receive a monthly annuity payment equal to:

- 3 ¾% of final average compensation multiplied by the first 10 years of creditable service; and
- 3 ¼% of final average compensation multiplied by the next ten years of creditable service.

LB 365 also creates an additional benefit for judges who work more than 20 years by providing an increased benefit of 1% each year for years 21 through 25. Currently judges’ monthly benefits may not exceed 70% of final average compensation. Under LB 365, the monthly benefits could not exceed 75% of final average compensation.

**LB 366**      **Increase the mandatory contribution rate under the State Employees Retirement Act**

Beginning July 1, 2009 the employee contribution rate under the state employees retirement plan would increase from the current rate of 4.8% to 5% of employees’ monthly compensation. The state match would remain unchanged at 156%.

**LB 426**      **Name and change provisions relating to the Police Officers Retirement Act**

LB 426 amends existing retirement statutes for peace officers of cities of the first class and creates the Police Officers Retirement Act. The goal of LB 426 is to provide comparability of police officer pensions in all cities of the first class. As introduced, the bill includes the following provisions:

- It provides unspecified contribution rates for employees with matching contributions for employers, a five-year vesting period, and portability of pension contributions from one city of the first class to another.
- Peace officers could continue to participate in deferred compensation programs as may be available in their respective cities.
- Existing death and survivor benefits would remain unchanged.
- Cities of the first class payments for increases in contributions due to this legislation would be outside lid and levy restrictions.

Section by Section Summary of LB 426

- Section 1. Creates the Police Officers Retirement Act which amends existing statutes. The Act applies to all police officers in first class cities. (amends sections 16-1001 to 16-1019)
- Section 2. Technical changes. Strikes obsolete language and references to statutory sections and inserts the name of the Act. (amends section 16-1002)
- Section 3. Technical changes. Strikes obsolete language and references to statutory sections and inserts the name of the Act. (amends section 16-1003)
- Section 4. Technical changes. Strikes obsolete language and references to statutory sections and inserts the name of the Act. (amends section 16-1004)
- Section 5. Establishes an unspecified employee contribution rate beginning January 1, 2010. (amends section 16-1005)
- Section 6. Establishes an unspecified city matching contribution rate beginning January 1, 2010. (amends 16-1006)
- Section 7. Revisor's technical changes. (amends section 16-1007)
- Section 8. Revisor's technical changes. (amends section 16-1009)
- Section 9. Revisor's technical changes. (amends section 16-1010)
- Section 10. Beginning January 1, 2010, a new vesting schedule is established. (amends section 16-1013)
- |             |             |
|-------------|-------------|
| 0 - 2 years | no vesting  |
| 2 - 3 years | 40% vested  |
| 3 - 4 years | 60% vested  |
| 4 - 5 years | 80% vested  |
| 5 + years   | 100% vested |
- Section 11. Technical changes. Strikes references to statutory sections and inserts the name of the Act. (amends section 16-1014)
- Section 12. Retirement committee members who are not plan participants are not required to have a general knowledge of retirement plans. (amends section 16-1015)
- Section 13. Technical changes. Strikes references to statutory sections and inserts the name of the Act. (amends section 16-1016)
- Section 14. Beginning December 31, 2010 and each December 31 thereafter, the chairperson of the municipal retirement committee shall file with the Public Employees Personnel Board and Legislative Nebraska Retirement Systems Committee a report detailing current information on the police officers retirement plan. (amends section 16-1017)
- Section 15. Contributions to fund the police officers retirement plan are not subject to levy restrictions of 77-3442. (amends section 16-1019)

- Section 16. Cities of the first class which levy taxes under the Act are not subject to the levy limitations contained in section 77-3442. (amends section 18-1221)
- Section 17. Technical changes. Strikes references to statutory sections and inserts the name of the Act. (amends section 18-1723)
- Section 18. Exempts first class cities from the levy lid for purposes of funding the police officers retirement plan under the Act. (amends section 77-3442)
- Section 19. Operative date of the Act is January 1, 2010.
- Section 20. Repeals original sections.

**AM 373**

AM 373 was introduced by Senator Pankonin at the hearing as a white copy of LB 426. AM 373 made several changes to the original bill.

- The amount of the contribution rates are specified: (sections 5 and 6):
  - On October 1, 2009 the employee contribution rate would increase to 8% of pay. The contribution rate would also increase to 8% for cities of the first class.
  - On October 1, 2012 the employee contribution rate would increase to 9% of pay. The contribution rate would also increase to 9% for cities of the first class.
- The new vesting schedule begins on October 1, 2009 (section 10); and
- The operative date for implementation of the new Act is changed to October 1, 2009 (section 19).

**LB 427      Adopt the County Law Enforcement Officers Retirement Act**

LB 427 creates a new defined contribution plan for county commissioned law enforcement officers. The proposed plan tracks many of the provisions of the current County Employees Retirement Act found in sections 23-2301 through 23-2334. As introduced, LB 427 contains the following provisions:

- The employee and employer contribution rates are not specified.
- The new plan provides vesting in five years if the employee is not already vested in his or her current plan.
- Pension contributions are portable from one county to another.
- County law enforcement officers may continue to participate in deferred compensation programs that are available in their respective counties.
- Existing death and survivor benefits would remain unchanged.

- County retirement contributions would be outside lid and levy restrictions.

Current contribution rates for county law enforcement officers

The existing county employees retirement plan includes additional contribution rates for county law enforcement officers. In counties with population over 85,000, there is an additional contribution rate of 2% for law enforcement officers (section 23-2332); the county matches the additional rate. In section 23-2332.01 the contribution rate is increased by 1% for law enforcement officers in counties with population under 85,000. The county matches the increased rate.

