

AMENDMENTS TO LB31

Introduced by Nebraska Retirement Systems.

1 1. Strike the original sections and insert the following new
2 sections:

3 Section 1. Section 79-978.01, Revised Statutes Cumulative
4 Supplement, 2018, is amended to read:

5 79-978.01 Sections 79-978 to 79-9,118 and sections 2 to 5 of this
6 act shall be known and may be cited as the Class V School Employees
7 Retirement Act.

8 Sec. 2. It is the intent of the Legislature that the Public
9 Employees Retirement Board develop a work plan, recommendations, cost
10 estimates, and cost comparisons regarding the transfer of management of
11 any Class V school employees retirement system established under the
12 Class V School Employees Retirement Act and which existed on January 1,
13 2019, to the Public Employees Retirement Board.

14 Sec. 3. (1)(a) The Public Employees Retirement Board, in
15 consultation with stakeholders including, but not limited to, the
16 Nebraska Retirement Systems Committee of the Legislature and the board of
17 trustees and employer of any Class V school employees retirement system
18 established under the Class V School Employees Retirement Act and which
19 existed on January 1, 2019, shall develop a work plan for the transfer of
20 management and actuarial services of any such Class V school employees
21 retirement system to the Public Employees Retirement Board.

22 (b) The work plan shall include, but not be limited to, a detailed
23 analysis and recommendations regarding (i) management, administration,
24 actuarial service, information technology, computer infrastructure,
25 accounting, and member data and record transfer; (ii) necessary statutory
26 changes to achieve the transfer of management and actuarial services;
27 (iii) staff training and assessment of staffing needs; (iv) educational

1 and communication plans to fully inform all system stakeholders and
2 affected governmental entities regarding management changes; (v)
3 sufficient timeframes for an orderly transition and implementation of
4 management and actuarial changes; (vi) cost estimates associated with the
5 tasks necessary to carry out the management transition; and (vii) a
6 comparison of the current annual cost to administer any Class V school
7 employees retirement system established under the Class V School
8 Employees Retirement Act and which existed on January 1, 2019, with an
9 estimate of the annual cost for the Public Employees Retirement Board to
10 administer such system after a management transfer occurs.

11 (c) The employer of any Class V school employees retirement system
12 established under the Class V School Employees Retirement Act and which
13 existed on January 1, 2019, shall provide all records, documents, data,
14 or other information to the Public Employees Retirement Board within
15 thirty calendar days after receiving a written request from the director
16 of the Nebraska Public Employees Retirement Systems, or from the
17 director's representative on behalf of the Public Employees Retirement
18 Board, for such records, documents, data, or other information.

19 (d) The Public Employees Retirement Board shall electronically
20 report the work plan, including any recommendations, cost estimates, and
21 cost comparisons, to the Clerk of the Legislature no later than June 30,
22 2020.

23 (2) For purposes of this section, management does not include:

24 (a) A merger or consolidation of any Class V school employees
25 retirement system established under the Class V School Employees
26 Retirement Act and which existed on January 1, 2019, with the School
27 Employees Retirement System of the State of Nebraska or any other
28 retirement system administered by the Public Employees Retirement Board;
29 or

30 (b) An assumption of any of the liability for any such Class V
31 school employees retirement system by the State of Nebraska, the Public

1 Employees Retirement Board, or the Nebraska Public Employees Retirement
2 Systems.

3 (3) The Public Employees Retirement Board may quarterly bill the
4 employer of any Class V school employees retirement system established
5 under the Class V School Employees Retirement Act and which existed on
6 January 1, 2019, for all work performed by the Public Employees
7 Retirement Board for services and related expenses in completion of the
8 work plan described in this section. Such employer shall remit payment as
9 provided in section 4 of this act within forty-five calendar days after
10 receipt of each bill.

11 Sec. 4. (1) The Class V School Employees Retirement System
12 Management Work Plan Fund is created. The purpose of the fund is to
13 transfer funds as specified in this section. The fund shall consist of
14 the amounts transferred from the employer of any Class V school employees
15 retirement system established under the Class V School Employees
16 Retirement Act and which existed on January 1, 2019, for all work
17 performed by the Public Employees Retirement Board for services and
18 related expenses in completion of the work described in section 3 of this
19 act. The fund shall be administered by the Nebraska Public Employees
20 Retirement Systems. Any money in the fund available for investment shall
21 be invested by the state investment officer pursuant to the Nebraska
22 Capital Expansion Act and the Nebraska State Funds Investment Act.

