

AMENDMENTS TO LB 553

Introduced by Nebraska Retirement Systems

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

3 Section 1. Section 24-703, Revised Statutes Cumulative
4 Supplement, 2012, is amended to read:

5 24-703 (1) Each original member shall contribute monthly
6 four percent of his or her monthly compensation to the fund
7 until the maximum benefit as limited in subsection (1) of section
8 24-710 has been earned. It shall be the duty of the Director
9 of Administrative Services in accordance with subsection (10) of
10 this section to make a deduction of four percent on the monthly
11 payroll of each original member who is a judge of the Supreme
12 Court, a judge of the Court of Appeals, a judge of the district
13 court, a judge of a separate juvenile court, a judge of the county
14 court, a clerk magistrate of the county court who was an associate
15 county judge and a member of the fund at the time of his or her
16 appointment as a clerk magistrate, or a judge of the Nebraska
17 Workers' Compensation Court showing the amount to be deducted and
18 its credit to the fund. The Director of Administrative Services
19 and the State Treasurer shall credit the four percent as shown
20 on the payroll and the amounts received from the various counties
21 to the fund and remit the same to the director in charge of the
22 judges retirement system who shall keep an accurate record of the
23 contributions of each judge.

1 (2) (a) In addition to the contribution required under
2 subdivision (c) of this subsection, beginning on July 1, 2004, each
3 future member who has not elected to make contributions and receive
4 benefits as provided in section 24-703.03 shall contribute monthly
5 six percent of his or her monthly compensation to the fund until
6 the maximum benefit as limited in subsection (2) of section 24-710
7 has been earned. After the maximum benefit as limited in subsection
8 (2) of section 24-710 has been earned, such future member shall
9 make no further contributions to the fund, except that (i) any time
10 the maximum benefit is changed, a future member who has previously
11 earned the maximum benefit as it existed prior to the change shall
12 contribute monthly six percent of his or her monthly compensation
13 to the fund until the maximum benefit as changed and as limited
14 in subsection (2) of section 24-710 has been earned and (ii) such
15 future member shall continue to make the contribution required
16 under subdivision (c) of this subsection.

17 (b) In addition to the contribution required under
18 subdivision (c) of this subsection, beginning on July 1, 2004,
19 a judge who first serves as a judge on or after such date or a
20 future member who elects to make contributions and receive benefits
21 as provided in section 24-703.03 shall contribute monthly eight
22 percent of his or her monthly compensation to the fund until the
23 maximum benefit as limited by subsection (2) of section 24-710
24 has been earned. In addition to the contribution required under
25 subdivision (c) of this subsection, after the maximum benefit as
26 limited in subsection (2) of section 24-710 has been earned, such
27 judge or future member shall contribute monthly four percent of his

1 or her monthly compensation to the fund for the remainder of his or
2 her active service.

3 (c) Beginning on July 1, 2009, and until July 1, 2014,
4 a member or judge described in subdivisions (a) and (b) of this
5 subsection shall contribute monthly an additional one percent of
6 his or her monthly compensation to the fund.

7 (d) It shall be the duty of the Director of
8 Administrative Services to make a deduction on the monthly payroll
9 of each such future member who is a judge of the Supreme Court,
10 a judge of the Court of Appeals, a judge of the district court,
11 a judge of a separate juvenile court, a judge of the county
12 court, a clerk magistrate of the county court who was an associate
13 county judge and a member of the fund at the time of his or her
14 appointment as a clerk magistrate, or a judge of the Nebraska
15 Workers' Compensation Court showing the amount to be deducted and
16 its credit to the fund. This shall be done each month. The Director
17 of Administrative Services and the State Treasurer shall credit the
18 amount as shown on the payroll and the amounts received from the
19 various counties to the fund and remit the same to the director in
20 charge of the judges retirement system who shall keep an accurate
21 record of the contributions of each judge.

22 (3) Except as otherwise provided in this subsection, a
23 Nebraska Retirement Fund for Judges fee of five dollars shall
24 be taxed as costs in each (a) civil cause of action, criminal
25 cause of action, traffic misdemeanor or infraction, and city or
26 village ordinance violation filed in the district courts, the
27 county courts, and the separate juvenile courts, (b) filing in the

1 district court of an order, award, or judgment of the Nebraska
2 Workers' Compensation Court or any judge thereof pursuant to
3 section 48-188, (c) appeal or other proceeding filed in the Court
4 of Appeals, and (d) original action, appeal, or other proceeding
5 filed in the Supreme Court. Beginning on July 1, 2009, and until
6 July 1, 2014, such fee shall be six dollars. In county courts a sum
7 shall be charged which is equal to ten percent of each fee provided
8 by sections 33-125, 33-126.02, 33-126.03, and 33-126.06, rounded to
9 the nearest even dollar. No judges retirement fee shall be charged
10 for filing a report pursuant to sections 33-126.02 and 33-126.06.
11 When collected by the clerk of the district or county court, such
12 fees shall be paid and information submitted to the director in
13 charge of the judges retirement system on forms prescribed by the
14 board by the clerk within ten days after the close of each calendar
15 quarter. The board may charge a late administrative processing fee
16 not to exceed twenty-five dollars if the information is not timely
17 received or the money is delinquent. In addition, the board may
18 charge a late fee of thirty-eight thousandths of one percent of the
19 amount required to be submitted pursuant to this section for each
20 day such amount has not been received. Such director shall promptly
21 thereafter remit the same to the State Treasurer for credit to
22 the fund. No Nebraska Retirement Fund for Judges fee which is
23 uncollectible for any reason shall be waived by a county judge as
24 provided in section 29-2709.

25 (4) All expenditures from the fund shall be authorized by
26 voucher in the manner prescribed in section 24-713. The fund shall
27 be used for the payment of all annuities and other benefits and for

1 the expenses of administration.

2 (5) The fund shall consist of the total fund as of
3 December 25, 1969, the contributions of members as provided in this
4 section, all supplementary court fees as provided in subsection (3)
5 of this section, and any required contributions of the state.

6 (6) Not later than January 1 of each year, the State
7 Treasurer shall transfer to the fund the amount certified by the
8 board as being necessary to pay the cost of any benefits accrued
9 during the fiscal year ending the previous June 30 in excess
10 of member contributions for that fiscal year and court fees as
11 provided in subsection (3) of this section and fees pursuant to
12 sections 25-2804, 33-103, 33-103.01, 33-106, 33-106.02, 33-123,
13 33-125, 33-126.02, 33-126.03, and 33-126.06 and directed to be
14 remitted to the fund, if any, for that fiscal year plus any
15 required contributions of the state as provided in subsection (9)
16 of this section.

17 (7) Benefits under the retirement system to members or to
18 their beneficiaries shall be paid from the fund.

19 (8) Any member who is making contributions to the fund on
20 December 25, 1969, may, on or before June 30, 1970, elect to become
21 a future member by delivering written notice of such election to
22 the board.

23 (9) Not later than January 1 of each year, the State
24 Treasurer shall transfer to the fund an amount, determined on
25 the basis of an actuarial valuation as of the previous June 30
26 and certified by the board, to fully fund the unfunded accrued
27 liabilities of the retirement system as of June 30, 1988, by

1 level payments up to January 1, 2000. Such valuation shall be
2 on the basis of actuarial assumptions recommended by the actuary,
3 approved by the board, and kept on file with the board. For
4 the fiscal year beginning July 1, ~~2002~~, 2013, and each fiscal
5 year thereafter, the actuary for the board shall perform an
6 actuarial valuation of the system using the entry age actuarial
7 cost method. Under this method, the actuarially required funding
8 rate is equal to the normal cost rate, plus the contribution
9 rate necessary to amortize the unfunded actuarial accrued liability
10 on a level ~~payment~~ percentage of salary basis. The normal cost
11 under this method shall be determined for each individual member
12 on a level percentage of salary basis. The normal cost amount
13 is then summed for all members. ~~The initial unfunded actual~~
14 ~~accrued liability as of July 1, 2002, if any, shall be amortized~~
15 ~~over a twenty-five-year period. Prior to July 1, 2006, changes~~
16 ~~in the funded actuarial accrued liability due to changes in~~
17 ~~benefits, actuarial assumptions, the asset valuation method, or~~
18 ~~actuarial gains or losses shall be measured and amortized over a~~
19 ~~twenty-five-year period beginning on the valuation date of such~~
20 ~~change. Beginning July 1, 2006, any existing unfunded liabilities~~
21 ~~shall be reinitialized and amortized over a thirty-year period,~~
22 ~~and during each subsequent actuarial valuation, changes in the~~
23 ~~funded actuarial accrued liability due to changes in benefits,~~
24 ~~actuarial assumptions, the asset valuation method, or actuarial~~
25 ~~gains or losses shall be measured and amortized over a thirty-year~~
26 ~~period beginning on the valuation date of such change. If the~~
27 unfunded actuarial accrued liability under the entry age actuarial

1 cost method is zero or less than zero on an actuarial valuation
2 date, then all prior unfunded actuarial accrued liabilities shall
3 be considered fully funded and the unfunded actuarial accrued
4 liability shall be reinitialized and amortized over a thirty-year
5 period as of the actuarial valuation date. If the actuarially
6 required contribution rate exceeds the rate of all contributions
7 required pursuant to the Judges Retirement Act, there shall be a
8 supplemental appropriation sufficient to pay for the differences
9 between the actuarially required contribution rate and the rate of
10 all contributions required pursuant to the Judges Retirement Act.

11 (10) The state or county shall pick up the member
12 contributions required by this section for all compensation paid
13 on or after January 1, 1985, and the contributions so picked up
14 shall be treated as employer contributions in determining federal
15 tax treatment under the Internal Revenue Code as defined in section
16 49-801.01, except that the state or county shall continue to
17 withhold federal income taxes based upon these contributions until
18 the Internal Revenue Service or the federal courts rule that,
19 pursuant to section 414(h) of the code, these contributions shall
20 not be included as gross income of the member until such time as
21 they are distributed or made available. The state or county shall
22 pay these member contributions from the same source of funds which
23 is used in paying earnings to the member. The state or county
24 shall pick up these contributions by a compensation deduction
25 through a reduction in the compensation of the member. Member
26 contributions picked up shall be treated for all purposes of the
27 Judges Retirement Act in the same manner and to the extent as

1 member contributions made prior to the date picked up.

2 Sec. 2. Section 79-901, Revised Statutes Cumulative
3 Supplement, 2012, is amended to read:

4 79-901 Sections 79-901 to 79-977.03 and section 6 of
5 this act shall be known and may be cited as the School Employees
6 Retirement Act.

7 Sec. 3. Section 79-902, Revised Statutes Cumulative
8 Supplement, 2012, is amended to read:

9 79-902 For purposes of the School Employees Retirement
10 Act, unless the context otherwise requires:

11 (1) Accumulated contributions means the sum of all
12 amounts deducted from the compensation of a member and credited
13 to his or her individual account in the School Retirement
14 Fund together with regular interest thereon, compounded monthly,
15 quarterly, semiannually, or annually;

16 (2) Beneficiary means any person in receipt of a school
17 retirement allowance or other benefit provided by the act;

18 (3) Member means any person who has an account in the
19 School Retirement Fund;

20 (4) County school official means (a) until July 1, 2000,
21 the county superintendent or district superintendent and any person
22 serving in his or her office who is required by law to have
23 a teacher's certificate and (b) on or after July 1, 2000, the
24 county superintendent, county school administrator, or district
25 superintendent and any person serving in his or her office who is
26 required by law to have a teacher's certificate;

27 (5) Creditable service means prior service for which

1 credit is granted under sections 79-926 to 79-929, service credit
2 purchased under sections 79-933.03 to 79-933.06 and 79-933.08,
3 and all service rendered while a contributing member of the
4 retirement system. Creditable service includes working days, sick
5 days, vacation days, holidays, and any other leave days for which
6 the employee is paid regular wages as part of the employee's
7 agreement with the employer. Creditable service does not include
8 lump-sum payments to the employee upon termination or retirement
9 in lieu of accrued benefits for such days, eligibility and vesting
10 credit, nor service years for which member contributions are
11 withdrawn and not repaid. Creditable service also does not include
12 service rendered by a member for which the retirement board
13 determines that the member was paid less in compensation than the
14 minimum wage as provided in the Wage and Hour Act or service which
15 the board determines was rendered with the intent to defraud the
16 retirement system;

17 (6) Disability retirement allowance means the annuity
18 paid to a person upon retirement for disability under section
19 79-952;

20 (7) Employer means the State of Nebraska or any
21 subdivision thereof or agency of the state or subdivision
22 authorized by law to hire school employees or to pay their
23 compensation;

24 (8) Fiscal year means any year beginning July 1 and
25 ending June 30 next following;

26 (9) Regular interest means interest fixed at a rate equal
27 to the daily treasury yield curve for one-year treasury securities,

1 as published by the Secretary of the Treasury of the United States,
2 that applies on July 1 of each year, which may be credited monthly,
3 quarterly, semiannually, or annually as the board may direct;