**Current contribution rates for county employees and county law enforcement officers:**

|   | <b>County employees<br/>(except law<br/>enforcement officers)</b> | <b>Law enforcement<br/>officers in counties<br/>OVER 85,000</b> | <b>Law enforcement<br/>officers in counties<br/>UNDER 85,000</b> |
|---|---|---|--|
| Employee contribution rate                      | 4.5%  | 4.5 + 2.0 = 6.5%  | 4.5 + 1.0 = 5.5%   |
| County contribution rate                        | 150% of employee rate =<br>6.75%                                  | 150% + 100%<br>6.75 + 2.0 = 8.75%                               | 150% + 100%<br>6.75 + 1.0 = 7.75%                                |
| TOTAL (employee & county<br>contribution rates) | 11.25%  | 15.25%  | 13.25%   |

Section by Section Summary of LB 427

- Section 1. Sections 1 through 46 create the County Law Enforcement Officer Retirement Act.
- Section 2. Definitions.
- Section 3. Creates the county law enforcement officer retirement system; describes its purpose and process for acceptance of contributions. (tracks County Employees Retirement Act – section 23-2302)
- Section 4. Public Employee Retirement Board administers the Act. (tracks County Employees Retirement Act – section 23-2305)
- Section 5. Public Employee Retirement Board is authorized to adjust contribution and benefits. (tracks County Employees Retirement Act – section 23-2305.01)
- Section 6. Establishes vesting credit for retirement plan members for participation in another governmental plan. (tracks County Employees Retirement Act – section 23-2306)
- Section 7. Beginning January 1, 2010 full-time employees have one year to apply for eligibility and vesting credit for participation in another plan.
- Section 8. Establishes transferability of employee to another system and required payments to system. (tracks County Employees Retirement Act – section 23-2306.02)
- Section 9. Establishes transfer and participation requirements for municipal county employees who become members in another governmental plan. (tracks County Employees Retirement Act – section 23-2306.03)
- Section 10. Establishes an unspecified employee contribution rate of compensation. (tracks County Employees Retirement Act – section 23-2307)

- Section 11. Establishes an unspecified county contribution rate match of employee contributions; authorizes the Public Employees Retirement Board to charge fees for late filing of reports to the Board. (tracks County Employees Retirement Act – section 23-2308)
- Section 12. Establishes employee defined contribution account and interest credited to account. (tracks County Employees Retirement Act – section 23-2309)
- Section 13. Establishes employee investment options, procedures, and administration of accounts. (tracks County Employees Retirement Act – section 23-2309.01)
- Section 14. Establishes employee defined contribution benefit account and duties of state investment officer. (tracks County Employees Retirement Act – section 23-2310)
- Section 15. Establishes State Treasurer duties. (tracks County Employees Retirement Act – section 23-2310.03)
- Section 16. Creates the County Law Enforcement Officer Defined Contribution Retirement Expense Fund and authorizes use of account forfeitures to pay administrative expenses. (tracks County Employees Retirement Act – section 2310.04)
- Section 17. Establishes allocation of contributions in defined contribution account. The state, Public Employees Retirement Board, Nebraska Investment Council, and county are not liable for investment results of members’ choices. (tracks County Employees Retirement Act – section 23-2310.05)
- Section 18. Requires the Director of the Nebraska Public Employees Retirement Systems to maintain records of the retirement system and to establish an employer education program. (tracks County Employees Retirement Act – section 23-2312)
- Section 19. Requires the Auditor to conduct annual audit of retirement system and report to the Public Employees Retirement Board and the Legislature. (tracks County Employees Retirement Act – section 23-2313)
- Section 20. Authorizes the retirement system to sue and be sued and requires the Attorney General to represent the retirement system. (tracks County Employees Retirement Act – section 23-2314)
- Section 21. Retirement members may retire at age 55 or as result of disability at any age. Requirements are established for application for benefits and deferment of payment. (tracks County Employees Retirement Act – section 23-2315)
- Section 22. Establishes application and medication examination requirements for retirement due to a disability. (tracks County Employees Retirement Act – section 23-2315.01)
- Section 23. Describes the retirement value of a retiree’s account. (tracks County Employees Retirement Act – section 23-2316)
- Section 24. Describes the future service retirement benefit, when it is payable, how it is computed, and options for selection of annuity. Establishes the Public Employee Retirement Board’s responsibility to provide tax information. (tracks County Employees Retirement Act – section 23-2317)

- Section 25. Creates County Law Enforcement Officer Equal Retirement Benefit Fund and describes the use of fund. (tracks County Employees Retirement Act – section 23-2317.01)
- Section 26. Describes termination of employment and termination benefits. (tracks County Employees Retirement Act – section 23-2319)
- Section 27. Describes termination of employment and conditions for forfeiture of retirement account. Creates the County Law Enforcement Officer Employer Retirement Expense Fund. (tracks County Employees Retirement Act – section 23-2319.01)
- Section 28. Establishes use of County Law Enforcement Officer Employer Retirement Expense Fund. (tracks County Employees Retirement Act – section 23-2319.02)
- Section 29. Establishes how reemployment is treated. (tracks County Employees Retirement Act – section 23-2320)
- Section 30. Establishes death benefits upon the death of an employee before retirement. (tracks County Employees Retirement Act – section 23-2321)
- Section 31. Determines that retirement benefits are exempt from legal process. (tracks County Employees Retirement Act – section 23-2322)
- Section 32. Describes reemployment after military service and treatment of contributions. (tracks County Employees Retirement Act – section 23-2323.01)
- Section 33. Authorizes direct rollover to an eligible retirement plan. (tracks County Employees Retirement Act – section 23-2323.02)
- Section 34. Authorizes retirement system acceptance of payments and rollovers. (tracks County Employees Retirement Act – section 23-2323.03)
- Section 35. Establishes limitations on acceptance of transfers. (tracks County Employees Retirement Act – section 23-2323.04)
- Section 36. Establishes that members of the retirement system shall not lose status as long as the member remains an employee. (tracks County Employees Retirement Act – section 23-2324)
- Section 37. Establishes the effect of false or fraudulent actions of members, prohibited acts, penalties, and denial of benefits. (tracks County Employees Retirement Act – section 23-2325)
- Section 38. Clarifies that retirement benefits are additional to benefits under the federal Social Security Act. (tracks County Employees Retirement Act – section 23-2326)
- Section 39. Provisions of Act pertaining to elected officials and employees having regular term in office take effect as soon as the Act becomes operative. (tracks County Employees Retirement Act – section 23-2328)
- Section 40. Requires the county clerk prior to the operative date of the Act, to submit to the Public Employees Retirement Board a list of all eligible employees including name, address and monthly wage. (tracks County Employees Retirement Act – section 23-2330)