23 (2) The employer of any Class V school employees retirement system
24 established under the Class V School Employees Retirement Act and which
25 existed on January 1, 2019, shall remit the payment described in
26 subsection (3) of section 3 of this act to the State Treasurer for credit
27 to the Class V School Employees Retirement System Management Work Plan
28 Fund for all work performed by the Public Employees Retirement Board for
29 services and related expenses in completion of the work plan.

30 Sec. 5. (1) The Class V School Employees Retirement Management
31 Study Fund is created. The purpose of the fund is to transfer funds as

1 specified in this section. The fund shall consist of the amounts
2 transferred from the employer of any Class V school employees retirement
3 system established under the Class V School Employees Retirement Act and
4 which existed on January 1, 2019, for all work performed and expenses
5 incurred as described in this section.

6 (2) The administrator and board of trustees of any Class V school
7 employees retirement system established under the Class V School
8 Employees Retirement Act and which existed on January 1, 2019, may
9 quarterly bill the employer of such Class V school employees retirement
10 system for all work performed and expenses incurred by the administrator,
11 staff, and any consultants of the Class V school employees retirement
12 system in response to requests for records, documents, data, or other
13 information from the Nebraska Public Employees Retirement Systems or the
14 Public Employees Retirement Board in completion of the work plan
15 described in section 3 of this act. Such employer shall remit payment
16 within forty-five calendar days after receipt of any such quarterly bill
17 to the Class V School Employees Retirement Management Study Fund.

18 Sec. 6. Section 84-1503, Revised Statutes Cumulative Supplement,
19 2018, is amended to read:

20 84-1503 (1) It shall be the duty of the Public Employees Retirement
21 Board:

22 (a) To administer the retirement systems provided for in the County
23 Employees Retirement Act, the Judges Retirement Act, the Nebraska State
24 Patrol Retirement Act, the School Employees Retirement Act, and the State
25 Employees Retirement Act. The agency for the administration of the
26 retirement systems and under the direction of the board shall be known
27 and may be cited as the Nebraska Public Employees Retirement Systems;

28 (b) To appoint a director to administer the systems under the
29 direction of the board. The appointment shall be subject to the approval
30 of the Governor and a majority of the Legislature. The director shall be
31 qualified by training and have at least five years of experience in the

1 administration of a qualified public or private employee retirement plan.
2 The director shall not be a member of the board. The salary of the
3 director shall be set by the board. The director shall serve without term
4 and may be removed by the board;

5 (c) To provide for an equitable allocation of expenses among the
6 retirement systems administered by the board, and all expenses shall be
7 provided from the investment income earned by the various retirement
8 funds unless alternative sources of funds to pay expenses are specified
9 by law;

10 (d) To administer the deferred compensation program authorized in
11 section 84-1504;

12 (e) To hire an attorney, admitted to the Nebraska State Bar
13 Association, to advise the board in the administration of the retirement
14 systems listed in subdivision (a) of this subsection;

15 (f) To hire an internal auditor to perform the duties described in
16 section 84-1503.04 who meets the minimum standards as described in
17 section 84-304.03;

18 (g) To adopt and implement procedures for reporting information by
19 employers, as well as testing and monitoring procedures in order to
20 verify the accuracy of such information. The information necessary to
21 determine membership shall be provided by the employer. The board may
22 adopt and promulgate rules and regulations and prescribe such forms
23 necessary to carry out this subdivision. Nothing in this subdivision
24 shall be construed to require the board to conduct onsite audits of
25 political subdivisions for compliance with statutes, rules, and
26 regulations governing the retirement systems listed in subdivision (1)(a)
27 of this section regarding membership and contributions; and

28 (h) To prescribe and furnish forms for the public retirement system
29 plan reports required to be filed pursuant to sections 2-3228, 12-101,
30 14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,
31 23-3526, 71-1631.02, and 79-987 through December 31, 2017.