4 (10) School employee means a contributing member who
5 earns service credit pursuant to section 79-927. For purposes of
6 this section, contributing member means the following persons who
7 receive compensation from a public school: (a) Regular employees;
8 (b) regular employees having retired pursuant to the School
9 Employees Retirement Act who subsequently provide compensated
10 service on a regular basis in any capacity; and (c) regular
11 employees hired by a public school on an ongoing basis to assume
12 the duties of other regular employees who are temporarily absent.
13 Substitute employees, temporary employees, and employees who have
14 not attained the age of eighteen years shall not be considered
15 school employees;

16 (11) Prior service means service rendered as a school
17 employee in the public schools of the State of Nebraska prior to
18 July 1, 1945;

19 (12) Public school means any and all schools offering
20 instruction in elementary or high school grades, as defined in
21 section 79-101, which schools are supported by public funds and are
22 wholly under the control and management of the State of Nebraska
23 or any subdivision thereof, including (a) schools or other entities
24 established, maintained, and controlled by the school boards of
25 local school districts, except Class V school districts, (b) any
26 educational service unit, and (c) any other educational institution
27 wholly supported by public funds, except schools under the control

1 and management of the Board of Trustees of the Nebraska State
2 Colleges, the Board of Regents of the University of Nebraska, or
3 the community college boards of governors for any community college
4 areas;

5 (13) Retirement means qualifying for and accepting a
6 school or disability retirement allowance granted under the School
7 Employees Retirement Act;

8 (14) Retirement board or board means the Public Employees
9 Retirement Board;

10 (15) Retirement system means the School Employees
11 Retirement System of the State of Nebraska;

12 (16) Required deposit means the deduction from a member's
13 compensation as provided for in section 79-958 which shall be
14 deposited in the School Retirement Fund;

15 (17) School year means one fiscal year which includes
16 not less than one thousand instructional hours or, in the case of
17 service in the State of Nebraska prior to July 1, 1945, not less
18 than seventy-five percent of the then legal school year;

19 (18) Service means employment as a school employee and
20 shall not be deemed interrupted by (a) termination at the end of
21 the school year of the contract of employment of an employee in a
22 public school if the employee enters into a contract of employment
23 in any public school, except a school in a Class V school district,
24 for the following school year, (b) temporary or seasonal suspension
25 of service that does not terminate the employee's employment,
26 (c) leave of absence authorized by the employer for a period
27 not exceeding twelve months, (d) leave of absence because of

1 disability, or (e) military service when properly authorized by
2 the retirement board. Service does not include any period of
3 disability for which disability retirement benefits are received
4 under sections 79-951 to 79-953;

5 (19) School retirement allowance means the total of the
6 savings annuity and the service annuity or formula annuity paid a
7 person who has retired under sections 79-931 to 79-935. The monthly
8 payments shall be payable at the end of each calendar month during
9 the life of a retired member. The first payment shall include all
10 amounts accrued since the effective date of the award of annuity.
11 The last payment shall be at the end of the calendar month in which
12 such member dies or in accordance with the payment option chosen by
13 the member;

14 (20) Service annuity means payments for life, made in
15 equal monthly installments, derived from appropriations made by the
16 State of Nebraska to the retirement system;

17 (21) State deposit means the deposit by the state in the
18 retirement system on behalf of any member;

19 (22) State school official means the Commissioner of
20 Education and his or her professional staff who are required by law
21 or by the State Department of Education to hold a certificate as
22 such term is defined in section 79-807;

23 (23) Savings annuity means payments for life, made in
24 equal monthly payments, derived from the accumulated contributions
25 of a member;

26 (24) Emeritus member means a person (a) who has entered
27 retirement under the provisions of the act, including those persons

1 who have retired since July 1, 1945, under any other regularly
2 established retirement or pension system as contemplated by section
3 79-916, (b) who has thereafter been reemployed in any capacity
4 by a public school, a Class V school district, or a school
5 under the control and management of the Board of Trustees of the
6 Nebraska State Colleges, the Board of Regents of the University of
7 Nebraska, or a community college board of governors or has become
8 a state school official or county school official subsequent to
9 such retirement, and (c) who has applied to the board for emeritus
10 membership in the retirement system. The school district or agency
11 shall certify to the retirement board on forms prescribed by the
12 retirement board that the annuitant was reemployed, rendered a
13 service, and was paid by the district or agency for such services;

14 (25) Actuarial equivalent means the equality in value of
15 the aggregate amounts expected to be received under different forms
16 of payment. The determinations shall be based on the 1994 Group
17 Annuity Mortality Table reflecting sex-distinct factors blended
18 using twenty-five percent of the male table and seventy-five
19 percent of the female table. An interest rate of eight percent
20 per annum shall be reflected in making these determinations except
21 when a lump-sum settlement is made to an estate. If the lump-sum
22 settlement is made to an estate, the interest rate will be
23 determined by the Moody's Triple A Bond Index as of the prior June
24 30, rounded to the next lower quarter percent;

25 (26) Retirement date means (a) if the member has
26 terminated employment, the first day of the month following the
27 date upon which a member's request for retirement is received on

1 a retirement application provided by the retirement system or (b)
2 if the member has filed an application but has not yet terminated
3 employment, the first day of the month following the date on which
4 the member terminates employment. An application may be filed no
5 more than ninety days prior to the effective date of the member's
6 initial benefit;

7 (27) Disability retirement date means the first day of
8 the month following the date upon which a member's request for
9 disability retirement is received on a retirement application
10 provided by the retirement system if the member has terminated
11 employment in the school system and has complied with sections
12 79-951 to 79-954 as such sections refer to disability retirement;

13 (28) Retirement application means the form approved by
14 the retirement system for acceptance of a member's request for
15 either regular or disability retirement;

16 (29) Eligibility and vesting credit means credit for
17 years, or a fraction of a year, of participation in a Nebraska
18 government plan for purposes of determining eligibility for
19 benefits under the School Employees Retirement Act. Such credit
20 shall not be included as years of creditable service in the benefit
21 calculation;

22 (30) (a) Final average compensation means: ~~the~~

23 (i) Except as provided in subdivision (ii) of this
24 subdivision:

25 (A) The sum of the member's total compensation during the
26 three twelve-month periods of service as a school employee in which
27 such compensation was the greatest divided by thirty-six; or-

1 ~~(b)~~ (B) If a member has such compensation for less than
2 thirty-six months, ~~his or her final average compensation shall be~~
3 ~~determined by dividing his or her~~ the sum of the member's total
4 compensation in all months divided by the total number of months of
5 his or her creditable service therefor; ~~and-~~

6 (ii) For an employee who became a member on or after July
7 1, 2013:

8 (A) The sum of the member's total compensation during the
9 five twelve-month periods of service as a school employee in which
10 such compensation was the greatest divided by sixty; or

11 (B) If a member has such compensation for less than sixty
12 months, the sum of the member's total compensation in all months
13 divided by the total number of months of his or her creditable
14 service therefor.

15 ~~(e)~~ (b) Payments under the Retirement Incentive Plan
16 pursuant to section 79-855 and Staff Development Assistance
17 pursuant to section 79-856 shall not be included in the
18 determination of final average compensation;

19 (31) Plan year means the twelve-month period beginning on
20 July 1 and ending on June 30 of the following year;

21 (32) Current benefit means the initial benefit increased
22 by all adjustments made pursuant to the School Employees Retirement
23 Act;

24 (33) Initial benefit means the retirement benefit
25 calculated at the time of retirement;

26 (34) Surviving spouse means (a) the spouse married to
27 the member on the date of the member's death or (b) the spouse

1 or former spouse of the member if survivorship rights are provided
2 under a qualified domestic relations order filed with the board
3 pursuant to the Spousal Pension Rights Act. The spouse or former
4 spouse shall supersede the spouse married to the member on the
5 date of the member's death as provided under a qualified domestic
6 relations order. If the benefits payable to the spouse or former
7 spouse under a qualified domestic relations order are less than
8 the value of benefits entitled to the surviving spouse, the spouse
9 married to the member on the date of the member's death shall be
10 the surviving spouse for the balance of the benefits;

11 (35) (a) Compensation means gross wages or salaries
12 payable to the member for personal services performed during the
13 plan year and includes (i) overtime pay, (ii) member retirement
14 contributions, (iii) retroactive salary payments paid pursuant to
15 court order, arbitration, or litigation and grievance settlements,
16 and (iv) amounts contributed by the member to plans under sections
17 125, 403(b), and 457 of the Internal Revenue Code as defined in
18 section 49-801.01 or any other section of the code which defers or
19 excludes such amounts from income.

20 (b) Compensation does not include (i) fraudulently
21 obtained amounts as determined by the retirement board, (ii)
22 amounts for unused sick leave or unused vacation leave converted
23 to cash payments, (iii) insurance premiums converted into cash
24 payments, (iv) reimbursement for expenses incurred, (v) fringe
25 benefits, (vi) per diems, (vii) bonuses for services not actually
26 rendered, including, but not limited to, early retirement
27 inducements, cash awards, and severance pay, or (viii) beginning

1 on September 4, 2005, employer contributions made for the purposes
2 of separation payments made at retirement and early retirement
3 inducements as provided for in section 79-514.

4 (c) Compensation in excess of the limitations set forth
5 in section 401(a)(17) of the Internal Revenue Code as defined
6 in section 49-801.01 shall be disregarded. For an employee who
7 was a member of the retirement system before the first plan year
8 beginning after December 31, 1995, the limitation on compensation
9 shall not be less than the amount which was allowed to be taken
10 into account under the retirement system as in effect on July 1,
11 1993.

12 (d) (i) For purposes of section 79-934, in the
13 determination of compensation for members on or after July 1,
14 2005, that part of a member's compensation for the plan year
15 which exceeds the member's compensation with the same employer
16 for the preceding plan year by more than seven percent of the
17 compensation base during the sixty months preceding the member's
18 retirement shall be excluded unless (A) the member experienced a
19 substantial change in employment position, (B) as verified by the
20 school board, the excess compensation above seven percent occurred
21 as the result of a collective-bargaining agreement between the
22 employer and a recognized collective-bargaining unit or category
23 of school employee, and the percentage increase in compensation
24 above seven percent shall not be excluded for employees outside of
25 a collective-bargaining unit or within the same category of school
26 employee, or (C) the excess compensation occurred as the result
27 of a districtwide permanent benefit change made by the employer

1 for a category of school employee in accordance with subdivision
2 (35) (a) (iv) of this section.

3 (ii) For purposes of subdivision (35) (d) of this section:

4 (A) Category of school employee means either all
5 employees of the employer who are administrators or certificated
6 teachers, or all employees of the employer who are not
7 administrators or certificated teachers, or both;

8 (B) Compensation base means (I) for current members
9 employed with the same employer, the member's compensation for the
10 plan year ending June 30, 2005, or (II) for members newly hired or
11 hired by a separate employer on or after July 1, 2005, the member's
12 compensation for the first full plan year following the member's
13 date of hiring. Thereafter, the member's compensation base shall
14 be increased each plan year by the lesser of seven percent of the
15 member's preceding plan year's compensation base or the member's
16 actual annual compensation increase during the preceding plan year;
17 and

18 (C) Recognized collective-bargaining unit means a group
19 of employees similarly situated with a similar community of
20 interest appropriate for bargaining recognized as such by a school
21 board.

22 (e) (i) In the determination of compensation for members
23 on or after July 1, 2012, until July 1, 2013, that part of a
24 member's compensation for the plan year which exceeds the member's
25 compensation with the same employer for the preceding plan year by
26 more than nine percent of the compensation base during the sixty
27 months preceding the member's retirement shall be excluded.

1 (ii) For purposes of subdivision (35)(e) of this section:

2 (A) Category of school employee means either all
3 employees of the employer who are administrators or certificated
4 teachers, or all employees of the employer who are not
5 administrators or certificated teachers, or both; and

6 (B) Compensation base means (I) for current members
7 employed with the same employer, the member's compensation for the
8 plan year ending June 30, 2012, or (II) for members newly hired or
9 hired by a separate employer on or after July 1, 2012, the member's
10 compensation for the first full plan year following the member's
11 date of hiring. Thereafter, the member's compensation base shall
12 be increased each plan year by the lesser of nine percent of the
13 member's preceding plan year's compensation base or the member's
14 actual annual compensation increase during the preceding plan year.

15 (f)(i) In the determination of compensation for members
16 on or after July 1, 2013, that part of a member's compensation for
17 the plan year which exceeds the member's compensation with the same
18 employer for the preceding plan year by more than eight percent
19 of the compensation base during the sixty months preceding the
20 member's retirement shall be excluded.