- Section 41. Establishes a two-year statute of limitations on actions and claims against the Public Employees Retirement Board. (tracks County Employees Retirement Act – section 23-2330.01)
- Section 42. Clarifies that all retirement system contributions, property and rights are held in trust by the State of Nebraska for the exclusive benefit of members and their beneficiaries and may only be used to pay benefits to such persons and administrative expenses according to the Act. (tracks County Employees Retirement Act – section 23-2330.02)
- Section 43. Clarifies that upon termination from the system or discontinuance of contributions, the rights of all affected members to their member accounts are nonforfeitable. (tracks County Employees Retirement Act – section 23-2330.03)
- Section 44. Establishes duties and authorities of municipal counties under the Act. (tracks County Employees Retirement Act – section 23-2330.04)
- Section 45. Establishes that the county contributions are not subject to the levy restrictions of section 77-3442.
- Section 46. Establishes the computation of prior service annuity. (tracks County Employees Retirement Act – sections 23-2333 and 23-2334)
- Section 47. Exempts law enforcement officers from any county with a population in excess of 150,000 from definition of employee under County Employees Retirement Act. (amends County Employees Retirement Act -- section 23-2301)
- Section 48. Exempts counties from levy lid under section 77-3442.
- Section 49. Adds duty to the Public Employees Retirement Board to administer the County Law Enforcement Officer Retirement Act. (amends Public Employee Retirement Board statute -- 84-1503)
- Section 50. Requires the Public Employees Retirement Board to also establish pre-retirement planning program for County Law Enforcement Officer Retirement members. (amends Public Employee Retirement Board statute 84-1511)
- Section 51. Establishes January 1, 2010 as the operative date of Act.
- Section 52. Repeals original sections.

**LB 612      Prohibit school districts from making contributions or reimbursements relating to retirement benefits**

LB 612 restricts school districts from making or reimbursing an employee's retirement contributions unless the employer does so for all employees. The proposed changes apply to the School Employees Retirement Act and the Class V (Omaha) School Employees Retirement Act.



## V. Bill Activity Summaries

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### LB23 - Change membership provisions of the Nebraska Investment Council

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Introduced by: Friend

#### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| February 18, 2009 | Indefinitely postponed                            | 476          |
| January 28, 2009  | Notice of hearing for February 05, 2009           | 310          |
| January 12, 2009  | Referred to Nebraska Retirement Systems Committee | 76           |
| January 08, 2009  | Date of introduction                              | 43           |

### LB81 - Change contribution provisions of the Nebraska State Patrol Retirement Act

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Introduced by: Nordquist

#### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| May 29, 2009      | Provisions/portions of LB81 amended into LB188 by AM611 | 0            |
| May 21, 2009      | Indefinitely postponed                                  | 1695         |
| February 10, 2009 | Notice of hearing for February 25, 2009                 | 430          |
| January 16, 2009  | Howard name added                                       | 187          |
| January 12, 2009  | Referred to Nebraska Retirement Systems Committee       | 77           |
| January 08, 2009  | Date of introduction                                    | 53           |

### LB140 - Provide duties relating to investment of state funds in Sudan-related companies

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Introduced by: Avery

#### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| February 10, 2009 | Notice of hearing for March 04, 2009              | 430          |
| January 14, 2009  | Nordquist name added                              | 138          |
| January 13, 2009  | Nantkes name added                                | 121          |
| January 13, 2009  | Referred to Nebraska Retirement Systems Committee | 110          |
| January 09, 2009  | Date of introduction                              | 67           |

## LB187e - Change contribution rates for school employee retirement plans

Introduced by: Nebraska Retirement Systems Committee

### History

| <b>Date</b>       | <b>Action</b>  | <b>Journal Page</b> |
|-------------------|--|---------------------|
| May 26, 2009      | Approved by Governor on May 22, 2009                 | 1702                |
| May 18, 2009      | Presented to Governor on May 18, 2009                | 1542                |
| May 18, 2009      | President/Speaker signed                             | 1529                |
| May 18, 2009      | Passed on Final Reading with Emergency Clause 49-0-0 | 1516                |
| May 12, 2009      | Placed on Final Reading                              | 1435                |
| May 08, 2009      | Advanced to Enrollment and Review for Engrossment    | 1393                |
| May 08, 2009      | Enrollment and Review ER8109 adopted                 | 1393                |
| May 05, 2009      | Enrollment and Review ER8109 filed                   | 1289                |
| May 05, 2009      | Placed on Select File with ER8109                    | 1289                |
| April 30, 2009    | Advanced to Enrollment and Review Initial            | 1276                |
| April 30, 2009    | Nebraska Retirement Systems AM1180 adopted           | 1276                |
| April 28, 2009    | Nebraska Retirement Systems AM1180 filed             | 1233                |
| April 28, 2009    | Placed on General File with AM1180                   | 1233                |
| February 10, 2009 | Notice of hearing for March 04, 2009                 | 430                 |
| January 14, 2009  | Referred to Nebraska Retirement Systems Committee    | 124                 |
| January 12, 2009  | Date of introduction                                 | 104                 |

## LB188e - Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol

Introduced by: Nebraska Retirement Systems Committee

### History

| <b>Date</b>    | <b>Action</b>   | <b>Journal Page</b> |
|----------------|---|---------------------|
| May 29, 2009   | Provisions/portions of LB425 amended into LB188 by AM1153 | 0                   |
| May 29, 2009   | Provisions/portions of LB81 amended into LB188 by AM611   | 0                   |
| May 13, 2009   | Approved by Governor on May 13, 2009                      | 1470                |
| May 08, 2009   | Presented to Governor on May 08, 2009                     | 1395                |
| May 08, 2009   | President/Speaker signed                                  | 1393                |
| May 08, 2009   | Passed on Final Reading with Emergency Clause 45-0-4      | 1392                |
| May 08, 2009   | Dispensing of reading at large approved                   | 1392                |
| May 05, 2009   | Placed on Final Reading with ST9026                       | 1290                |
| April 29, 2009 | Advanced to Enrollment and Review for Engrossment         | 1254                |
| April 29, 2009 | Pankonin AM1153 adopted                                   | 1254                |
| April 29, 2009 | Pankonin AM1063 adopted                                   | 1253                |
| April 29, 2009 | Enrollment and Review ER8063 adopted                      | 1253                |
| April 28, 2009 | Pankonin AM1153 filed                                     | 1225                |
| April 15, 2009 | Pankonin AM1063 filed                                     | 1026                |
| April 15, 2009 | Enrollment and Review ER8063 filed                        | 1022                |
| April 15, 2009 | Placed on Select File with ER8063                         | 1022                |
| April 09, 2009 | Advanced to Enrollment and Review Initial                 | 999                 |
| April 09, 2009 | Nebraska Retirement Systems AM611 adopted                 | 999                 |
| March 11, 2009 | Nebraska Retirement Systems AM611 filed                   | 688                 |
| March 11, 2009 | Placed on General File with AM611                         | 688                 |

|                   |   |     |
|-------------------|---|-----|
| March 04, 2009    | Nebraska Retirement Systems priority bill         | 654 |
| February 03, 2009 | Notice of hearing for February 11, 2009           | 352 |
| January 14, 2009  | Referred to Nebraska Retirement Systems Committee | 124 |
| January 12, 2009  | Date of introduction                              | 104 |

