

LEGISLATURE OF NEBRASKA

ONE HUNDRED SECOND LEGISLATURE

FIRST SESSION

LEGISLATIVE BILL 307

Introduced by Karpisek, 32.

Read first time January 12, 2011

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to the Nebraska State Patrol Retirement Act; to
2 amend section 81-2041, Reissue Revised Statutes of
3 Nebraska; to require a member participating in DROP to
4 continue making required contributions; and to repeal the
5 original section.
6 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 81-2041, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 81-2041 (1) Any member who meets the participation
4 requirements of subsection (2) of this section may participate in
5 DROP. DROP provides that subsequent to attaining normal age and
6 service retirement eligibility, a member may voluntarily choose to
7 participate in DROP upon its adoption which, for purposes of this
8 section, shall be the earlier of September 1, 2008, or the first of
9 the month following a favorable letter determination by the Internal
10 Revenue Service. If the member chooses to participate in DROP, the
11 member shall be deemed to have retired, but the member may continue
12 in active employment for up to a five-year period. During the DROP
13 period, the member's retirement benefit payments shall be deposited
14 into the DROP account for the benefit of the member until the member
15 actually retires from active employment at or before the expiration
16 of the DROP period. Thereafter, future retirement benefit payments
17 shall be made directly to the member, and the member shall have
18 access to all funds in the DROP account designated for the benefit of
19 the member.

20 (2) To participate in the DROP program, a member shall
21 meet the following requirements:

22 (a) A member shall be eligible to enter DROP at any time
23 subsequent to the date when the member has (i) attained normal
24 retirement age and (ii) completed twenty-five years of service.
25 Members having attained normal retirement age and completed twenty-

1 five years of service on or before the date of adoption of DROP shall
2 be eligible to enter DROP at any future date;

3 (b) A member who elects to enter DROP shall be entitled
4 to receive regular age and service retirement benefits in accordance
5 with section 81-2026. A member is entitled to remain in DROP for a
6 maximum of five years subsequent to the date of the member's DROP
7 election. A member may separate from service and thereby exit DROP at
8 any time during the DROP period. On or before the completion of the
9 DROP period, the member must separate from active employment and exit
10 DROP. During the DROP period, a member's retirement benefit shall be
11 payable to the DROP account vendor designated in the member's name.
12 Amounts transferred or paid to a participating member's DROP account
13 shall not constitute annual additions under section 415 of the
14 Internal Revenue Code;

15 (c) A member electing to enter DROP shall choose an
16 annuity payment option. After the option is chosen, the member shall
17 not be entitled to any retirement benefit changes, for reasons
18 including, but not limited to, wage increases, promotions, and
19 demotions, except that the restriction on retirement benefit changes
20 shall not apply in the event of duty-related death or duty-related
21 disability. The benefit amount shall be fixed as of the date of
22 election and shall be payable as if the employee retired on that date
23 and separated from active employment. Upon the death of a member
24 during the DROP period, monthly benefits shall be provided as a
25 percentage of the amount of the member's annuity as set forth in

1 subsection (3) of section 81-2026 based upon the annuity benefit
2 calculation made at commencement of the DROP period. In addition, the
3 balance of the DROP account, if any, shall be provided to the
4 beneficiary or beneficiaries of the member or, if no beneficiary is
5 provided, to the estate of the member. Upon the disability of a
6 member during the DROP period, the member shall be deemed to have
7 completed the DROP period, shall begin receiving the annuity benefit
8 as calculated at the commencement of the DROP period, and shall be
9 paid the balance of the DROP account, if any;

10 (d) ~~No~~ A member shall be ~~allowed to~~ continue making the
11 required contributions while the member is enrolled in DROP;

12 (e) During the DROP period, the Nebraska State Patrol
13 shall not be assessed the amount required under subsection (2) of
14 section 81-2017 nor shall such amount be credited to the State Patrol
15 Retirement Fund;

16 (f) The member shall be paid the balance of the DROP
17 account upon the member's separation from active employment or at the
18 expiration of the DROP period thereby ending the member's
19 participation in DROP. If a member has not voluntarily separated from
20 active employment on or before the completion of the DROP period, the
21 member's retirement benefit shall be paid directly to the member
22 thereby ending the member's active employment. The member's DROP
23 account shall consist of accrued retirement benefits and interest on
24 such benefits;

25 (g) Any member that is enrolled in DROP shall be

1 responsible for directing the DROP account designated for the benefit
2 of the member by investing the account in any DROP investment
3 options. There shall be no guaranteed rate of investment return on
4 DROP account assets. Any losses, charges, or expenses incurred by the
5 participating DROP member in such member's DROP account by virtue of
6 the investment options selected by the participating DROP member
7 shall not be made up by the retirement system but all of the same
8 shall be born by the participating DROP member. The retirement
9 system, the state, the board, and the state investment officer shall
10 not be responsible for any investment results under the DROP
11 agreement. Transfers between investment options shall be in
12 accordance with the rules and regulations of DROP. A DROP account
13 shall be established for each participating DROP member. Such DROP
14 account shall be adjusted no less frequently than annually for the
15 member's retirement benefit distributions and net investment earnings
16 and losses;

17 (h) If the DROP account is subject to administrative or
18 other fees or charges, such fees or charges shall be charged to the
19 participating DROP member's DROP account; and

20 (i) Cost-of-living adjustments as provided for in section
21 81-2027.03 shall not be applied to retirement benefits during the
22 DROP period.

23 Sec. 2. Original section 81-2041, Reissue Revised
24 Statutes of Nebraska, is repealed.