

## LEGISLATIVE BILL 248

Approved by the Governor May 18, 1981

Introduced by Wiitala, 31

AN ACT to amend sections 79-1522, 79-1522.01, and 79-1540, Reissue Revised Statutes of Nebraska, 1943, relating to the school retirement system; to increase the service annuity; to change the procedure for determining final average compensation; to provide for full funding of the Service Annuity Fund; to repeal the original sections; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. That section 79-1522, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1522. (1) Upon retirement under the provisions of sections 79-1520 and 79-1521, if he or she has five or more years of creditable service, a member or emeritus member shall receive a school retirement allowance which shall consist of the sum of: (a) A savings annuity which shall be the actuarial equivalent, as determined by the retirement board, of the member's accumulated contributions at the time of his or her retirement, or, in the case of an emeritus member, the savings annuity fixed by the retirement board at the time of his or her original retirement; and (b) a service annuity to be paid by the State of Nebraska. The amount of any individual service annuity for a full-time school employee or emeritus member shall be three dollars and fifty cents per month for each year of service commencing with his or her retirement on or after ~~July 1, 1973~~ the effective date of this act. Each school employee or emeritus member who retired before July 1, 1973 and who is receiving a service annuity as of that date shall have such service annuity adjusted by the increase in the cost of living as determined by the difference between the Consumers Price Index for Urban Wage Earners and Clerical Workers from the date the service annuity commenced and July 1, 1973, except that such annuity shall not exceed three dollars and fifty cents monthly per year of service, based on the same number of years of service that is currently being used to determine his or her service annuity. Such increased service annuity shall commence on July 1, 1973.

(2) Under such rules and regulations as the board may prescribe, an employee, upon becoming a member, may receive credit for not to exceed ten years of creditable teaching service rendered in public schools in another state if such member shall have paid into the school retirement system of the State of Nebraska an amount equal to the required deposits he or she would have paid had he or she been employed in this state, with such required deposits to be paid as the board may direct within three years after membership in the retirement system begins.

(3) A member who retires as a school employee of this state shall not receive credit for time in service outside of this state in excess of the time he or she has been in service as a school employee in this state. In order to receive such out-of-state credit such member must be employed as a school employee in this state at the time of his or her retirement.

(4) For a beneficiary who is employed as a public school substitute employee for more than ninety days in any school year the state service annuity shall be reduced by fifty per cent; Provided, a person receiving a retirement benefit may waive the payments and return to regular employment in a public school of this state if the beneficiary shall notify the retirement board in advance of the time and place of such employment. This notice shall be in writing upon forms prescribed by the retirement board. Any person collecting retirement payments without filing such notice shall be subject to a withholding of future retirement benefits equal to twice the amount collected after being regularly employed. The amount of individual service annuity for a part-time employee shall be determined on a proportional basis.

Sec. 2. That section 79-1522.01, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1522.01. In lieu of the school retirement allowance provided by section 79-1522 for service after July 1, 1968, any member who is an employee of a Class I, II, III, IV, or VI school district and who becomes eligible to make application for and receive a school retirement allowance under the provisions of sections 79-1520 and 79-1521, may elect to receive a formula annuity retirement allowance.

The monthly formula annuity in the normal form shall be determined by multiplying the number of years of service after July 1, 1968, for which such member would otherwise receive the service annuity provided by section

79-1522, by one and one-quarter per cent of his or her final average compensation; Provided, that if the annuity begins prior to the sixty-fifth birthday of the member, the annuity at the date it begins shall be the actuarial equivalent of the formula annuity deferred to the sixty-fifth birthday of the member. A member must have acquired the equivalent of one half year service or more as a public school employee under the school retirement system following August 24, 1975, to be eligible for computation of his or her formula annuity using one and one-quarter per cent of his or her final average compensation as one of the factors.

The normal form of the formula annuity shall be an annuity payable monthly during the remainder of the member's life with the provision that in the event of his or her death before sixty monthly payments have been made the monthly payments shall be continued to his or her estate or to such beneficiary as he or she shall have designated until sixty monthly payments have been made. A member may elect to receive in lieu of the normal form of annuity an actuarially equivalent annuity in any optional form provided by section 79-1530.

Final average compensation shall be determined by dividing the member's total compensation subject to required deposits for the five three fiscal years after July 1, 1968, in which such compensation was the highest, by sixty thirty-six. If a member has such compensation for less than five three such fiscal years his or her final average compensation shall be determined by dividing his or her total compensation in all such years by twelve times the total number of years of his or her service therefor. A member must have acquired the equivalent of one half year service or more as a public school employee under the school retirement system following August 24, 1975, to be eligible for computation of his or her formula annuity using only five fiscal years in the determination of his or her final average compensation.

All formula annuities shall be paid from the Annuity Reserve Fund. Upon the granting of a formula annuity there shall be transferred to the Annuity Reserve Fund: (1) From the Service Annuity Fund the value of the service annuity which would otherwise be payable for service after July 1, 1968; (2) from the School Employees' Savings Fund the accumulated contributions of the member made after July 1, 1968; and (3) from the School Employer's Deposit Fund the value of the formula annuity in excess of the amounts transferred from the Service Annuity Fund and the School Employees' Savings Fund.

For the purpose of providing the funds to be transferred from the School Employer's Deposit Fund for formula annuities every employer shall be required to make deposits in the School Employer's Deposit Fund equal to twenty per cent of the required school employee contributions. Such deposits shall be a uniform percentage of the required contributions of the school employees of each employer and shall be transmitted to the retirement board at the same time and in the same manner as such required employee contributions. In the fiscal year commencing July 1, 1968, such uniform percentage shall be twenty per cent of the required school employee contributions. For each fiscal year thereafter such uniform percentage shall be determined by the retirement board upon recommendation of the actuary and shall be determined by deducting from the then present value of all future amounts to be transferred from the School Employer's Deposit Fund the amount then credited to such fund and dividing the remainder by the present value of the prospective future required contributions of all employees of the school districts covered by this section.

Sec. 3. That section 79-1540, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1540. On the basis of all data in the possession of the retirement board, including such mortality and other tables as shall be recommended by the actuary, who shall be a member of the American Academy of Actuaries, engaged by the retirement board and adopted by the retirement board, the retirement board shall annually, on or before July 1, determine the state deposit to be made by the state in the Service Annuity Fund for that fiscal year. The amount of such state deposit shall be determined on the basis of an annual actuarial valuation to be sufficient to fully fund the service annuities earned in that fiscal year and to fund the unfunded accrued liabilities for all service annuities earned prior to that year by level payments up to January 1, 1994 in the amounts established prior to the effective date of this act. Any increase in the unfunded accrued liability that arises as a result of increasing the amount of the service annuity on or after the effective date of this act shall increase the state deposit by an amount sufficient to fund the increase in the unfunded accrued liability by level payments for the twenty-five year period following the date the increase becomes effective. The retirement board shall thereupon certify and, on the warrant of the Director of Administrative Services, the State Treasurer shall, as of July 1 of such year, transfer from funds appropriated by

the state for that purpose to the Service Annuity Fund in the retirement system the amount of such state deposit.

Sec. 4. For purposes of subdivision (2) of section 77-3424 new program shall include any additional amount a school district contributes if the Public Employees Retirement Board recommends that the funding by the school district be increased as a result of the changes made in section 79-1522.01 by this act.

Sec. 5. That original sections 79-1522, 79-1522.01, and 79-1540, Reissue Revised Statutes of Nebraska, 1943, are repealed.

Sec. 6. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.