**LB205 - Require educational and ethics training for board members of certain retirement systems**



Introduced by: Nordquist

**History**

| <b>Date</b>      | <b>Action</b>                                     | <b>Journal Page</b> |
|------------------|---|---------------------|
| March 17, 2009   | Nebraska Retirement Systems AM689 filed           | 744                 |
| March 17, 2009   | Placed on General File with AM689                 | 744                 |
| January 28, 2009 | Notice of hearing for February 05, 2009           | 310                 |
| January 14, 2009 | Referred to Nebraska Retirement Systems Committee | 124                 |
| January 12, 2009 | Date of introduction                              | 107                 |

**LB242 - Increase the mandatory retirement age under the Nebraska State Patrol Retirement Act**



Introduced by: Karpisek

**History**

| <b>Date</b>       | <b>Action</b>                                     | <b>Journal Page</b> |
|-------------------|---|---------------------|
| February 10, 2009 | Notice of hearing for February 25, 2009           | 430                 |
| January 15, 2009  | Referred to Nebraska Retirement Systems Committee | 150                 |
| January 13, 2009  | Date of introduction                              | 120                 |

**LB365 - Change retirement annuity provisions under the Judges Retirement Act**



Introduced by: Pankonin

**History**

| <b>Date</b>       | <b>Action</b>                                     | <b>Journal Page</b> |
|-------------------|---|---------------------|
| February 10, 2009 | Notice of hearing for February 18, 2009           | 430                 |
| January 21, 2009  | Referred to Nebraska Retirement Systems Committee | 219                 |
| January 16, 2009  | Date of introduction                              | 177                 |

## **LB366 - Increase the mandatory contribution rate under the State Employees Retirement Act**

Introduced by: Pankonin

### **History**

| <b>Date</b>       | <b>Action</b>                                     | <b>Journal Page</b> |
|-------------------|---|---------------------|
| February 03, 2009 | Notice of hearing for February 11, 2009           | 352                 |
| January 21, 2009  | Referred to Nebraska Retirement Systems Committee | 219                 |
| January 16, 2009  | Date of introduction                              | 177                 |

## **LB403 - Require verification of lawful presence in the United States for certain public benefits, public employment, contracting with public bodies, and tax incentive programs**

Introduced by: Karpisek

### **History**

| <b>Date</b>       | <b>Action</b>  | <b>Journal Page</b> |
|-------------------|--|---------------------|
| May 29, 2009      | Provisions/portions of LB335 amended into LB403 by AM413                               | 0                   |
| May 29, 2009      | Provisions/portions of LB34 amended into LB403 by AM413                                | 0                   |
| April 09, 2009    | Approved by Governor on April 08, 2009   | 997                 |
| April 03, 2009    | Presented to Governor on April 03, 2009  | 928                 |
| April 03, 2009    | President/Speaker signed   | 927                 |
| April 03, 2009    | Passed on Final Reading 44-0-5   | 926                 |
| March 31, 2009    | Placed on Final Reading with ST9015  | 866                 |
| March 26, 2009    | Advanced to Enrollment and Review for Engrossment                                      | 843                 |
| March 26, 2009    | Karpisek AM680 adopted   | 843                 |
| March 25, 2009    | Karpisek AM680 pending   | 838                 |
| March 25, 2009    | Karpisek AM534 withdrawn   | 838                 |
| March 25, 2009    | White AM491 withdrawn  | 838                 |
| March 25, 2009    | Janssen AM435 withdrawn  | 838                 |
| March 25, 2009    | Enrollment and Review ER8023 adopted   | 838                 |
| March 23, 2009    | Karpisek AM680 filed   | 811                 |
| March 03, 2009    | Karpisek AM534 filed   | 643                 |
| February 27, 2009 | Notice of hearing for March 5, 2009 on AM491 (cancel)                                  | 599                 |
| February 27, 2009 | Notice of hearing for March 5, 2009 on AM435 (cancel)                                  | 599                 |
| February 27, 2009 | Ashford MO19 prevailed   | 598                 |
| February 27, 2009 | Ashford MO19 Suspend Rules to permit cancellation of hearings on AM435 and AM491 filed | 598                 |
| February 27, 2009 | Enrollment and Review ER8023 filed   | 579                 |
| February 27, 2009 | Placed on Select File with ER8023  | 579                 |
| February 25, 2009 | Notice of hearing for March 5, 2009 on AM491   | 565                 |
| February 25, 2009 | White AM491 filed  | 564                 |
| February 25, 2009 | Advanced to Enrollment and Review Initial  | 563                 |
| February 25, 2009 | Judiciary AM413 adopted  | 563                 |
| February 25, 2009 | Karpisek AM440 adopted   | 563                 |
| February 25, 2009 | Ashford MO16 withdrawn   | 563                 |
| February 25, 2009 | Notice of hearing for March 5, 2009 on AM435   | 562                 |

|                   |   |     |
|-------------------|---|-----|
| February 25, 2009 | Ashford MO16 pending                          | 561 |
| February 25, 2009 | Ashford MO16 Bracket until June 3, 2009 filed | 561 |
| February 25, 2009 | Karpisek AM440 pending                        | 561 |
| February 25, 2009 | Janssen AM435 refiled                         | 561 |
| February 25, 2009 | Janssen AM435 withdrawn                       | 561 |
| February 25, 2009 | Judiciary AM413 pending                       | 561 |
| February 24, 2009 | Gloor name added                              | 557 |
| February 24, 2009 | Karpisek AM440 filed                          | 557 |
| February 24, 2009 | Janssen AM435 pending                         | 556 |
| February 24, 2009 | Friend MO15 withdrawn                         | 556 |
| February 24, 2009 | Friend MO15 Recommit to committee filed       | 556 |
| February 24, 2009 | Janssen AM435 pending                         | 547 |
| February 24, 2009 | Janssen AM435 filed                           | 547 |
| February 24, 2009 | Judiciary AM413 pending                       | 540 |
| February 20, 2009 | Judiciary AM413 filed                         | 518 |
| February 20, 2009 | Placed on General File with AM413             | 518 |
| February 20, 2009 | Judiciary priority bill                       | 500 |
| February 11, 2009 | Notice of hearing for February 18, 2009       | 443 |
| January 21, 2009  | Referred to Judiciary Committee               | 220 |
| January 16, 2009  | Date of introduction                          | 183 |