21 (ii) For purposes of subdivision (35)(f) of this section:

22 (A) Category of school employee means either all
23 employees of the employer who are administrators or certificated
24 teachers, or all employees of the employer who are not
25 administrators or certificated teachers, or both; and

26 (B) Compensation base means (I) for current members
27 employed with the same employer, the member's compensation for the

1 plan year ending June 30, 2013, or (II) for members newly hired or
2 hired by a separate employer on or after July 1, 2013, the member's
3 compensation for the first full plan year following the member's
4 date of hiring. Thereafter, the member's compensation base shall
5 be increased each plan year by the lesser of eight percent of the
6 member's preceding plan year's compensation base or the member's
7 actual annual compensation increase during the preceding plan year;

8 (36) Termination of employment occurs on the date on
9 which the member experiences a bona fide separation from service of
10 employment with the member's employer, the date of which separation
11 is determined by the employer. The employer shall notify the board
12 of the date on which such a termination has occurred. It is the
13 responsibility of the employer that is involved in the termination
14 of employment to notify the board of such change in employment
15 and provide the board with such information as the board deems
16 necessary. If the board determines that termination of employment
17 has not occurred and a retirement benefit has been paid to a
18 member of the retirement system pursuant to section 79-933, the
19 board shall require the member who has received such benefit to
20 repay the benefit to the retirement system. A member shall not
21 be deemed to have terminated employment if the member subsequently
22 provides service to any employer participating in the retirement
23 system provided for in the School Employees Retirement Act within
24 one hundred eighty calendar days after ceasing employment unless
25 such service:

26 (a) Is bona fide unpaid voluntary service or substitute
27 service, provided on an intermittent basis; or

1 (b) Is as provided in subsection (2) of section 79-920.

2 A member shall not be deemed to have terminated
3 employment if the board determines that a purported termination was
4 not a bona fide separation from service with the employer;

5 (37) Disability means an inability to engage in a
6 substantially gainful activity by reason of any medically
7 determinable physical or mental impairment which can be expected to
8 result in death or be of a long and indefinite duration;

9 (38) Substitute employee means a person hired by a public
10 school as a temporary employee to assume the duties of regular
11 employees due to the temporary absence of the regular employees.
12 Substitute employee does not mean a person hired as a regular
13 employee on an ongoing basis to assume the duties of other regular
14 employees who are temporarily absent;

15 (39) Participation means qualifying for and making
16 required deposits to the retirement system during the course of a
17 plan year;

18 (40) Regular employee means an employee hired by a public
19 school or under contract in a regular full-time or part-time
20 position who works a full-time or part-time schedule on an ongoing
21 basis for ~~fifteen~~ twenty or more hours per week. An employee hired
22 as described in this subdivision to provide service for less than
23 ~~fifteen~~ twenty hours per week but who provides service for an
24 average of ~~fifteen~~ twenty hours or more per week in each calendar
25 month of any three calendar months of a plan year shall immediately
26 commence contributions and shall be deemed a regular employee; and

27 (41) Temporary employee means an employee hired by a

1 public school who is not a regular employee and who is hired
2 to provide service for a limited period of time to accomplish a
3 specific purpose or task. When such specific purpose or task is
4 complete, the employment of such temporary employee shall terminate
5 and in no case shall the temporary employment period exceed one
6 year in duration.

7 Sec. 4. Section 79-916, Revised Statutes Cumulative
8 Supplement, 2012, is amended to read:

9 79-916 (1)(a) On July 1, 2004, the board shall transfer
10 from the School Retirement Fund to the Service Annuity Fund an
11 amount equal to the funded ratio of the retirement system which is
12 equal to the market value of the retirement system assets divided
13 by the actuarial accrued liability of the retirement system,
14 times the actuarial accrued liability of the service annuity, as
15 determined pursuant to section 79-966.01, of the employees who
16 are members of the retirement system established pursuant to the
17 Class V School Employees Retirement Act. ~~Such~~ Beginning July 1,
18 2013, such actuarial accrued liability shall be determined for
19 each employee on a level ~~dollar~~ percentage of salary basis.
20 On or before July 1 of each fiscal year thereafter, the state
21 shall deposit into the Service Annuity Fund such amounts as may
22 be necessary to pay the normal cost and amortize the unfunded
23 actuarial accrued liability of the service annuity, as determined
24 pursuant to section 79-966.01, as of the end of the previous
25 fiscal year of the employees who are members of the retirement
26 system established pursuant to the Class V School Employees
27 Retirement Act. Based on the fiscal year of the retirement system

1 established pursuant to the Class V School Employees Retirement
2 Act, the administrator of such system shall provide all membership
3 information needed for the actuary engaged by the retirement board
4 to determine the normal cost and the amortization payment of the
5 unfunded actuarial accrued liability, as determined pursuant to
6 section 79-966.01, to be paid by the state to the Service Annuity
7 Fund each fiscal year as required by this subdivision.

8 (b) At the time of retirement of any employee who is
9 a member of the retirement system established pursuant to the
10 Class V School Employees Retirement Act, the retirement board
11 shall, upon receipt of a certification of the administrator of
12 such retirement system of the name, identification number, date
13 of birth, retirement date, last date of employment, type of
14 retirement, and number of years of service credited to such
15 eligible employee at the date of retirement, transfer to such
16 retirement system from the Service Annuity Fund the actuarial
17 accrued liability of the service annuity to be paid by the state
18 to the eligible employee for the years of service thus certified
19 as provided for members of the School Employees Retirement System
20 of the State of Nebraska under sections 79-933 and 79-952. Such
21 transfer of the actuarial accrued liability to the retirement
22 system established pursuant to the Class V School Employees
23 Retirement Act shall be in lieu of the payment of the service
24 annuity to which the employee would be entitled.

25 (c) The Service Annuity Fund is created. The fund shall
26 consist of the amounts paid by the state and transferred from the
27 School Retirement Fund pursuant to this section to pay the service

1 annuity to be paid by the state to employees who are members of
2 the retirement system established pursuant to the Class V School
3 Employees Retirement Act. Any money in the Service Annuity Fund
4 available for investment shall be invested by the state investment
5 officer pursuant to the Nebraska Capital Expansion Act and the
6 Nebraska State Funds Investment Act.

7 (2) In addition to the transfer of the actuarial accrued
8 liability of the service annuity to be paid by the state, the
9 state shall also transfer to the funds of the Class V school
10 district's retirement system an amount determined by multiplying
11 the compensation of all members of such retirement system by
12 the percent specified in subsection (2) of section 79-966 for
13 determining the amount of the state's payment to the School
14 Retirement Fund. The transfer shall be made annually on or before
15 July 1 of each fiscal year.

16 Sec. 5. Section 79-947.06, Revised Statutes Cumulative
17 Supplement, 2012, is amended to read:

18 79-947.06 Beginning July 1, 2011, and each July 1
19 thereafter, for school employees who became members prior to
20 July 1, 2013:

21 (1) ~~Beginning July 1, 2011, and each July 1 thereafter,~~
22 ~~the~~ The board shall determine the number of retired members or
23 beneficiaries described in subdivision (4)(b) of this section in
24 the retirement system and an annual benefit adjustment shall be
25 made by the board for each retired member or beneficiary under
26 one of the cost-of-living adjustment calculation methods found
27 in ~~subsection~~ subdivision (2), (3), or (4) of this section.

1 Each retired member or beneficiary, if eligible, shall receive
2 an annual benefit adjustment under the cost-of-living adjustment
3 calculation method that provides the retired member or beneficiary
4 the greatest annual benefit adjustment increase. No retired member
5 or beneficiary shall receive an annual benefit adjustment under
6 more than one of the cost-of-living adjustment calculation methods
7 provided in this section;~~i-~~

8 (2) The current benefit paid to a retired member or
9 beneficiary under this ~~subsection~~ subdivision shall be adjusted so
10 that the purchasing power of the benefit being paid is not less
11 than seventy-five percent of the purchasing power of the initial
12 benefit. The purchasing power of the initial benefit in any year
13 following the year in which the initial benefit commenced shall
14 be calculated by dividing the United States Department of Labor,
15 Bureau of Labor Statistics, Consumer Price Index for Urban Wage
16 Earners and Clerical Workers factor on June 30 of the current year
17 by the Consumer Price Index for Urban Wage Earners and Clerical
18 Workers factor on June 30 of the year in which the benefit
19 commenced. The result shall be multiplied by the product that
20 results when the amount of the initial benefit is multiplied by
21 seventy-five percent. In any year in which applying the adjustment
22 provided in ~~subsection~~ subdivision (3) of this section results in
23 a benefit which would be less than seventy-five percent of the
24 purchasing power of the initial benefit as calculated in this
25 ~~subsection,~~ subdivision, the adjustment shall instead be equal to
26 the percentage change in the Consumer Price Index for Urban Wage
27 Earners and Clerical Workers factor from the prior year to the

1 current year~~;~~

2 (3) The current benefit paid to a retired member or
3 beneficiary under this ~~subsection~~ subdivision shall be increased
4 annually by the lesser of (a) the percentage change in the Consumer
5 Price Index for Urban Wage Earners and Clerical Workers for the
6 period between June 30 of the prior year to June 30 of the present
7 year or (b) two and one-half percent~~;~~

8 (4) (a) The current benefit paid to a retired member
9 or beneficiary under ~~this subsection~~ subdivision (4) of this
10 section shall be calculated by multiplying the retired member's
11 or beneficiary's total monthly benefit by the lesser of (i) the
12 cumulative change in the Consumer Price Index for Urban Wage
13 Earners and Clerical Workers from the last adjustment of the total
14 monthly benefit of each retired member or beneficiary through June
15 30 of the year for which the annual benefit adjustment is being
16 calculated or (ii) an amount equal to three percent per annum
17 compounded for the period from the last adjustment of the total
18 monthly benefit of each retired member or beneficiary through June
19 30 of the year for which the annual benefit adjustment is being
20 calculated.

21 (b) In order for a retired member or beneficiary to
22 receive the cost-of-living adjustment calculation method provided
23 in ~~this subsection~~, subdivision (4) of this section, the retired
24 member or beneficiary shall be (i) a retired member or beneficiary
25 who has been receiving a retirement benefit for at least five years
26 if the member had at least twenty-five years of creditable service,
27 (ii) a member who has been receiving a disability retirement

1 benefit for at least five years pursuant to section 79-952, or
2 (iii) a beneficiary who has been receiving a death benefit pursuant
3 to section 79-956 for at least five years, if the member's or
4 beneficiary's monthly accrual rate is less than or equal to the
5 minimum accrual rate as determined by ~~this subsection~~ subdivision
6 (4) of this section.

7 (c) The monthly accrual rate under ~~this subsection~~
8 subdivision (4) of this section is the retired member's or
9 beneficiary's total monthly benefit divided by the number of years
10 of creditable service earned by the retired or deceased member.

11 (d) The total monthly benefit under ~~this subsection~~
12 subdivision (4) of this section is the total benefit received by
13 a retired member or beneficiary pursuant to the School Employees
14 Retirement Act and previous adjustments made pursuant to this
15 section or any other provision of the act that grants a benefit
16 or cost-of-living increase, but the total monthly benefit shall not
17 include sums received by an eligible retired member or eligible
18 beneficiary from federal sources.

19 (e) The minimum accrual rate under ~~this subsection~~
20 subdivision (4) of this section is twenty-three dollars and
21 thirty-two cents until adjusted pursuant to ~~this subsection~~ such
22 subdivision. Beginning July 1, 2011, the board shall annually
23 adjust the minimum accrual rate to reflect the cumulative
24 percentage change in the Consumer Price Index for Urban Wage
25 Earners and Clerical Workers from the last adjustment of the
26 minimum accrual rate;:-

27 (5) Beginning July 1, 2011, and each July 1 thereafter,

1 each retired member or beneficiary shall receive the sum of the
2 annual benefit adjustment and such retiree's total monthly benefit
3 less withholding, which sum shall be the retired member's or
4 beneficiary's adjusted total monthly benefit. Each retired member
5 or beneficiary shall receive the adjusted total monthly benefit
6 until the expiration of the annuity option selected by the member
7 or until the retired member or beneficiary again qualifies for the
8 annual benefit adjustment, whichever occurs first;i-

9 (6) The annual benefit adjustment pursuant to this
10 section shall not cause a current benefit to be reduced, and
11 a retired member or beneficiary shall never receive less than the
12 adjusted total monthly benefit until the annuity option selected by
13 the member expires;i-

14 (7) The board shall adjust the annual benefit adjustment
15 provided in this section so that the cost-of-living adjustment
16 provided to the retired member or beneficiary at the time of
17 the annual benefit adjustment does not exceed the change in the
18 Consumer Price Index for Urban Wage Earners and Clerical Workers
19 for the period between June 30 of the prior year to June 30
20 of the present year. If the consumer price index used in this
21 section is discontinued or replaced, a substitute index published
22 by the United States Department of Labor shall be selected by the
23 board which shall be a reasonable representative measurement of the
24 cost-of-living for retired employees; and-

25 (8) The state shall contribute to the Annuity Reserve
26 Fund an annual level ~~dollar payment~~ percentage of salary certified
27 by the board. ~~For the 2011-12 fiscal year through the 2012-13~~

1 ~~fiscal year, the annual level dollar payment certified by the~~
2 ~~board shall equal 81.7873 percent of six million eight hundred~~
3 ~~ninety-five thousand dollars.~~

4 Sec. 6. Beginning July 1, 2013, and each July 1
5 thereafter, for school employees who became members on or after
6 July 1, 2013:

7 (1) The board shall determine the number of retired
8 members or beneficiaries in the retirement system and an annual
9 benefit adjustment shall be made by the board for each retired
10 member or beneficiary. The benefit paid to a retired member or
11 beneficiary under this section shall be increased annually by the
12 lesser of (a) the percentage change in the Consumer Price Index for
13 Urban Wage Earners and Clerical Workers for the period between June
14 30 of the prior year to June 30 of the present year or (b) one
15 percent;

16 (2) Each retired member or beneficiary shall receive the
17 sum of the annual benefit adjustment and such retiree's total
18 monthly benefit less withholding, which sum shall be the retired
19 member's or beneficiary's adjusted total monthly benefit. Each
20 retired member or beneficiary shall receive the adjusted total
21 monthly benefit until the expiration of the annuity option selected
22 by the member or until the retired member or beneficiary again
23 qualifies for the annual benefit adjustment, whichever occurs
24 first;

25 (3) The annual benefit adjustment pursuant to this
26 section shall not cause a current benefit to be reduced, and
27 a retired member or beneficiary shall never receive less than the

1 adjusted total monthly benefit until the annuity option selected by
2 the member expires; and

3 (4) The board shall adjust the annual benefit adjustment
4 provided in this section so that the cost-of-living adjustment
5 provided to the retired member or beneficiary at the time of
6 the annual benefit adjustment does not exceed the change in the
7 Consumer Price Index for Urban Wage Earners and Clerical Workers
8 for the period between June 30 of the prior year to June 30
9 of the present year. If the consumer price index used in this
10 section is discontinued or replaced, a substitute index published
11 by the United States Department of Labor shall be selected by the
12 board which shall be a reasonable representative measurement of the
13 cost-of-living for retired employees.

