

One Hundred Fifth Legislature - First Session - 2017

Introducer's Statement of Intent

LB415

Chairperson: Senator Mark Kolterman

Committee: Nebraska Retirement Systems

Date of Hearing: February 27, 2017

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 415 contains several policy and benefit changes aimed at eliminating or reducing the practice of "double dipping" and encouraging plan members to work until the member is truly ready to retire. Under LB 415, members and employers will be required to certify that no prearranged agreements were made to re-employ a member who is terminating or retiring. This requirement assures that terminations are not sham terminations and meet the bona fide separation of service requirement for qualified public retirement plans under the Internal Revenue Code.

In the School Employees and Class V School Employees Retirement Acts, LB 415 creates the Rule of 90 with a minimum retirement age of 60 for School and Class V School Employees who become members on or after July 1, 2017. This change will ensure that school employees work until at least age 60 in order to earn a full retirement benefit. The Rule of 85 with a minimum retirement age of 55 will still apply to School and Class V School Employees hired prior to July 1, 2017.

In the School Plan, the exemptions are eliminated that allow intermittent voluntary or substitute service during the 180-day required separation of service period. Elimination of these exceptions will draw a bright line for both the employers and employees regarding the separation of service requirement for a bona fide termination of employment.

In the County, School, Class V School, State Patrol and State Employees Retirement Systems a new provision is added that a bona fide termination of employment will not occur if, within 120 days (180 days for schools) after ceasing employment, a member is employed by an employer of one of the listed public retirement systems. The intent with this change is to encourage members of these plans to work until they are truly ready to retire and to discourage the practice of plan members retiring from one public retirement system and seeking immediate employment with another public retirement system in order to receive additional public compensation or an additional retirement benefit.

Under LB 415, if a member received an early retirement incentive prior to termination of employment, under LB 415, in order for a bona fide separation of service to occur, the member may not become re-employed by the same retirement system or by an employer of one of the listed public retirement systems within three years of termination of employment. This provision is intended to encourage members to work until they are truly ready to retire and to reduce or eliminate members taking an early retirement incentive and then seeking re-employment or employment in a separate public retirement system in order to receive additional public compensation or an additional retirement benefit.

A new provision is added to the County, School, Class V School, State Patrol and State Employees Retirement Acts regarding retirees who seek re-employment in the same retirement system or employment in a listed public retirement system. For such retirees who are hired or re-hired in any capacity, including as a consultant or as a contractor on or after July 1, 2017, the vesting period is ten years and only service credit earned during the ten-year vesting period will count towards vesting and retirement. If the re-employed retiree does not vest, then he or she will only receive the member contributions plus interest.

Principal Introducer: _____

Senator Mark Kolterman