## **LB414e - Change salary and retirement provisions for judges and a fee**

Introduced by: Ashford

### **History**

| <b>Date</b>       | <b>Action</b>   | <b>Journal Page</b> |
|-------------------|---|---------------------|
| May 29, 2009      | Provisions/portions of LB424 amended into LB414 by AM1236 | 0                   |
| May 19, 2009      | Approved by Governor on May 19, 2009                      | 1604                |
| May 13, 2009      | Presented to Governor on May 13, 2009                     | 1460                |
| May 13, 2009      | President/Speaker signed                                  | 1454                |
| May 13, 2009      | Passed on Final Reading with Emergency Clause 46-1-2      | 1451                |
| May 11, 2009      | Placed on Final Reading with ST9039                       | 1406                |
| May 07, 2009      | Advanced to Enrollment and Review for Engrossment         | 1379                |
| May 07, 2009      | Enrollment and Review ER8114 adopted                      | 1379                |
| May 06, 2009      | Enrollment and Review ER8114 filed                        | 1331                |
| May 06, 2009      | Placed on Select File with ER8114                         | 1331                |
| May 05, 2009      | Advanced to Enrollment and Review Initial                 | 1306                |
| May 05, 2009      | Pankonin AM1236 adopted                                   | 1306                |
| May 05, 2009      | Judiciary AM812 adopted                                   | 1306                |
| April 28, 2009    | Pankonin AM1236 filed                                     | 1226                |
| March 23, 2009    | Judiciary AM812 filed                                     | 806                 |
| March 23, 2009    | Placed on General File with AM812                         | 806                 |
| March 17, 2009    | Speaker priority bill                                     | 743                 |
| February 18, 2009 | Notice of hearing for February 25, 2009                   | 478                 |
| January 21, 2009  | Referred to Judiciary Committee                           | 220                 |
| January 16, 2009  | Date of introduction                                      | 184                 |

## **LB424 - Change mandatory contribution rates under the Judges Retirement Act**

Introduced by: Pankonin

### **History**

| <b>Date</b>       | <b>Action</b>  | <b>Journal Page</b> |
|-------------------|--|---------------------|
| May 29, 2009      | Provisions/portions of LB424 amended into LB414e by AM1236 | 0                   |
| May 21, 2009      | Indefinitely postponed                                     | 1695                |
| February 10, 2009 | Notice of hearing for February 18, 2009                    | 430                 |
| January 22, 2009  | Referred to Nebraska Retirement Systems Committee          | 261                 |
| January 20, 2009  | Date of introduction                                       | 203                 |

## **LB425 - Change mandatory contribution rates under the Nebraska State Patrol Retirement Act**

Introduced by: Pankonin

### **History**

| <b>Date</b>       | <b>Action</b>  | <b>Journal Page</b> |
|-------------------|--|---------------------|
| May 29, 2009      | Provisions/portions of LB425 amended into LB188e by AM1153 | 0                   |
| May 21, 2009      | Indefinitely postponed                                     | 1695                |
| February 10, 2009 | Notice of hearing for February 25, 2009                    | 430                 |
| January 22, 2009  | Referred to Nebraska Retirement Systems Committee          | 261                 |
| January 20, 2009  | Date of introduction                                       | 204                 |

## **LB426 - Name and change provisions relating to the Police Officers Retirement Act**

Introduced by: Pankonin

### **History**

| <b>Date</b>       | <b>Action</b>                                     | <b>Journal Page</b> |
|-------------------|---|---------------------|
| March 11, 2009    | Nebraska Retirement Systems priority bill         | 699                 |
| February 10, 2009 | Notice of hearing for March 18, 2009              | 430                 |
| January 22, 2009  | Referred to Nebraska Retirement Systems Committee | 261                 |
| January 20, 2009  | Date of introduction                              | 204                 |

## LB427 - Adopt the County Law Enforcement Officer Retirement Act

Introduced by: Pankonin

### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| February 27, 2009 | Notice of hearing for March 18, 2009 (cancel)     | 599          |
| February 27, 2009 | Notice of hearing for March 25, 2009 (reschedule) | 599          |
| February 10, 2009 | Notice of hearing for March 18, 2009              | 430          |
| January 22, 2009  | Referred to Nebraska Retirement Systems Committee | 261          |
| January 20, 2009  | Date of introduction                              | 204          |

## LB449 - Change disability retirement allowance provisions of the School Employees Retirement Act

Introduced by: Campbell

### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| April 22, 2009    | Approved by Governor on April 22, 2009            | 1160         |
| April 17, 2009    | Presented to Governor on April 17, 2009           | 1127         |
| April 17, 2009    | President/Speaker signed                          | 1116         |
| April 17, 2009    | Passed on Final Reading 49-0-0                    | 1110         |
| April 14, 2009    | Placed on Final Reading                           | 1008         |
| April 07, 2009    | Advanced to Enrollment and Review for Engrossment | 961          |
| April 01, 2009    | Placed on Select File                             | 873          |
| March 31, 2009    | Advanced to Enrollment and Review Initial         | 865          |
| March 31, 2009    | Nebraska Retirement Systems AM515 adopted         | 865          |
| March 17, 2009    | Nebraska Retirement Systems AM515 filed           | 744          |
| March 17, 2009    | Placed on General File with AM515                 | 744          |
| March 12, 2009    | Louden priority bill                              | 703          |
| February 10, 2009 | Notice of hearing for March 04, 2009              | 430          |
| February 03, 2009 | Giese name added                                  | 359          |
| February 02, 2009 | Howard name added                                 | 350          |
| January 26, 2009  | Stuthman name added                               | 294          |
| January 22, 2009  | Referred to Nebraska Retirement Systems Committee | 262          |
| January 20, 2009  | Date of introduction                              | 207          |