14 Sec. 7. Section 79-954, Revised Statutes Cumulative
15 Supplement, 2012, is amended to read:

16 79-954 (1) Except as provided in subsection (2) of this
17 section, if a disability beneficiary under the age of sixty-five
18 years is restored to active service as a school employee or if
19 the examining physician certifies that the person is no longer
20 disabled for service as a school employee, the school or disability
21 retirement allowance shall cease. If the beneficiary again becomes
22 a school employee, he or she shall become a member of the
23 retirement system. Any prior service certificate, on the basis of
24 which his or her creditable service was computed at the time of
25 his or her retirement for disability, shall be restored to full
26 force and effect upon his or her again becoming a member of such
27 retirement system.

1 (2) If a disability beneficiary under the age of
2 sixty-five years obtains employment as a school employee and the
3 examining physician certifies that the beneficiary has a permanent
4 disability, the beneficiary shall retain his or her disability
5 retirement allowance if the beneficiary works fewer than ~~fifteen~~
6 twenty hours per week.

7 Sec. 8. Section 79-958, Revised Statutes Cumulative
8 Supplement, 2012, is amended to read:

9 79-958 (1) ~~Beginning on September 1, 2009, and ending~~
10 ~~August 31, 2011, for the purpose of providing the funds to pay~~
11 ~~for formula annuities, every employee shall be required to deposit~~
12 ~~in the School Retirement Fund eight and twenty-eight hundredths~~
13 ~~percent of compensation. Beginning on September 1, 2011, and ending~~
14 ~~August 31, 2012, for the purpose of providing the funds to pay~~
15 ~~for formula annuities, every employee shall be required to deposit~~
16 ~~in the School Retirement Fund eight and eighty-eight hundredths~~
17 ~~percent of compensation. Beginning on September 1, 2012, and ending~~
18 ~~August 31, 2017, for the purpose of providing the funds to pay~~
19 ~~for formula annuities, every employee shall be required to deposit~~
20 ~~in the School Retirement Fund nine and seventy-eight hundredths~~
21 ~~percent of compensation. Beginning on September 1, 2017, for the~~
22 ~~purpose of providing the funds to pay for formula annuities, every~~
23 ~~employee shall be required to deposit in the School Retirement Fund~~
24 ~~seven and twenty-eight hundredths percent of compensation. Such~~
25 ~~deposits shall be transmitted at the same time and in the same~~
26 ~~manner as required employer contributions.~~

27 (2) For the purpose of providing the funds to pay for

1 formula annuities, every employer shall be required to deposit
2 in the School Retirement Fund one hundred one percent of the
3 required contributions of the school employees of each employer.
4 Such deposits shall be transmitted to the retirement board at
5 the same time and in the same manner as such required employee
6 contributions.

7 (3) The employer shall pick up the member contributions
8 required by this section for all compensation paid on or after
9 January 1, 1986, and the contributions so picked up shall
10 be treated as employer contributions in determining federal tax
11 treatment under the Internal Revenue Code as defined in section
12 49-801.01, except that the employer shall continue to withhold
13 federal income taxes based upon these contributions until the
14 Internal Revenue Service or the federal courts rule that, pursuant
15 to section 414(h) of the code, these contributions shall not be
16 included as gross income of the member until such time as they
17 are distributed or made available. The employer shall pay these
18 member contributions from the same source of funds which is used
19 in paying earnings to the member. The employer shall pick up these
20 contributions by a compensation deduction through a reduction in
21 the cash compensation of the member. Member contributions picked
22 up shall be treated for all purposes of the School Employees
23 Retirement Act in the same manner and to the same extent as member
24 contributions made prior to the date picked up.

25 (4) The employer shall pick up the member contributions
26 made through irrevocable payroll deduction authorizations pursuant
27 to sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and

1 the contributions so picked up shall be treated as employer
2 contributions in the same manner as contributions picked up under
3 subsection (3) of this section.

4 Sec. 9. Section 79-966, Revised Statutes Cumulative
5 Supplement, 2012, is amended to read:

6 79-966 (1) On the basis of all data in the possession
7 of the retirement board, including such mortality and other tables
8 as are recommended by the actuary engaged by the retirement board
9 and adopted by the retirement board, the retirement board shall
10 annually, on or before July 1, determine the state deposit to be
11 made by the state in the School Retirement Fund for that fiscal
12 year. The amount of such state deposit shall be determined pursuant
13 to section 79-966.01. The retirement board shall thereupon certify
14 the amount of such state deposit, and on the warrant of the
15 Director of Administrative Services, the State Treasurer shall, as
16 of July 1 of such year, transfer from funds appropriated by the
17 state for that purpose to the School Retirement Fund the amount of
18 such state deposit.

19 (2) ~~In addition to the state deposits required by~~
20 ~~subsections (1) and (3) of this section, the state shall deposit in~~
21 ~~the School Retirement Fund an amount equal to seven-tenths of one~~
22 ~~percent of the compensation of all members of the retirement system~~
23 ~~for each fiscal year on or after July 1, 1984, until July 1, 2009.~~
24 For each fiscal year beginning July 1, 2009, until July 1, 2017,
25 2014, in addition to the state deposits required by subsections
26 (1) and (3) of this section, the state shall deposit in the School
27 Retirement Fund an amount equal to one percent of the compensation

1 of all members of the retirement system. For each fiscal year
2 beginning July 1, ~~2017,~~ 2014, in addition to the state deposits
3 required by subsections (1) and (3) of this section, the state
4 shall deposit in the School Retirement Fund an amount equal to
5 ~~seven-tenths of one~~ two percent of the compensation of all members
6 of the retirement system.

7 (3) In addition to the state deposits required by
8 subsections (1) and (2) of this section, beginning on July 1,
9 2005, and each fiscal year thereafter, the state shall deposit
10 in the Service Annuity Fund such amounts as may be necessary to
11 pay the normal cost and amortize the unfunded actuarial accrued
12 liability of the service annuity benefit established pursuant to
13 sections 79-933 and 79-952 as accrued through the end of the
14 previous fiscal year of the school employees who are members of
15 the retirement system established pursuant to the Class V School
16 Employees Retirement Act.

17 Sec. 10. Section 79-966.01, Reissue Revised Statutes of
18 Nebraska, is amended to read:

19 79-966.01 Beginning July 1, ~~2002,~~ 2013, and each year
20 thereafter, this section shall govern annual actuarial valuations
21 of the School Retirement Fund. In order to determine the additional
22 required deposits by the State of Nebraska, as required by section
23 79-966, the board shall cause an annual actuarial valuation to
24 be performed that will value the plan assets for the year and
25 ascertain the contributions required for such fiscal year. The
26 actuary for the board shall perform the annual valuation using the
27 entry age actuarial cost method. Under this method, the actuarially

1 required funding rate is equal to the normal cost rate, plus
2 the contribution rate necessary to amortize the unfunded actuarial
3 accrued liability on a level ~~payment~~ percentage of salary basis.
4 The normal cost under this method shall be determined for each
5 individual member on a level percentage of salary basis. The normal
6 cost amount is then summed for all members. ~~The initial unfunded~~
7 ~~actual accrued liability as of July 1, 2002, if any, shall be~~
8 ~~amortized over a twenty-five-year period. Prior to July 1, 2006,~~
9 ~~changes in the funded actuarial accrued liability due to changes~~
10 ~~in benefits, actuarial assumptions, the asset valuation method, or~~
11 ~~actuarial gains or losses shall be measured and amortized over a~~
12 ~~twenty-five-year period beginning on the valuation date of such~~
13 ~~change.~~ Beginning July 1, 2006, any existing unfunded liabilities
14 shall be reinitialized and amortized over a thirty-year period,
15 and during each subsequent actuarial valuation, changes in the
16 funded actuarial accrued liability due to changes in benefits,
17 actuarial assumptions, the asset valuation method, or actuarial
18 gains or losses shall be measured and amortized over a thirty-year
19 period beginning on the valuation date of such change. If the
20 unfunded actuarial accrued liability under the entry age actuarial
21 cost method is zero or less than zero on an actuarial valuation
22 date, then all prior unfunded actuarial accrued liabilities shall
23 be considered fully funded and the unfunded actuarial accrued
24 liability shall be reinitialized and amortized over a thirty-year
25 period as of the actuarial valuation date. If the actuarially
26 required contribution rate exceeds the rate of all contributions
27 required pursuant to the School Employees Retirement Act, the

1 actuary shall determine the added contributions required to be paid
2 by the State of Nebraska that constitute the difference between the
3 actuarially required contribution rate and the rate of all other
4 required contributions.

5 Sec. 11. Section 79-9,100, Reissue Revised Statutes of
6 Nebraska, is amended to read:

7 79-9,100 (1) In lieu of the retirement annuity provided
8 by section 79-999 or 79-9,113, any member who becomes eligible to
9 receive a retirement annuity after February 20, 1982, under the
10 Class V School Employees Retirement Act shall receive a formula
11 retirement annuity based on final average compensation, except that
12 if the monthly formula retirement annuity based on final average
13 compensation is less than the monthly retirement annuity specified
14 in section 79-999 or 79-9,113, accrued to the date of retirement or
15 August 31, 1983, whichever first occurs, the member shall receive
16 the monthly retirement annuity specified in section 79-999 or
17 79-9,113 accrued to the date of retirement or August 31, 1983,
18 whichever first occurs.

19 (2) The monthly formula retirement annuity based on
20 final average compensation shall be determined by multiplying the
21 number of years of creditable service for which such member would
22 otherwise receive the retirement annuity provided by section 79-999
23 or 79-9,113 by one and one-half percent of his or her final average
24 compensation. For retirements after June 15, 1989, and before April
25 18, 1992, the applicable percentage shall be one and sixty-five
26 hundredths percent of his or her final average compensation. For
27 retirements on or after April 18, 1992, and before June 7, 1995,

1 the applicable percentage shall be one and seventy-hundredths
2 percent of his or her final average compensation. For retirements
3 on or after June 7, 1995, and before March 4, 1998, the applicable
4 percentage shall be one and eighty-hundredths percent of his or her
5 final average compensation. For retirements on or after March 4,
6 1998, and before March 22, 2000, the applicable percentage shall
7 be one and eighty-five hundredths percent of his or her final
8 average compensation. For retirements on or after March 22, 2000,
9 the applicable percentage shall be two percent of his or her final
10 average compensation.

11 ~~Final~~ (3) Except as provided in subdivision (3)(b) of
12 this section, final average compensation shall be determined: by

13 (a) By dividing the member's total compensation for the
14 three fiscal years in which such compensation was the highest by
15 thirty-six; and-

16 (b) For an employee who became a member on or after July
17 1, 2013, by dividing the member's total compensation for the five
18 fiscal years in which such compensation was the highest by sixty.