1 (2) In administering the retirement systems listed in subdivision
2 (1)(a) of this section, it shall be the duty of the board:

3 (a) To determine, based on information provided by the employer, the
4 prior service annuity, if any, for each person who is an employee of the
5 county on the date of adoption of the retirement system;

6 (b) To determine the eligibility of an individual to be a member of
7 the retirement system and other questions of fact in the event of a
8 dispute between an individual and the individual's employer;

9 (c) To adopt and promulgate rules and regulations, as the board may
10 deem necessary, for the management of the board;

11 (d) To keep a complete record of all proceedings taken at any
12 meeting of the board;

13 (e) To obtain, by a competitive, formal, and sealed bidding process
14 through the materiel division of the Department of Administrative
15 Services, actuarial services on behalf of the State of Nebraska as may be
16 necessary in the administration and development of the retirement
17 systems, including, but not limited to, preparation of an annual
18 actuarial valuation report of each of the defined benefit and cash
19 balance plans administered by the board. Such annual valuation reports
20 shall be presented by the actuary to the Nebraska Retirement Systems
21 Committee of the Legislature at a public hearing or hearings. Any
22 contract for actuarial services shall contain a provision allowing the
23 actuary, without prior approval of the board, to perform actuarial
24 studies of the systems as requested by entities other than the board, if
25 notice, which does not identify the entity or substance of the request,
26 is given to the board, all costs are paid by the requesting entity,
27 results are provided to the board, the Nebraska Retirement Systems
28 Committee of the Legislature, and the Legislative Fiscal Analyst upon
29 being made public, and such actuarial studies do not interfere with the
30 actuary's ongoing responsibility to the board. The term of the contract
31 shall be for up to three years. A competitive, formal, and sealed bidding

1 process shall be completed at least once every three years, unless the
2 board determines that such a process would not be cost effective under
3 the circumstances and that the actuarial services performed have been
4 satisfactory, in which case the contract may also contain an option for
5 renewal without a competitive, formal, and sealed bidding process for up
6 to three additional years. An actuary under contract for the State of
7 Nebraska shall be a member of the American Academy of Actuaries and meet
8 the academy's qualification standards to render a statement of actuarial
9 opinion;

10 (f) To direct the State Treasurer to transfer funds, as an expense
11 of the retirement systems, to the Legislative Council Retirement Study
12 Fund. Such transfer shall occur beginning on or after July 1, 2005, and
13 at intervals of not less than five years and not more than fifteen years
14 and shall be in such amounts as the Legislature shall direct;

15 (g) To adopt and promulgate rules and regulations, as the board may
16 deem necessary, to carry out the provisions of each retirement system
17 described in subdivision (1)(a) of this section, which includes, but is
18 not limited to, the crediting of military service, direct rollover
19 distributions, and the acceptance of rollovers;

20 (h) To obtain, by a competitive, formal, and sealed bidding process
21 through the materiel division of the Department of Administrative
22 Services, auditing services for a separate compliance audit of the
23 retirement systems to be completed by December 31, 2020, and from time to
24 time thereafter at the request of the Nebraska Retirement Systems
25 Committee of the Legislature, to be completed not more than every four
26 years but not less than every ten years. The compliance audit shall be in
27 addition to the annual audit conducted by the Auditor of Public Accounts.
28 The compliance audit shall include, but not be limited to, an examination
29 of records, files, and other documents and an evaluation of all policies
30 and procedures to determine compliance with all state and federal laws. A
31 copy of the compliance audit shall be given to the Governor, the board,

1 and the Nebraska Retirement Systems Committee of the Legislature and
2 shall be presented to the committee at a public hearing;

3 (i) To adopt and promulgate rules and regulations, as the board may
4 deem necessary, for the adjustment of contributions or benefits, which
5 includes, but is not limited to: (i) The procedures for refunding
6 contributions, adjusting future contributions or benefit payments, and
7 requiring additional contributions or repayment of benefits; (ii) the
8 process for a member, member's beneficiary, employee, or employer to
9 dispute an adjustment to contributions or benefits; (iii) establishing
10 materiality and de minimus amounts for agency transactions, adjustments,
11 and inactive account closures; and (iv) notice provided to all affected
12 persons. Following an adjustment, a timely notice shall be sent that
13 describes the adjustment and the process for disputing an adjustment to
14 contributions or benefits;

15 (j) To make a thorough investigation through the director or the
16 director's designee, of any overpayment of a benefit, when in the
17 judgment of the director such investigation is necessary, including, but
18 not limited to, circumstances in which benefit payments are made after
19 the death of a member or beneficiary and the retirement system is not
20 made aware of such member's or beneficiary's death. In connection with
21 any such investigation, the board, through the director or the director's
22 designee, shall have the power to compel the attendance of witnesses and
23 the production of books, papers, records, and documents, whether in
24 hardcopy, electronic form, or otherwise, and issue subpoenas for such
25 purposes. Such subpoenas shall be served in the same manner and have the
26 same effect as subpoenas from district courts; and