## LB612 - Prohibit school districts from making contributions or reimbursements relating to retirement benefits

Introduced by: Avery

### History

| Date              | Action  | Journal Page |
|-------------------|---|--------------|
| February 10, 2009 | Notice of hearing for February 18, 2009           | 430          |
| January 23, 2009  | Referred to Nebraska Retirement Systems Committee | 273          |
| January 21, 2009  | Date of introduction                              | 245          |





## VI. INTERIM STUDY RESOLUTIONS

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### *Prioritization of 2009 Interim Study Resolutions*

| <b><u>Resolution No.</u></b> | <b><u>Subject</u></b>   | <b><u>Priority Ranking</u></b> |
|------------------------------|---|--------------------------------|
| <b>LR 137</b>                | Interim study to determine whether a reserve is necessary for the defined benefit retirement plans prior to the Legislature's approval of any benefit improvements. | 1                              |
| <b>LR 133</b>                | Interim study to examine issues related to military leave and employees returning to plans after military leave.  | 2                              |
| <b>LR 134</b>                | Interim study to examine the employee retirement systems administered by the Public Employees Retirement Board.   | 3                              |
| <b>LR 120</b>                | Interim study to examine the history and structure of salary, benefit and retirement packages available to Nebraska public school employees pursuant to LB 612.     | 4                              |
| <b>LR 198</b>                | Interim study to examine 529 college savings plans including their performance and administration.  | 5                              |
| <b>LR 135</b>                | Interim study to examine pension benefits for professional firefighters in cities of the first class.   | 6                              |

## *Text of 2009 Interim Study Resolutions*

### **LR 120 (Avery)**

PURPOSE: The purpose of this interim study is to examine the history and structure of salary, benefit, and retirement packages available to Nebraska public school employees. The study shall include, but not be limited to:

- (1) Equity of compensation among employees with comparable education and experience;
- (2) Equity of compensation among employees working in comparably sized public school systems;
- (3) Cell phone, mileage, and laptop or personal computer allowances;
- (4) Merit or bonus pay;
- (5) Reimbursement payments contributed to the Nebraska Public Employees Retirement Systems on behalf of employees; and
- (6) Transparency and disclosure of the State Board of Education's policies and procedures with respect to available and approved compensation packages to employees.

Based on these findings, the study committee shall make a recommendation with respect to the State Board of Education's rules and regulations, taking into consideration the issues raised during consideration of LB 612 (Avery) which was introduced in 2009 and referred to the Nebraska Retirement Systems Committee of the Legislature.

### **LR 133 (Retirement Committee)**

PURPOSE: To study retirement issues related to military leave and persons returning to employment following military leave.

### **LR 134 (Retirement Committee)**

PURPOSE: The purpose of this interim study is to examine the public employees retirement systems administered by the Public Employees Retirement Board, including the State Employees Retirement System of the State of Nebraska, the Retirement System for Nebraska Counties, the School Retirement System of the State of Nebraska, the Nebraska State Patrol Retirement System, and the Nebraska 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 administration of each retirement system.

## **LR 135 (Nordquist)**

PURPOSE: The purpose of this resolution is to study the pension benefits offered to professional firefighters in cities of the first class. The firefighters retirement system was established with the passage of LB 531 in 1983, but the structure of the system has not been changed since its enactment. The study shall include, but not be limited to:

- (1) Examination of the current defined contribution plan, including the lack of social security benefits;
- (2) Examination of the adequacy and comparability of current established benefits;
- (3) Consideration of creating an option for cities to provide enhanced benefits, including a defined benefit option; and
- (4) Recommendations for changes to the firefighters retirement system.

## **LR 137 (Heidemann)**

PURPOSE: To determine whether a reserve is necessary for the defined benefit retirement plans prior to the Legislature's approval of any benefit improvements.

## **LR 198 (Nordquist & Mello)**

PURPOSE: The purpose of this resolution is to study 529 college savings plans, including their performance and administration. The increasing cost of tuition makes financial planning for secondary education critical to most Nebraska families. As such, the citizens of Nebraska must be able to rely on their state government to offer highly-rated and high-performing 529 college savings plans. Recent reports demonstrate that the 529 college savings plans currently offered by Nebraska do not meet these expectations. This study shall:

- (1) Compare the performance of Nebraska's 529 college savings plans with those offered by other states;
- (2) Determine why Nebraska's plans have underperformed as compared to their peers;
- (3) Identify attributes common to the elite 529 college savings plans in the country and evaluate how these plans are administered; and
- (4) Make recommendations to enhance the performance of Nebraska's 529 college savings plans.



## APPENDICES

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|   |            |
|---|------------|
| Summary of Buck Consultants' Actuarial Projections:<br>Defined Benefit and Cash Balance Retirement Plans              | Appendix A |
| End-of-Session Bill Status Report – May 29, 2009  | Appendix B |
| History of Contribution Rate Increases<br>For Judges, State Patrol and School Employees                               | Appendix C |
| School Employees Retirement and Class V (Omaha)<br>School Employees Retirement Funding for FY 2009<br>through FY 2014 | Appendix D |



# APPENDIX A

## Summary of Buck Consultants' Actuarial Projections: Defined Benefit and Cash Balance Retirement Plans

### *Market Return Assumptions*

#### **Defined Benefit Plans**

| <b>Plan Year End</b> | <b>June 2008</b> | <b>June 2009</b> | <b>June 2010</b> | <b>June 2011</b> |
|----------------------|------------------|------------------|------------------|------------------|
| Slow Recovery        | -5.8%            | -22.0%           | 2.0%             | 6.0%             |
| Modest Recovery      | -5.8%            | -22.0%           | 11.5%            | 13.5%            |
| Strong Recovery      | -5.8%            | -22.0%           | 20.5%            | 22.5%            |

#### **Cash Balance Funds**

| <b>Plan Year End</b> | <b>Dec 2008</b> | <b>Dec 2009</b> | <b>Dec 2010</b> | <b>Dec 2011</b> |
|----------------------|-----------------|-----------------|-----------------|-----------------|
| Slow Recovery        | -27.5%          | 0.0%            | 4.0%            | 8.0%            |
| Modest Recovery      | -27.5%          | 4.0%            | 15.0%           | 12.0%           |
| Strong Recovery      | -27.5%          | 8.0%            | 25.0%           | 20.0%           |

The status of the defined benefit plans is based on a July-June fiscal year while the status of the cash balance funds is based on a calendar year. Therefore, the large negative returns from the fall of 2008 which are reflected in the December 2008 year end status of the cash balance funds, are not reflected until the June 2009 status of the defined benefit plans.