19 (4) For retirements before June 7, 1995, if the annuity
20 begins prior to the sixty-second birthday of the member and the
21 member has not completed thirty-five or more years of creditable
22 service, the annuity at the date it begins shall be the actuarial
23 equivalent of the annuity deferred to the sixty-second birthday
24 of the member. If the annuity begins prior to the sixty-second
25 birthday of the member and the member has completed thirty-five or
26 more years of creditable service, the annuity shall not be reduced.
27 For retirements on or after June 7, 1995, any retirement annuity

1 which begins prior to the sixty-second birthday of the member shall
2 be reduced by twenty-five hundredths percent for each month or
3 partial month between the date the annuity begins and the member's
4 sixty-second birthday. If the annuity begins at a time when:

5 ~~(1)~~ (a) The sum of the member's attained age and
6 creditable service is eighty-five or more, the annuity shall
7 not be reduced;

8 ~~(2)~~ (b) The sum of the member's attained age and
9 creditable service totals eighty-four, the annuity shall not be
10 reduced by an amount greater than three percent of the unreduced
11 annuity;

12 ~~(3)~~ (c) The sum of the member's attained age and
13 creditable service totals eighty-three, the annuity shall not
14 be reduced by an amount greater than six percent of the unreduced
15 annuity; and

16 ~~(4)~~ (d) The sum of the member's attained age and
17 creditable service totals eighty-two, the annuity shall not be
18 reduced by an amount greater than nine percent of the unreduced
19 annuity.

20 (5) For purposes of this section, a member's creditable
21 service and attained age shall be measured in one-half-year
22 increments.

23 (6) The normal form of the formula retirement annuity
24 based on final average compensation shall be an annuity payable
25 monthly during the remainder of the member's life with the
26 provision that in the event of his or her death before sixty
27 monthly payments have been made the monthly payments will be

1 continued to his or her estate or to the beneficiary he or she
2 has designated until a total of sixty monthly payments have been
3 made. A member may elect to receive, in lieu of the normal form
4 of annuity, an actuarially equivalent annuity in any optional form
5 provided by section 79-9,101.

6 (7) Any member receiving a formula retirement annuity
7 based on final average compensation shall also receive the service
8 annuity to be paid by the State of Nebraska as provided in sections
9 79-933 to 79-935 and 79-951.

10 Sec. 12. Section 79-9,103, Reissue Revised Statutes of
11 Nebraska, is amended to read:

12 79-9,103 (1) Any annuity paid on or after September 1,
13 1983, to a member who retired prior to February 21, 1982, pursuant
14 to the Class V School Employees Retirement Act, or to such member's
15 beneficiary, or to a person who retired under the provisions of
16 the retirement system established by statute for employees of Class
17 V school districts in effect prior to September 1, 1951, or to
18 such person's beneficiary, shall be adjusted by the increase in
19 the cost of living or wage levels between the effective date of
20 retirement and June 30, 1983, except that such increase shall
21 not exceed the sum of one dollar and fifty cents per month for
22 each year of creditable service and one dollar per month for each
23 completed year of retirement as measured from the effective date of
24 retirement to June 30, 1983. No separate adjustment in such annuity
25 shall be made as a result of the changes made in section 79-9,113
26 pursuant to Laws 1983, LB 488. If a joint and survivor annuity was
27 elected, the increase shall be actuarially adjusted so that the

1 joint and survivor annuity remains the actuarial equivalent of the
2 life annuity otherwise payable.

3 (2) In addition to the cost-of-living adjustment provided
4 in subsection (1) of this section, any annuity paid on or after
5 September 1, 1986, pursuant to the act or pursuant to the
6 provisions of the retirement system established by statute for
7 employees of Class V school districts in effect prior to September
8 1, 1951, and on which the first payment was dated on or before
9 September 1, 1985, shall be adjusted by the increase in the cost of
10 living or wage levels between the effective date of retirement and
11 June 30, 1986, except that such increase shall not exceed (a) three
12 and one-half percent for annuities first paid on or after September
13 1, 1984, (b) seven percent for annuities first paid on or after
14 September 1, 1983, but before September 1, 1984, or (c) ten and
15 one-half percent for all other annuities.

16 (3) In addition to the cost-of-living adjustment provided
17 in subsections (1) and (2) of this section, any annuity paid on
18 or after September 1, 1989, pursuant to the act or pursuant to
19 the provisions of the retirement system established by statute for
20 employees of Class V school districts in effect prior to September
21 1, 1951, and on which the first payment was dated on or before
22 September 1, 1988, shall be adjusted by the increase in the cost of
23 living or wage levels between the effective date of retirement and
24 June 30, 1989, except that such increase shall not exceed (a) three
25 percent for annuities first paid on or after September 1, 1987, (b)
26 six percent for annuities first paid on or after September 1, 1986,
27 but before September 1, 1987, or (c) nine percent for all other

1 annuities.

2 (4) In addition to the cost-of-living adjustment provided
3 in subsections (1), (2), and (3) of this section, any annuity paid
4 on or after September 1, 1992, pursuant to the act or pursuant to
5 the provisions of the retirement system established by statute for
6 employees of Class V school districts in effect prior to September
7 1, 1951, and on which the first payment was dated on or before
8 October 1, 1991, shall be adjusted by the increase in the cost
9 of living or wage levels between the effective date of retirement
10 and June 30, 1992, except that such increase shall not exceed (a)
11 three percent for annuities first paid after October 1, 1990, (b)
12 six percent for annuities first paid after October 1, 1989, but
13 on or before October 1, 1990, or (c) nine percent for all other
14 annuities.

15 (5) In addition to the cost-of-living adjustment provided
16 in subsections (1), (2), (3), and (4) of this section, any annuity
17 paid on or after September 1, 1995, pursuant to the act or pursuant
18 to the provisions of the retirement system established by statute
19 for employees of Class V school districts in effect prior to
20 September 1, 1951, and on which the first payment was dated on
21 or before October 1, 1994, shall be adjusted by the increase in
22 the cost of living or wage levels between the effective date of
23 retirement and June 30, 1995, except that such increase shall not
24 exceed (a) three percent for annuities first paid after October 1,
25 1993, (b) six percent for annuities first paid after October 1,
26 1992, but on or before October 1, 1993, or (c) nine percent for all
27 other annuities.

1 (6) In addition to the cost-of-living adjustment provided
2 in subsections (1), (2), (3), (4), and (5) of this section, any
3 annuity paid pursuant to the act or pursuant to the provisions
4 of the retirement system established by statute for employees of
5 Class V school districts in effect prior to September 1, 1951,
6 and on which the first payment was dated on or before October
7 1, 1994, shall be subject to adjustment to equal the greater of
8 (a) the annuity payable to the member or beneficiary as adjusted,
9 if applicable, under the provisions of subsection (1), (2), (3),
10 (4), or (5) of this section or (b) ninety percent of the annuity
11 which results when the original annuity that was paid to the member
12 or beneficiary (before any cost-of-living adjustments under this
13 section), is adjusted by the increase in the cost of living or wage
14 levels between the commencement date of the annuity and June 30,
15 1995.

16 (7) In addition to the cost-of-living adjustment provided
17 in subsections (1), (2), (3), (4), (5), and (6) of this section,
18 any annuity paid on or after September 1, 1998, pursuant to the act
19 or pursuant to the provisions of the retirement system established
20 by statute for employees of Class V school districts in effect
21 prior to September 1, 1951, and on which the first payment was
22 dated on or before October 3, 1997, shall be adjusted by the
23 increase in the cost of living or wage levels between the effective
24 date of retirement and June 30, 1998, except that such increase
25 shall not exceed (a) three percent for annuities first paid after
26 October 1, 1996, (b) six percent for annuities first paid after
27 October 1, 1995, but on or before October 1, 1996, or (c) nine

1 percent for all other annuities.

2 (8) Beginning January 1, 2000, and on January 1 of every
3 year thereafter for employees of Class V school districts who
4 were members prior to July 1, 2013, a cost-of-living adjustment
5 shall be made for any annuity being paid pursuant to the act, or
6 pursuant to the provisions of the retirement system established by
7 statute for employees of Class V school districts in effect prior
8 to September 1, 1951, and on which the first payment was dated on
9 or before October 3 preceding such January 1 adjustment date. The
10 cost-of-living adjustment for any such annuity shall be the lesser
11 of (a) one and one-half percent or (b) the increase in the consumer
12 price index from the date such annuity first became payable through
13 the August 31 preceding the January 1 adjustment date as reduced
14 by the aggregate cost-of-living adjustments previously made to the
15 annuity pursuant to section 79-9,103_ and pursuant to subsections
16 ~~(8) and (9) of this section.~~

17 (9) Beginning January 1, 2014, and on January 1 of
18 every year thereafter, for employees of Class V school districts
19 who became members on or after July 1, 2013, a cost-of-living
20 adjustment shall be made for any annuity being paid pursuant to the
21 act, and on which the first payment was dated on or before October
22 3 preceding such January 1 adjustment date. The cost-of-living
23 adjustment for any such annuity shall be the lesser of (a) one
24 percent or (b) the increase in the consumer price index from
25 the date such annuity first became payable through the August 31
26 preceding the January 1 adjustment date as reduced by the aggregate
27 cost-of-living adjustments previously made to the annuity pursuant

1 to section 79-9,103.

2 ~~(9)~~ (10) Beginning September 1, 1999, the actuary shall
3 make an annual valuation of the assets and liabilities of the
4 system. If the annual valuation made by the actuary, as approved
5 by the trustees, indicates that the system has sufficient actuarial
6 surplus to provide for a cost-of-living adjustment in addition to
7 the adjustment made pursuant to subsection (8) or (9) of this
8 section, the board may, in its discretion, declare by resolution
9 that each annuity being paid pursuant to the act, or pursuant
10 to the provisions of the retirement system established by statute
11 for employees of Class V school districts in effect prior to
12 September 1, 1951, and on which the first payment was dated on or
13 before October 3 of the year such resolution is adopted, shall be
14 increased beginning as of the January 1 following the date of the
15 board's resolution by such percentage as may be declared by the
16 board, except that such increase for any such annuity shall not
17 exceed the increase in the consumer price index from the date such
18 annuity first became payable through the applicable valuation date
19 as reduced by the aggregate cost-of-living adjustments previously
20 made to the annuity pursuant to section 79-9,103. ~~and pursuant to~~
21 ~~subsections (8) and (9) of this section.~~

22 ~~(10)~~ (11) Except for the adjustments pursuant to
23 subsection ~~(12)~~ (13) of this section, the consumer price index
24 to be used for determining any cost-of-living adjustment under
25 this section shall be the Consumer Price Index - All Urban
26 Consumers, as published by the Bureau of Labor Statistics of the
27 United States Department of Labor. If this consumer price index

1 is discontinued or replaced, a substitute index published by the
2 United States Department of Labor shall be selected by the board,
3 upon recommendation of the trustees, which shall be a reasonable
4 representative measurement of the cost of living for retired
5 employees. An annuity as increased by any cost-of-living adjustment
6 made under this section shall be considered the base annuity amount
7 for the purpose of future adjustments pursuant to this section. In
8 no event shall any cost-of-living adjustment be deemed to affect or
9 increase the amount of the base retirement annuity of a member as
10 determined under section 79-999 or 79-9,100.

11 ~~(11)~~ (12) Any decision or determination by the board
12 (a) to declare or not declare a cost-of-living adjustment, (b) as
13 to whether the annual valuation indicates a sufficient actuarial
14 surplus to provide for a cost-of-living adjustment, or (c) pursuant
15 to the selection of a substitute index shall be made in the sole,
16 absolute, and final discretion of the board and shall not be
17 subject to challenge by any member or beneficiary. In no event
18 shall the Legislature be constrained or limited in amending the
19 system or increasing the benefits of members under the system, nor
20 shall the board or trustees be constrained from supporting any such
21 change to the system, notwithstanding the effect of any such change
22 upon the actuarial surplus of the system and the ability of the
23 board to declare future cost-of-living adjustments.

24 ~~(12)~~ (13) The Legislature finds and declares that there
25 exists in this state a pressing need to attract and retain
26 qualified and dedicated public school employees and that one of the
27 factors prospective public school employees consider when seeking

1 or continuing public school employment is the retirement system
2 and benefits the employment provides. The Legislature further finds
3 that over the past decades, as reflected by the Medical Price
4 Index published by the United States Department of Labor, the cost
5 of medical care, including the cost of medications and insurance
6 coverages, has increased at a rate in excess of that by which
7 the Consumer Price Index - All Urban Consumers has increased.
8 The Legislature further finds and declares that there accordingly
9 exists a need to adjust the amount of retirement benefits paid to
10 retired public school employees in order to assist them in meeting
11 the increased cost of medical care. Therefor, in addition to the
12 cost-of-living adjustments provided in subsections (1) through ~~(11)~~
13 (12) of this section, commencing on October 3, 2001, and on October
14 3 of every year thereafter, a medical cost-of-living adjustment
15 shall be paid to any annuitant who has been paid an annuity from
16 the retirement system for at least ten years through the October
17 3 adjustment date. The cost-of-living adjustment shall be paid
18 in the form of a supplemental annuity providing monthly payments
19 equal to the amount which results when (a) the fraction, not to
20 exceed one, that results when the annuitant's years of creditable
21 service at his or her retirement date is divided by twenty, is
22 multiplied by (b) the product of ten dollars times the number of
23 years, including attained one-half years, that such annuitant has
24 received annuity payments from the retirement system through the
25 October 3 adjustment date. The supplemental annuity being paid to
26 an annuitant shall increase by ten dollars on October 3 of each
27 subsequent year to reflect the additional year of annuity payments

1 to the annuitant until the total amount of the supplemental
2 annuity is two hundred fifty dollars. In no event shall the
3 medical cost-of-living adjustment for any annuitant pursuant to
4 this subsection result in the payment of a supplemental annuity
5 exceeding two hundred fifty dollars per month. The supplemental
6 annuity paid to an annuitant pursuant to this subsection shall
7 cease at the death of the annuitant regardless of the form of
8 retirement annuity being paid to the annuitant at the time of his
9 or her death.