27 (k) To administer all retirement system plans in a manner which will
28 maintain each plan's status as a qualified plan pursuant to the Internal
29 Revenue Code, as defined in section 49-801.01, including: Section 401(a)
30 (9) of the Internal Revenue Code relating to the time and manner in which
31 benefits are required to be distributed, including the incidental death

1 benefit distribution requirement of section 401(a)(9)(G) of the Internal
2 Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to
3 the specification of actuarial assumptions; section 401(a)(31) of the
4 Internal Revenue Code relating to direct rollover distributions from
5 eligible retirement plans; section 401(a)(37) of the Internal Revenue
6 Code relating to the death benefit of a member whose death occurs while
7 performing qualified military service; and section 401(a) of the Internal
8 Revenue Code by meeting the requirements of section 414(d) of the
9 Internal Revenue Code relating to the establishment of retirement plans
10 for governmental employees of a state or political subdivision thereof.
11 The board may adopt and promulgate rules and regulations necessary or
12 appropriate to maintain such status including, but not limited to, rules
13 or regulations which restrict discretionary or optional contributions to
14 a plan or which limit distributions from a plan.

15 (3) By March 31 of each year, the board shall prepare a written plan
16 of action and shall present such plan to the Nebraska Retirement Systems
17 Committee of the Legislature at a public hearing. The plan shall include,
18 but not be limited to, the board's funding policy, the administrative
19 costs and other fees associated with each fund and plan overseen by the
20 board, member education and informational programs, the director's duties
21 and limitations, an organizational structure of the office of the
22 Nebraska Public Employees Retirement Systems, and the internal control
23 structure of such office to ensure compliance with state and federal
24 laws.

25 (4)(a) Beginning in 2016, and at least every four years thereafter
26 in even-numbered years or at the request of the Nebraska Retirement
27 Systems Committee of the Legislature, the board shall obtain an
28 experience study. Within thirty business days after presentation of the
29 experience study to the board, the actuary shall present the study to the
30 Nebraska Retirement Systems Committee at a public hearing. If the board
31 does not adopt all of the recommendations in the experience study, the

1 board shall provide a written explanation of its decision to the Nebraska
2 Retirement Systems Committee and the Governor. The explanation shall be
3 delivered within ten business days after formal action by the board to
4 not adopt one or more of the recommendations.

5 (b) The director shall provide an electronic copy of the first draft
6 and a final draft of the experience study and annual valuation reports to
7 the Nebraska Retirement Systems Committee and the Governor when the
8 director receives the drafts from the actuary. The drafts shall be deemed
9 confidential information. The draft copies obtained by the Nebraska
10 Retirement Systems Committee and the Governor pursuant to this section
11 shall not be considered public records subject to sections 84-712 to
12 84-712.09.

13 (c) For purposes of this subsection, business days shall be computed
14 by excluding the day the request is received, after which the designated
15 period of time begins to run. A business day shall not include a Saturday
16 or a Sunday or a day during which the Nebraska Public Employees
17 Retirement Systems office is closed.

18 (5) It shall be the duty of the board to direct the State Treasurer
19 to transfer funds, as an expense of the retirement system provided for
20 under the Class V School Employees Retirement Act, to and from the Class
21 V Retirement System Payment Processing Fund and the Class V School
22 Employees Retirement Fund for the benefit of a retirement system provided
23 for under the Class V School Employees Retirement Act to implement the
24 provisions of section 79-986. The agency for the administration of this
25 provision and under the direction of the board shall be known and may be
26 cited as the Nebraska Public Employees Retirement Systems.

27 (6) Pursuant to section 3 of this act, it shall be the duty of the
28 board to carry out the work plan, file the report, and contract with,
29 bill, and receive payment from the employer of any Class V school
30 employees retirement system established under the Class V School
31 Employees Retirement Act and which existed on January 1, 2019, for all

1 services performed in the conduct, completion, and report of such work
2 plan regarding the transfer of management of any such Class V school
3 employees retirement system.

4 Sec. 7. If any section in this act or any part of any section is
5 declared invalid or unconstitutional, the declaration shall not affect
6 the validity or constitutionality of the remaining portions.

7 Sec. 8. Original sections 79-978.01 and 84-1503, Revised Statutes
8 Cumulative Supplement, 2018, are repealed.

9 Sec. 9. Since an emergency exists, this act takes effect when
10 passed and approved according to law.