### *Estimated Additional State Contribution*

| <b>Slow Recovery</b> | <b>FY 2009-10</b> | <b>FY2010-11</b>  | <b>FY2011-12</b>  | <b>FY2012-13</b>   |
|----------------------|-------------------|-------------------|-------------------|--------------------|
| School System        | 0                 | 31,587,000        | 90,697,000        | 146,642,000        |
| Judges System        | 0                 | 0                 | 602,000           | 1,730,000          |
| State Patrol System  | 812,000           | 2,326,000         | 4,706,000         | 6,974,000          |
| State Cash Balance   | 0                 | 0                 | 0                 | 4,030,000          |
| County Cash Balance  | 0                 | 0                 | 0                 | 2,358,000          |
| <b>Total</b>         | <b>812,000</b>    | <b>33,913,000</b> | <b>96,005,000</b> | <b>161,734,000</b> |

| <b>Modest Recovery</b> | <b>FY 2009-10</b> | <b>FY2010-11</b>  | <b>FY2011-12</b>  | <b>FY2012-13</b>   |
|------------------------|-------------------|-------------------|-------------------|--------------------|
| School System          | 0                 | 31,587,000        | 82,493,000        | 120,608,000        |
| Judges System          | 0                 | 0                 | 462,000           | 1,290,000          |
| State Patrol System    | 812,000           | 2,326,000         | 4,390,000         | 5,974,000          |
| State Cash Balance     | 0                 | 0                 | 0                 | 2,212,000          |
| County Cash Balance    | 0                 | 0                 | 0                 | 1,659,000          |
| <b>Total</b>           | <b>812,000</b>    | <b>33,913,000</b> | <b>87,345,000</b> | <b>131,743,000</b> |

| <b>Strong Recovery</b> | <b>FY 2009-10</b> | <b>FY2010-11</b>  | <b>FY2011-12</b>  | <b>FY2012-13</b>  |
|------------------------|-------------------|-------------------|-------------------|-------------------|
| School System          | 0                 | 31,587,000        | 74,720,000        | 92,860,000        |
| Judges System          | 0                 | 0                 | 331,000           | 822,000           |
| State Patrol System    | 812,000           | 2,326,000         | 4,090,000         | 4,908,000         |
| State Cash Balance     | 0                 | 0                 | 0                 | 416,000           |
| County Cash Balance    | 0                 | 0                 | 0                 | 967,000           |
| <b>Total</b>           | <b>812,000</b>    | <b>33,913,000</b> | <b>79,141,000</b> | <b>99,973,000</b> |





## APPENDIX B

### *Bill Status Report -- May 29, 2009 -- Sine die*

| BILL # | INTRODUCER | ONE-LINER  | COMMITTEE ACTION    | FINAL ACTION | COMMENTS  |
|--------|------------|--|---------------------|--------------|---|
| 23     | Friend     | Change membership provisions of the Nebraska Investment Council  | IPP 2/18/09         |              |   |
| 81     | Nordquist  | Change contribution provisions of the Nebraska State Patrol Retirement Act   | IPP 5/29/09         |              | Provisions amended into LB 188e (AM 611)                                    |
| 140    | Avery      | Provide duties relating to investment of state funds in Sudan-related companies  | Held                |              |   |
| 187e   | Committee  | Change rates for school employee retirement plans  |                     | Enacted      | Committee AM 1180 adopted   |
| 188e   | Committee  | Change provisions relating to retirement programs for county and state employees and the Nebraska State Patrol                                       |                     | Enacted      | LB 81 (AM 611) & LB 425 (AM 1153) amended into bill                         |
| 205    | Nordquist  | Require education & ethics training for board members of certain retirement systems  | General File AM 689 |              |   |
| 242    | Karpisek   | Increase the mandatory retirement under the Nebraska State Patrol Retirement Act   | Held                |              |   |
| 365    | Pankonin   | Change retirement annuity provisions in Judges Retirement Act  | Held                |              |   |
| 366    | Pankonin   | Increase the mandatory contribution rate under the State Employees Retirement Act  | Held                |              |   |
| *403   | Karpisek   | Require verification of lawful presence in the U.S for certain public benefits, employment, contracting with public bodies, & tax incentive programs |                     | Enacted      | AM 680 to AM 413 amended into bill (provisions related to retirement plans) |
| *414e  | Ashford    | Change salary and retirement provisions for judges and a fee   |                     | Enacted      | Provisions of LB 424 amended into bill (AM 1236)                            |
| 424    | Pankonin   | Change mandatory contribution rates under the Judges' Retirement Act   | IPP 5/21/09         |              | Provisions amended into LB 414e (AM 1236)                                   |
| 425    | Pankonin   | Change mandatory contribution rates under the Nebraska State Patrol Retirement Act   | IPP 5/21/09         |              | Provisions amended into LB 188e (AM 1153)                                   |
| 426    | Pankonin   | Name and change provisions relating to the Police Officers Retirement Act  | Held                |              |   |
| 427    | Pankonin   | Adopt the County Law Enforcement Officer Retirement Act  | Held                |              |   |
| 449    | Campbell   | Change disability retirement allowance provisions of the School Employees Retirement Act   |                     | Enacted      | Committee AM 515 adopted  |
| 612    | Avery      | Prohibit school districts from making contributions or reimbursements relating to retirement benefits  | Held                |              | Interim Study LR 120  |

\*LB 403 and LB 414e were referred to the Judiciary Committee. Both bills as enacted contain retirement provisions and are therefore included in this summary.