10 Sec. 13. Section 79-9,105, Reissue Revised Statutes of
11 Nebraska, is amended to read:

12 79-9,105 (1) Any member with five or more years of
13 creditable service, excluding years of prior service acquired
14 pursuant to section 79-990, 79-991, 79-994, 79-995, or 79-997,
15 who becomes totally disabled for further performance of duty on
16 or after March 22, 2000, may be approved for deferred disability
17 retirement by the board. In the case of such deferred disability
18 retirement, the member, during the period specified in subsection
19 (3) of this section, shall be credited with creditable service
20 for each year or portion thereof, to be determined in accordance
21 with board policies governing creditable service, that the member
22 defers retirement, up to a maximum of thirty-five years of total
23 creditable service, including creditable service accrued before the
24 member became totally disabled. The member approved for deferred
25 disability retirement may at any time of the member's choosing
26 request the deferral to end and retirement annuity payments to
27 begin. The retirement annuity of such member shall be based on

1 the total number of years of the member's creditable service,
2 including the years credited to the member during his or her
3 total disability under this section, and the member's final average
4 salary as of the date that the member became totally disabled and
5 as adjusted from such date by a percentage equal to the cumulative
6 percentage cost-of-living adjustments that were made or declared
7 for annuities in pay status pursuant to ~~subsections (8) and (9)~~
8 ~~of~~ section 79-9,103 after the date of the board's approval for
9 deferred disability retirement and before the cessation of the
10 accrual of additional creditable service pursuant to subsection
11 (3) of this section. Except as provided in subsection (4) of
12 this section, the retirement annuity so determined for the member
13 shall be payable to the member without reduction due to any early
14 commencement of benefits, except that the retirement annuity shall
15 be reduced by the amount of any periodic payments to such employee
16 as workers' compensation benefits. Additional creditable service
17 acquired through deferred disability retirement shall apply to the
18 service requirements specified in section 79-9,106. The board shall
19 consider a member to be totally disabled when it has received an
20 application by the member and a statement by at least two licensed
21 and practicing physicians designated by the board certifying that
22 the member is totally and presumably permanently disabled and
23 unable to perform his or her duties as a consequence thereof.

24 (2) Notwithstanding the provisions of subsection (1) of
25 this section, the payment of the retirement annuity of a member
26 may not be deferred later than the member's required beginning date
27 as defined in section 401(a)(9) of the Internal Revenue Code, as

1 defined in section 49-801.01. If the payment of a disabled member's
2 retirement annuity is required to commence before the member has
3 elected to end his or her deferred disability retirement, the
4 amount of benefit that would have accrued pursuant to subsection
5 (1) of this section in the fiscal year of the member's required
6 beginning date, and in each subsequent fiscal year through the year
7 of the member's election to end the deferred disability retirement
8 period, shall be reduced, but not below zero, by the actuarial
9 equivalent of the payments which were paid to the member during
10 each such fiscal year and after the member's required beginning
11 date. The retirement annuity of any member that commences before
12 the end of the member's deferred disability retirement shall be
13 adjusted as of each September 1 pursuant to the requirements of
14 this subsection.

15 (3) The accrual of creditable service and any adjustment
16 of final average salary provided in subsection (1) of this section
17 shall begin from the first day of the month following the date of
18 the first of the two examinations by which the member is determined
19 by the board to be totally disabled, shall continue only so long as
20 the member does not receive any wages or compensation for services,
21 and shall end at the earlier of (a) the time total disability
22 ceases as determined by the board or (b) the date the member elects
23 to end the deferred disability retirement and begin to receive his
24 or her retirement annuity. The board may require periodic proof of
25 disability but not more frequently than semiannually.

26 (4) The payment of any retirement annuity to a disabled
27 member, which begins to be paid under this section (a) before the

1 member's sixty-second birthday or (b) at a time before the sum
2 of the member's attained age and creditable service is eighty-five
3 or more, shall be suspended if the board determines at any time
4 before the member's sixty-second birthday that the member's total
5 disability has ceased. Payment of the retirement annuity of such
6 member as determined under this section shall recommence at the
7 member's early retirement date or normal retirement date but shall
8 be subject to reduction at such time as specified in section
9 79-9,100.

10 Sec. 14. Section 79-9,113, Revised Statutes Cumulative
11 Supplement, 2012, is amended to read:

12 79-9,113 (1)(a) If, at any future time, a majority of
13 the eligible members of the retirement system votes to be included
14 under an agreement providing old age and survivors insurance under
15 the Social Security Act of the United States, the contributions
16 to be made by the member and the school district for membership
17 service, from and after the effective date of the agreement with
18 respect to services performed subsequent to December 31, 1954,
19 shall each be reduced from five to three percent but not less than
20 three percent of the member's salary per annum, and the credits
21 for membership service under this system, as provided in section
22 79-999, shall thereafter be reduced from one and one-half percent
23 to nine-tenths of one percent and not less than nine-tenths of
24 one percent of salary or wage earned by the member during each
25 fiscal year, and from one and sixty-five hundredths percent to one
26 percent and not less than one percent of salary or wage earned
27 by the member during each fiscal year and from two percent to

1 one and two-tenths percent of salary or wage earned by the member
2 during each fiscal year, and from two and four-tenths percent to
3 one and forty-four hundredths percent of salary or wage earned by
4 the member during each fiscal year, except that after September
5 1, 1963, and prior to September 1, 1969, all employees of the
6 school district shall contribute an amount equal to the membership
7 contribution which shall be two and three-fourths percent of salary
8 covered by old age and survivors insurance, and five percent above
9 that amount. Commencing September 1, 1969, all employees of the
10 school district shall contribute an amount equal to the membership
11 contribution which shall be two and three-fourths percent of the
12 first seven thousand eight hundred dollars of salary or wages
13 earned each fiscal year and five percent of salary or wages earned
14 above that amount in the same fiscal year. Commencing September
15 1, 1976, all employees of the school district shall contribute
16 an amount equal to the membership contribution which shall be two
17 and nine-tenths percent of the first seven thousand eight hundred
18 dollars of salary or wages earned each fiscal year and five and
19 twenty-five hundredths percent of salary or wages earned above
20 that amount in the same fiscal year. Commencing on September 1,
21 1982, all employees of the school district shall contribute an
22 amount equal to the membership contribution which shall be four and
23 nine-tenths percent of the compensation earned in each fiscal year.
24 Commencing September 1, 1989, all employees of the school district
25 shall contribute an amount equal to the membership contribution
26 which shall be five and eight-tenths percent of the compensation
27 earned in each fiscal year. Commencing September 1, 1995, all

1 employees of the school district shall contribute an amount equal
2 to the membership contribution which shall be six and three-tenths
3 percent of the compensation earned in each fiscal year. Commencing
4 September 1, 2007, all employees of the school district shall
5 contribute an amount equal to the membership contribution which
6 shall be seven and three-tenths percent of the compensation paid
7 in each fiscal year. Commencing September 1, 2009, all employees
8 of the school district shall contribute an amount equal to the
9 membership contribution which shall be eight and three-tenths
10 percent of the compensation paid in each fiscal year. Commencing
11 September 1, 2011, all employees of the school district shall
12 contribute an amount equal to the membership contribution which
13 shall be nine and three-tenths percent of the compensation paid
14 in each fiscal year. Commencing September 1, 2013, all employees
15 of the school district shall contribute an amount equal to the
16 membership contribution which shall be nine and seventy-eight
17 hundredths percent of the compensation paid in each fiscal year.

18 (b) The contributions by the school district in any
19 fiscal year beginning on or after September 1, 1999, shall be
20 the greater of (i) one hundred percent of the contributions by
21 the employees for such fiscal year or (ii) such amount as may be
22 necessary to maintain the solvency of the system, as determined
23 annually by the board upon recommendation of the actuary and the
24 trustees.

25 (c) The contributions by the school district in any
26 fiscal year beginning on or after September 1, 2007, shall be the
27 greater of (i) one hundred one percent of the contributions by

1 the employees for such fiscal year or (ii) such amount as may be
2 necessary to maintain the solvency of the system, as determined
3 annually by the board upon recommendation of the actuary and the
4 trustees.

5 (d) The employee's contribution shall be made in the
6 form of a monthly deduction from compensation as provided in
7 subsection (2) of this section. Every employee who is a member of
8 the system shall be deemed to consent and agree to such deductions
9 and shall receipt in full for compensation, and payment to such
10 employee of compensation less such deduction shall constitute a
11 full and complete discharge of all claims and demands whatsoever
12 for services rendered by such employee during the period covered
13 by such payment except as to benefits provided under the Class V
14 School Employees Retirement Act.

15 (e) After September 1, 1963, and prior to September 1,
16 1969, all employees shall be credited with a membership service
17 annuity which shall be nine-tenths of one percent of salary or wage
18 covered by old age and survivors insurance and one and one-half
19 percent of salary or wages above that amount, except that those
20 employees who retire on or after August 31, 1969, shall be credited
21 with a membership service annuity which shall be one percent of
22 salary or wages covered by old age and survivors insurance and
23 one and sixty-five hundredths percent of salary or wages above
24 that amount for service performed after September 1, 1963, and
25 prior to September 1, 1969. Commencing September 1, 1969, all
26 employees shall be credited with a membership service annuity which
27 shall be one percent of the first seven thousand eight hundred

1 dollars of salary or wages earned by the employee during each
2 fiscal year and one and sixty-five hundredths percent of salary
3 or wages earned above that amount in the same fiscal year, except
4 that all employees retiring on or after August 31, 1976, shall be
5 credited with a membership service annuity which shall be one and
6 forty-four hundredths percent of the first seven thousand eight
7 hundred dollars of salary or wages earned by the employee during
8 such fiscal year and two and four-tenths percent of salary or
9 wages earned above that amount in the same fiscal year, and the
10 retirement annuities of employees who have not retired prior to
11 September 1, 1963, and who elected under the provisions of section
12 79-988 as such section existed immediately prior to February 20,
13 1982, not to become members of the system shall not be less than
14 they would have been had they remained under any preexisting system
15 to date of retirement.

16 (f) Members of this system having the service
17 qualifications of members of the School Employees Retirement System
18 of the State of Nebraska, as provided by section 79-926, shall
19 receive the state service annuity provided by sections 79-933 to
20 79-935 and 79-951.

21 (2) The school district shall pick up the employee
22 contributions required by this section for all compensation paid
23 on or after January 1, 1985, and the contributions so picked up
24 shall be treated as employer contributions in determining federal
25 tax treatment under the Internal Revenue Code, except that the
26 school district shall continue to withhold federal income taxes
27 based upon these contributions until the Internal Revenue Service

1 or the federal courts rule that, pursuant to section 414(h)
2 of the Internal Revenue Code, these contributions shall not be
3 included as gross income of the employee until such time as
4 they are distributed or made available. The school district shall
5 pay these employee contributions from the same source of funds
6 which is used in paying earnings to the employee. The school
7 district shall pick up these contributions by a salary deduction
8 either through a reduction in the cash salary of the employee
9 or a combination of a reduction in salary and offset against a
10 future salary increase. Beginning September 1, 1995, the school
11 district shall also pick up any contributions required by sections
12 79-990, 79-991, and 79-992 which are made under an irrevocable
13 payroll deduction authorization between the member and the school
14 district, and the contributions so picked up shall be treated as
15 employer contributions in determining federal tax treatment under
16 the Internal Revenue Code, except that the school district shall
17 continue to withhold federal and state income taxes based upon
18 these contributions until the Internal Revenue Service rules that,
19 pursuant to section 414(h) of the Internal Revenue Code, these
20 contributions shall not be included as gross income of the employee
21 until such time as they are distributed from the system. Employee
22 contributions picked up shall be treated for all purposes of the
23 Class V School Employees Retirement Act in the same manner and to
24 the extent as employee contributions made prior to the date picked
25 up.

26 Sec. 15. Section 79-1003, Revised Statutes Cumulative
27 Supplement, 2012, is amended to read:

1 79-1003 For purposes of the Tax Equity and Educational
2 Opportunities Support Act:

3 (1) Adjusted general fund operating expenditures
4 means (a) for school fiscal years 2010-11 through 2012-13,
5 the difference of the general fund operating expenditures as
6 calculated pursuant to subdivision (22) of this section increased
7 by, or for aid calculated for school fiscal year 2010-11
8 multiplied by, the cost growth factor calculated pursuant to
9 section 79-1007.10, minus the transportation allowance, special
10 receipts allowance, poverty allowance, limited English proficiency
11 allowance, distance education and telecommunications allowance,
12 elementary site allowance, elementary class size allowance,
13 summer school allowance, instructional time allowance, teacher
14 education allowance, and focus school and program allowance,
15 and (b) for school fiscal year 2013-14 and each school fiscal
16 year thereafter, the difference of the general fund operating
17 expenditures as calculated pursuant to subdivision (22) of this
18 section increased by the cost growth factor calculated pursuant
19 to section 79-1007.10, minus the transportation allowance, special
20 receipts allowance, poverty allowance, limited English proficiency
21 allowance, distance education and telecommunications allowance,
22 elementary site allowance, summer school allowance, instructional
23 time allowance, teacher education allowance, and focus school and
24 program allowance;

25 (2) Adjusted valuation means the assessed valuation of
26 taxable property of each local system in the state, adjusted
27 pursuant to the adjustment factors described in section 79-1016.

1 Adjusted valuation means the adjusted valuation for the property
2 tax year ending during the school fiscal year immediately preceding
3 the school fiscal year in which the aid based upon that value is
4 to be paid. For purposes of determining the local effort rate yield
5 pursuant to section 79-1015.01, adjusted valuation does not include
6 the value of any property which a court, by a final judgment from
7 which no appeal is taken, has declared to be nontaxable or exempt
8 from taxation;

9 (3) Allocated income tax funds means the amount of
10 assistance paid to a local system pursuant to section 79-1005.01
11 as adjusted by the minimum levy adjustment pursuant to section
12 79-1008.02;

13 (4) Average daily membership means the average daily
14 membership for grades kindergarten through twelve attributable to
15 the local system, as provided in each district's annual statistical
16 summary, and includes the proportionate share of students enrolled
17 in a public school instructional program on less than a full-time
18 basis;

19 (5) Base fiscal year means the first school fiscal year
20 following the school fiscal year in which the reorganization or
21 unification occurred;

22 (6) Board means the school board of each school district;

23 (7) Categorical funds means funds limited to a specific
24 purpose by federal or state law, including, but not limited
25 to, Title I funds, Title VI funds, federal vocational education
26 funds, federal school lunch funds, Indian education funds, Head
27 Start funds, and funds from the Education Innovation Fund.

1 Categorical funds does not include funds received pursuant to
2 section 79-1028.02 or 79-1028.04;

3 (8) Consolidate means to voluntarily reduce the number of
4 school districts providing education to a grade group and does not
5 include dissolution pursuant to section 79-498;

6 (9) Converted contract means an expired contract that was
7 in effect for at least fifteen school years beginning prior to
8 school year 2012-13 for the education of students in a nonresident
9 district in exchange for tuition from the resident district when
10 the expiration of such contract results in the nonresident district
11 educating students, who would have been covered by the contract if
12 the contract were still in effect, as option students pursuant to
13 the enrollment option program established in section 79-234;

14 (10) Converted contract option student means a student
15 who will be an option student pursuant to the enrollment option
16 program established in section 79-234 for the school fiscal year
17 for which aid is being calculated and who would have been covered
18 by a converted contract if the contract were still in effect and
19 such school fiscal year is the first school fiscal year for which
20 such contract is not in effect;

21 (11) Department means the State Department of Education;

22 (12) District means any Class I, II, III, IV, V, or
23 VI school district and, beginning with the calculation of state
24 aid for school fiscal year 2011-12 and each school fiscal year
25 thereafter, a unified system as defined in section 79-4,108;

26 (13) Ensuing school fiscal year means the school fiscal
27 year following the current school fiscal year;

1 (14) Equalization aid means the amount of assistance
2 calculated to be paid to a local system pursuant to sections
3 79-1007.11 to 79-1007.23, 79-1007.25, 79-1008.01 to 79-1022,
4 79-1022.02, 79-1028.02, and 79-1028.04;

5 (15) Fall membership means the total membership in
6 kindergarten through grade twelve attributable to the local system
7 as reported on the fall school district membership reports for each
8 district pursuant to section 79-528;

9 (16) Fiscal year means the state fiscal year which is the
10 period from July 1 to the following June 30;

11 (17) Formula students means:

12 (a) For state aid certified pursuant to section 79-1022,
13 the sum of the product of fall membership from the school fiscal
14 year immediately preceding the school fiscal year in which the
15 aid is to be paid multiplied by the average ratio of average
16 daily membership to fall membership for the second school fiscal
17 year immediately preceding the school fiscal year in which the aid
18 is to be paid and the prior two school fiscal years plus sixty
19 percent of the qualified early childhood education fall membership
20 plus tuitioned students from the school fiscal year immediately
21 preceding the school fiscal year in which aid is to be paid minus
22 the product of the number of students enrolled in kindergarten that
23 is not full-day kindergarten from the fall membership multiplied by
24 0.5; and

25 (b) For the final calculation of state aid pursuant
26 to section 79-1065, the sum of average daily membership plus
27 sixty percent of the qualified early childhood education average

1 daily membership plus tuitioned students minus the product of the
2 number of students enrolled in kindergarten that is not full-day
3 kindergarten from the average daily membership multiplied by 0.5
4 from the school fiscal year immediately preceding the school fiscal
5 year in which aid was paid;

6 (18) Free lunch and free milk student means a student
7 who qualified for free lunches or free milk from the most recent
8 data available on November 1 of the school fiscal year immediately
9 preceding the school fiscal year in which aid is to be paid;

10 (19) Full-day kindergarten means kindergarten offered by
11 a district for at least one thousand thirty-two instructional
12 hours;

13 (20) General fund budget of expenditures means the total
14 budget of disbursements and transfers for general fund purposes as
15 certified in the budget statement adopted pursuant to the Nebraska
16 Budget Act, except that for purposes of the limitation imposed in
17 section 79-1023 and the calculation pursuant to subdivision (2) of
18 section 79-1027.01, the general fund budget of expenditures does
19 not include any special grant funds, exclusive of local matching
20 funds, received by a district;

21 (21) General fund expenditures means all expenditures
22 from the general fund;

23 (22) General fund operating expenditures means:

24 (a) For state aid calculated for school fiscal years
25 2010-11 and 2011-12, as reported on the annual financial report
26 for the second school fiscal year immediately preceding the
27 school fiscal year in which aid is to be paid, the total

1 general fund expenditures minus (i) the amount of all receipts
2 to the general fund, to the extent that such receipts are not
3 included in local system formula resources, from early childhood
4 education tuition, summer school tuition, educational entities as
5 defined in section 79-1201.01 for providing distance education
6 courses through the Educational Service Unit Coordinating Council
7 to such educational entities, private foundations, individuals,
8 associations, charitable organizations, the textbook loan program
9 authorized by section 79-734, federal impact aid, and levy
10 override elections pursuant to section 77-3444, (ii) the amount
11 of expenditures for categorical funds, tuition paid, transportation
12 fees paid to other districts, adult education, community services,
13 redemption of the principal portion of general fund debt service,
14 retirement incentive plans authorized by section 79-855, and staff
15 development assistance authorized by section 79-856, (iii) the
16 amount of any transfers from the general fund to any bond fund
17 and transfers from other funds into the general fund, (iv) any
18 legal expenses in excess of fifteen-hundredths of one percent
19 of the formula need for the school fiscal year in which the
20 expenses occurred, (v) expenditures to pay for sums agreed to be
21 paid by a school district to certificated employees in exchange
22 for a voluntary termination occurring prior to July 1, 2009, and
23 (vi) (A) expenditures in school fiscal years 2009-10 through 2013-14
24 to pay for employer contributions pursuant to subsection (2) of
25 section 79-958 to the School Employees Retirement System of the
26 State of Nebraska to the extent that such expenditures exceed the
27 employer contributions under such subsection that would have been

1 made at a contribution rate of seven and thirty-five hundredths
2 percent or (B) expenditures in school fiscal years 2009-10 through
3 2013-14 to pay for school district contributions pursuant to
4 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
5 established pursuant to the Class V School Employees Retirement Act
6 to the extent that such expenditures exceed the school district
7 contributions under such subdivision that would have been made at a
8 contribution rate of seven and thirty-seven hundredths percent; and

9 (b) For state aid calculated for school fiscal years
10 2012-13 and each school fiscal year thereafter, as reported on
11 the annual financial report for the second school fiscal year
12 immediately preceding the school fiscal year in which aid is to be
13 paid, the total general fund expenditures minus (i) the amount of
14 all receipts to the general fund, to the extent that such receipts
15 are not included in local system formula resources, from early
16 childhood education tuition, summer school tuition, educational
17 entities as defined in section 79-1201.01 for providing distance
18 education courses through the Educational Service Unit Coordinating
19 Council to such educational entities, private foundations,
20 individuals, associations, charitable organizations, the textbook
21 loan program authorized by section 79-734, federal impact aid,
22 and levy override elections pursuant to section 77-3444, (ii)
23 the amount of expenditures for categorical funds, tuition paid,
24 transportation fees paid to other districts, adult education,
25 community services, redemption of the principal portion of general
26 fund debt service, retirement incentive plans authorized by section
27 79-855, and staff development assistance authorized by section

1 79-856, (iii) the amount of any transfers from the general fund
2 to any bond fund and transfers from other funds into the general
3 fund, (iv) any legal expenses in excess of fifteen-hundredths of
4 one percent of the formula need for the school fiscal year in
5 which the expenses occurred, (v) expenditures to pay for sums
6 agreed to be paid by a school district to certificated employees
7 in exchange for a voluntary termination occurring prior to July
8 1, 2009, or occurring on or after the last day of the 2010-11
9 school year and prior to the first day of the 2013-14 school year,
10 (vi) (A) expenditures ~~in school fiscal years 2009-10 through 2016-17~~
11 to pay for employer contributions pursuant to subsection (2) of
12 section 79-958 to the School Employees Retirement System of the
13 State of Nebraska to the extent that such expenditures exceed the
14 employer contributions under such subsection that would have been
15 made at a contribution rate of seven and thirty-five hundredths
16 percent or (B) expenditures ~~in school fiscal years 2009-10 through~~
17 ~~2016-17~~ to pay for school district contributions pursuant to
18 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
19 established pursuant to the Class V School Employees Retirement Act
20 to the extent that such expenditures exceed the school district
21 contributions under such subdivision that would have been made at
22 a contribution rate of seven and thirty-seven hundredths percent,
23 and (vii) any amounts paid by the district for lobbyist fees and
24 expenses reported to the Clerk of the Legislature pursuant to
25 section 49-1483.

26 For purposes of this subdivision (22) of this section,
27 receipts from levy override elections shall equal ninety-nine

1 percent of the difference of the total general fund levy minus
2 a levy of one dollar and five cents per one hundred dollars of
3 taxable valuation multiplied by the assessed valuation for school
4 districts that have voted pursuant to section 77-3444 to override
5 the maximum levy provided pursuant to section 77-3442;

6 (23) High school district means a school district
7 providing instruction in at least grades nine through twelve;

8 (24) Income tax liability means the amount of the
9 reported income tax liability for resident individuals pursuant
10 to the Nebraska Revenue Act of 1967 less all nonrefundable credits
11 earned and refunds made;

12 (25) Income tax receipts means the amount of income tax
13 collected pursuant to the Nebraska Revenue Act of 1967 less all
14 nonrefundable credits earned and refunds made;

15 (26) Limited English proficiency students means the
16 number of students with limited English proficiency in a district
17 from the most recent data available on November 1 of the school
18 fiscal year preceding the school fiscal year in which aid is to
19 be paid plus the difference of such students with limited English
20 proficiency minus the average number of limited English proficiency
21 students for such district, prior to such addition, for the three
22 immediately preceding school fiscal years if such difference is
23 greater than zero;

24 (27) Local system means a learning community for purposes
25 of calculation of state aid for the second full school fiscal
26 year after becoming a learning community and each school fiscal
27 year thereafter, a unified system, a Class VI district and the

1 associated Class I districts, or a Class II, III, IV, or V
2 district and any affiliated Class I districts or portions of
3 Class I districts. The membership, expenditures, and resources of
4 Class I districts that are affiliated with multiple high school
5 districts will be attributed to local systems based on the percent
6 of the Class I valuation that is affiliated with each high school
7 district;

8 (28) Low-income child means a child under nineteen years
9 of age living in a household having an annual adjusted gross income
10 for the second calendar year preceding the beginning of the school
11 fiscal year for which aid is being calculated equal to or less
12 than the maximum household income that would allow a student from
13 a family of four people to be a free lunch and free milk student
14 during the school fiscal year immediately preceding the school
15 fiscal year for which aid is being calculated;

16 (29) Low-income students means the number of low-income
17 children within the district multiplied by the ratio of the formula
18 students in the district divided by the total children under
19 nineteen years of age residing in the district as derived from
20 income tax information;

21 (30) Most recently available complete data year means
22 the most recent single school fiscal year for which the annual
23 financial report, fall school district membership report, annual
24 statistical summary, Nebraska income tax liability by school
25 district for the calendar year in which the majority of the school
26 fiscal year falls, and adjusted valuation data are available;