# APPENDIX C

## History of Contribution Rate Increases For Judges, State Patrol and School Employees

### Judges

|           | 1955 | 1957       | 1969  | 2004       | 2009         | 2014                 |
|-----------|------|------------|-------|------------|--------------|----------------------|
| Employee  | 4%*  |            | 6%*** | 8%**       | Rate plus 1% | Additional 1% ceases |
| Employer+ |      | \$1.00 fee |       | \$5.00 fee | \$6.00 fee   | \$5.00 fee           |

- \* Original members, i.e. judges who served prior to December 25, 1969 and retired on or before December 31, 1992, contributed 4% for 20 years and 0 thereafter
- \*\* Judges hired after 2004 and judges who select Joint & Survivor Benefit contribute 8% first 20 years and 4% thereafter
- \*\*\* Future members, i.e. all other judges, contribute 6% during first 20 years and 0% thereafter
- + The “employer” contribution rates are funded by fees assessed on causes of action filed in district and county courts.

### State Patrol

|          | 1947 | 1971 | 1975 | 1995 | 2004 | 2005 | 2009 | 2010 |
|----------|------|------|------|------|------|------|------|------|
| Employee | 5%   | 7%   | 8%   | 10%  | 12%  | 13%  | 15%  | 16%  |
| Employer | 5%   | 7%   | 8%   | 10%  | 12%  | 15%  | 15%  | 16%  |

NOTE: state patrol members do not pay social security

### School Employees

| YEAR        | EMPLOYEE  | EMPLOYER               |
|-------------|---|------------------------|
| 1945 -1950  | 5% of first \$2,400, max = \$120/yr                     | None                   |
| 1951 -1966  | 5% of first \$2,400 or \$3,600 max = \$120/ or \$180/yr | None                   |
| 1967-1976   | 3.50% (all compensation)                                | 20% of employee = .70% |
| 1977        | 3.50%   | 45% = 1.57%            |
| 1978 - 1979 | 3.50%   | 55% = 1.92%            |
| 1980        | 3.50%   | 58% = 2.03%            |
| 1981        | 3.50%   | 41% = 1.43%            |
| 1982        | 3.50%   | 45% = 1.57%            |
| 1983        | 3.50%   | 53% = 1.85%            |
| 1984 - 1985 | 4.80%   | 100% = 4.80%           |
| 1986 -1987  | 5.40%   | 101% = 5.45%           |
| 1988        | 49.75% of actuarially determined funding rate = 5.40%   | 101% = 5.45%           |
| 1989        | 49.75% of actuarially determined funding rate = 5.90%   | 101% = 5.96%           |
| 1990        | 49.75% of actuarially determined funding rate = 6.18%   | 101% = 6.24%           |
| 1991 - 1993 | 49.75% of actuarially determined funding rate = 6.52%   | 101% = 6.58%           |
| 1994        | 49.75% of actuarially determined funding rate = 7.73%   | 101% = 7.81%           |
| 1995        | 49.75% of actuarially determined funding rate = 7.26%   | 101% = 7.33%           |
| 1996 - 2004 | 7.25%   | 101% = 7.32%           |
| 2005        | 7.98%   | 101% = 8.06%           |
| 2006        | 7.83%   | 101% = 7.91%           |
| 2007        | 7.25%   | 101% = 7.32%           |
| 2008        | 7.28%   | 101% = 7.36%           |
| 2009 - 2013 | 8.28%   | 101% = 8.36%           |
| 2014        | 7.28%   | 101% = 7.36%           |

Source: Legislative Fiscal Office for 1945-1988; Actuarial Reports for fiscal years 1988-1996; Updates by Kate Allen 1997-2014.



## APPENDIX D

### School Employees Retirement & Class V (Omaha) School Employees Retirement Funding for FY 2009 through FY 2014

|   | <b>FY2009/10</b>                          | <b>FY2010/11</b>                          | <b>FY2011/12</b>                          | <b>FY2012/13</b>                          | <b>FY 2013/2014</b>                       | <b>REVENUE</b>         | <b>% Total Funding</b> |
|---|---|---|---|---|---|------------------------|------------------------|
| Employee  | Increase rate 1% to 8.28%<br>\$15 million | Increase rate 1% to 8.28%<br>\$15 million | Increase rate 1% to 8.28%<br>\$15 million | Increase rate 1% to 8.28%<br>\$15 million | Increase rate 1% to 8.28%<br>\$15 million | \$75 million           | <b>32%</b>             |
| Employer/<br>School District                    | 101% = 8.36%<br>\$15 million              | 101% = 8.36%<br>\$15 million              | 101% = 8.36%<br>\$15 million              | 101% = 8.36%<br>\$15 million              | 101% = 8.36%<br>\$15 million              | \$75 million           | <b>32%</b>             |
| Increase General Funds for NE schools           | Increase .7% to 1%<br>\$4.5 million       | Increase .7% to 1%<br>\$4.5 million       | Increase .7% to 1%<br>\$4.5 million       | Increase .7% to 1%<br>\$4.5 million       | Increase .7% to 1%<br>\$4.5 million       | \$22.5 million         |                        |
| Increase General Funds for Class V schools      | Increase .7% to 1%<br>\$1.0 million       | Increase .7% to 1%<br>\$1.0 million       | Increase .7% to 1%<br>\$1.0 million       | Increase .7% to 1%<br>\$1.0 million       | Increase .7% to 1%<br>\$1.0 million       | \$5.0 million          |                        |
| Additional state General Fund lump sum payments |   | \$20 million                              | \$40 million                              |   |   | \$60 million           |                        |
| <b>TOTAL REVENUE</b>                            | <b>\$35.5 million</b>                     | <b>\$55.5 million</b>                     | <b>\$75.5 million</b>                     | <b>\$35.5 million</b>                     | <b>\$35.5 million</b>                     | <b>\$237.5 million</b> |                        |
| <b>Total additional STATE funding</b>           | <b>\$5.5 million</b>                      | <b>\$25.5 million</b>                     | <b>\$45.5 million</b>                     | <b>\$5.5 million</b>                      | <b>\$5.5 million</b>                      | <b>\$87.5 million</b>  | <b>37%</b>             |

Summary:

1. Increase employee contribution rate 1% to 8.28% for 5 years.
2. Employer contribution rate remains at 101% which equals 8.36% for 5 years.
3. Increase state contribution rate from .7 to 1% for 5 years paid from General Fund to School Employees Retirement.
4. Increase state contribution rate from .7 to 1% for 5 years paid from General Fund to Class V (Omaha) School Employees Retirement.
5. Make lump sum payments from the General Fund of \$20,000,000 in FY 2010/11 and \$40,000,000 in FY 2011/12 to School Employees Retirement.