27 (31) Poverty students means the number of low-income

1 students or the number of students who are free lunch and free
2 milk students in a district plus the difference of the number of
3 low-income students or the number of students who are free lunch
4 and free milk students in a district, whichever is greater, minus
5 the average number of poverty students for such district, prior to
6 such addition, for the three immediately preceding school fiscal
7 years if such difference is greater than zero;

8 (32) Qualified early childhood education average daily
9 membership means the product of the average daily membership for
10 school fiscal year 2006-07 and each school fiscal year thereafter
11 of students who will be eligible to attend kindergarten the
12 following school year and are enrolled in an early childhood
13 education program approved by the department pursuant to section
14 79-1103 for such school district for such school year multiplied by
15 the ratio of the actual instructional hours of the program divided
16 by one thousand thirty-two if: (a) The program is receiving a grant
17 pursuant to such section for the third year; (b) the program has
18 already received grants pursuant to such section for three years;
19 or (c) the program has been approved pursuant to subsection (5) of
20 section 79-1103 for such school year and the two preceding school
21 years, including any such students in portions of any of such
22 programs receiving an expansion grant;

23 (33) Qualified early childhood education fall membership
24 means the product of membership on the last Friday in September
25 2006 and each year thereafter of students who will be eligible
26 to attend kindergarten the following school year and are enrolled
27 in an early childhood education program approved by the department

1 pursuant to section 79-1103 for such school district for such
2 school year multiplied by the ratio of the planned instructional
3 hours of the program divided by one thousand thirty-two if: (a)
4 The program is receiving a grant pursuant to such section for the
5 third year; (b) the program has already received grants pursuant to
6 such section for three years; or (c) the program has been approved
7 pursuant to subsection (5) of section 79-1103 for such school year
8 and the two preceding school years, including any such students in
9 portions of any of such programs receiving an expansion grant;

10 (34) Regular route transportation means the
11 transportation of students on regularly scheduled daily routes to
12 and from the attendance center;

13 (35) Reorganized district means any district involved
14 in a consolidation and currently educating students following
15 consolidation;

16 (36) School year or school fiscal year means the fiscal
17 year of a school district as defined in section 79-1091;

18 (37) Sparse local system means a local system that is not
19 a very sparse local system but which meets the following criteria:

20 (a) (i) Less than two students per square mile in the
21 county in which each high school is located, based on the school
22 district census, (ii) less than one formula student per square
23 mile in the local system, and (iii) more than ten miles between
24 each high school attendance center and the next closest high school
25 attendance center on paved roads;

26 (b) (i) Less than one and one-half formula students per
27 square mile in the local system and (ii) more than fifteen miles

1 between each high school attendance center and the next closest
2 high school attendance center on paved roads;

3 (c) (i) Less than one and one-half formula students per
4 square mile in the local system and (ii) more than two hundred
5 seventy-five square miles in the local system; or

6 (d) (i) Less than two formula students per square mile in
7 the local system and (ii) the local system includes an area equal
8 to ninety-five percent or more of the square miles in the largest
9 county in which a high school attendance center is located in the
10 local system;

11 (38) Special education means specially designed
12 kindergarten through grade twelve instruction pursuant to section
13 79-1125, and includes special education transportation;

14 (39) Special grant funds means the budgeted receipts
15 for grants, including, but not limited to, categorical funds,
16 reimbursements for wards of the court, short-term borrowings
17 including, but not limited to, registered warrants and tax
18 anticipation notes, interfund loans, insurance settlements, and
19 reimbursements to county government for previous overpayment. The
20 state board shall approve a listing of grants that qualify as
21 special grant funds;

22 (40) State aid means the amount of assistance paid to a
23 district pursuant to the Tax Equity and Educational Opportunities
24 Support Act;

25 (41) State board means the State Board of Education;

26 (42) State support means all funds provided to districts
27 by the State of Nebraska for the general fund support of elementary

1 and secondary education;

2 (43) Statewide average basic funding per formula student
3 means the statewide total basic funding for all districts divided
4 by the statewide total formula students for all districts;

5 (44) Statewide average general fund operating
6 expenditures per formula student means the statewide total
7 general fund operating expenditures for all districts divided by
8 the statewide total formula students for all districts;

9 (45) Teacher has the definition found in section 79-101;

10 (46) Temporary aid adjustment factor means (a) for school
11 fiscal years before school fiscal year 2007-08, one and one-fourth
12 percent of the sum of the local system's transportation allowance,
13 the local system's special receipts allowance, and the product
14 of the local system's adjusted formula students multiplied by
15 the average formula cost per student in the local system's
16 cost grouping and (b) for school fiscal year 2007-08, one and
17 one-fourth percent of the sum of the local system's transportation
18 allowance, special receipts allowance, and distance education and
19 telecommunications allowance and the product of the local system's
20 adjusted formula students multiplied by the average formula cost
21 per student in the local system's cost grouping;

22 (47) Tuition receipts from converted contracts means
23 tuition receipts received by a district from another district
24 in the most recently available complete data year pursuant to a
25 converted contract prior to the expiration of the contract;

26 (48) Tuitioned students means students in kindergarten
27 through grade twelve of the district whose tuition is paid by the

1 district to some other district or education agency; and

2 (49) Very sparse local system means a local system that
3 has:

4 (a) (i) Less than one-half student per square mile in
5 each county in which each high school attendance center is located
6 based on the school district census, (ii) less than one formula
7 student per square mile in the local system, and (iii) more than
8 fifteen miles between the high school attendance center and the
9 next closest high school attendance center on paved roads; or

10 (b) (i) More than four hundred fifty square miles in the
11 local system, (ii) less than one-half student per square mile in
12 the local system, and (iii) more than fifteen miles between each
13 high school attendance center and the next closest high school
14 attendance center on paved roads.

15 Sec. 16. Section 79-1028.01, Revised Statutes Cumulative
16 Supplement, 2012, is amended to read:

17 79-1028.01 (1) For each school fiscal year, a school
18 district may exceed its budget authority for the general fund
19 budget of expenditures as calculated pursuant to section 79-1023
20 for such school fiscal year by a specific dollar amount for the
21 following exclusions:

22 (a) Expenditures for repairs to infrastructure damaged by
23 a natural disaster which is declared a disaster emergency pursuant
24 to the Emergency Management Act;

25 (b) Expenditures for judgments, except judgments or
26 orders from the Commission of Industrial Relations, obtained
27 against a school district which require or obligate a school

1 district to pay such judgment, to the extent such judgment is not
2 paid by liability insurance coverage of a school district;

3 (c) Expenditures pursuant to the Retirement Incentive
4 Plan authorized in section 79-855 or the Staff Development
5 Assistance authorized in section 79-856;

6 (d) Expenditures of amounts received from educational
7 entities as defined in section 79-1201.01 for providing distance
8 education courses through the Educational Service Unit Coordinating
9 Council to such educational entities;

10 (e) Expenditures to pay another school district for the
11 transfer of land from such other school district;

12 (f) Expenditures ~~in school fiscal years 2009-10 through~~
13 ~~2016-17~~ to pay for employer contributions pursuant to subsection
14 (2) of section 79-958 to the School Employees Retirement System
15 of the State of Nebraska to the extent that such expenditures
16 exceed the employer contributions under such subsection that would
17 have been made at a contribution rate of seven and thirty-five
18 hundredths percent;

19 (g) Expenditures ~~in school fiscal years 2009-10 through~~
20 ~~2016-17~~ to pay for school district contributions pursuant to
21 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
22 established pursuant to the Class V School Employees Retirement Act
23 to the extent that such expenditures exceed the school district
24 contributions under such subdivision that would have been made at a
25 contribution rate of seven and thirty-seven hundredths percent;

26 (h) Expenditures for sums agreed to be paid by a school
27 district to certificated employees in exchange for a voluntary

1 termination occurring prior to July 1, 2009, or occurring on or
2 after the last day of the 2010-11 school year and prior to the
3 first day of the 2013-14 school year;

4 (i) Any expenditures in school fiscal years 2016-17
5 and 2017-18 of amounts specified in the notice provided by the
6 Commissioner of Education pursuant to section 79-309.01 for teacher
7 performance pay;

8 (j) The special education budget of expenditures; and

9 (k) Expenditures of special grant funds.

10 (2) For each school fiscal year, a school district
11 may exceed its budget authority for the general fund budget of
12 expenditures as calculated pursuant to section 79-1023 for such
13 school fiscal year by a specific dollar amount and include such
14 dollar amount in the budget of expenditures used to calculate
15 budget authority for the general fund budget of expenditures
16 pursuant to section 79-1023 for future years for the following
17 exclusions:

18 (a) Expenditures of incentive payments or base fiscal
19 year incentive payments to be received in such school fiscal year
20 pursuant to section 79-1011;

21 (b) The first school fiscal year the district will
22 be participating in Network Nebraska for the full school fiscal
23 year, for the difference of the estimated expenditures for such
24 school fiscal year for telecommunications services, access to
25 data transmission networks that transmit data to and from the
26 school district, and the transmission of data on such networks as
27 such expenditures are defined by the department for purposes of

1 the distance education and telecommunications allowance minus the
2 dollar amount of such expenditures for the second school fiscal
3 year preceding the first full school fiscal year the district
4 participates in Network Nebraska; and

5 (c) Expenditures for new elementary attendance sites in
6 the first year of operation or the first year of operation after
7 being closed for at least one school year if such elementary
8 attendance site will most likely qualify for the elementary site
9 allowance in the immediately following school fiscal year as
10 determined by the state board.

11 (3) The state board shall approve, deny, or modify the
12 amount allowed for any exclusions to the budget authority for the
13 general fund budget of expenditures pursuant to this section.

14 Sec. 17. Section 81-2017, Revised Statutes Cumulative
15 Supplement, 2012, is amended to read:

16 81-2017 (1) Commencing July 1, 2010, and until July 1,
17 2011, each officer while in the service of the Nebraska State
18 Patrol shall pay or have paid on his or her behalf a sum equal
19 to sixteen percent of his or her monthly compensation. Commencing
20 July 1, 2011, and until July 1, 2013, each officer while in the
21 service of the Nebraska State Patrol shall pay or have paid on
22 his or her behalf a sum equal to nineteen percent of his or her
23 monthly compensation. Commencing July 1, 2013, each officer while
24 in the service of the Nebraska State Patrol shall pay or have
25 paid on his or her behalf a sum equal to sixteen percent of
26 his or her monthly compensation. Such amounts shall be deducted
27 monthly by the Director of Administrative Services who shall draw

1 a warrant monthly in the amount of the total deductions from the
2 compensation of members of the Nebraska State Patrol in accordance
3 with subsection (4) of this section, and the State Treasurer shall
4 credit the amount of such warrant to the State Patrol Retirement
5 Fund. The director shall cause a detailed report of all monthly
6 deductions to be made each month to the board.

7 (2) In addition, commencing July 1, 2010, and until July
8 1, 2011, there shall be assessed against the appropriation of
9 the Nebraska State Patrol a sum equal to the amount of sixteen
10 percent of each officer's monthly compensation which shall be
11 credited to the State Patrol Retirement Fund. Commencing July 1,
12 2011, and until July 1, 2013, there shall be assessed against
13 the appropriation of the Nebraska State Patrol a sum equal to the
14 amount of nineteen percent of each officer's monthly compensation
15 which shall be credited to the State Patrol Retirement Fund.
16 Commencing July 1, 2013, there shall be assessed against the
17 appropriation of the Nebraska State Patrol a sum equal to the
18 amount of sixteen percent of each officer's monthly compensation
19 which shall be credited to the State Patrol Retirement Fund.

20 (3) For the fiscal year beginning on July 1, 2002,
21 and each fiscal year thereafter, the actuary for the board shall
22 perform an actuarial valuation of the system using the entry
23 age actuarial cost method. Under this method, the actuarially
24 required funding rate is equal to the normal cost rate, plus
25 the contribution rate necessary to amortize the unfunded actuarial
26 accrued liability on a level ~~payment~~ percentage of salary basis.
27 The normal cost under this method shall be determined for each

1 individual member on a level percentage of salary basis. The normal
2 cost amount is then summed for all members. Beginning July 1,
3 2006, any existing unfunded liabilities shall be reinitialized and
4 amortized over a thirty-year period, and during each subsequent
5 actuarial valuation, changes in the funded actuarial accrued
6 liability due to changes in benefits, actuarial assumptions, the
7 asset valuation method, or actuarial gains or losses shall be
8 measured and amortized over a thirty-year period beginning on the
9 valuation date of such change. If the unfunded actuarial accrued
10 liability under the entry age actuarial cost method is zero or less
11 than zero on an actuarial valuation date, then all prior unfunded
12 actuarial accrued liabilities shall be considered fully funded and
13 the unfunded actuarial accrued liability shall be reinitialized and
14 amortized over a thirty-year period as of the actuarial valuation
15 date. If the actuarially required contribution rate exceeds the
16 rate of all contributions required pursuant to the Nebraska State
17 Patrol Retirement Act, there shall be a supplemental appropriation
18 sufficient to pay for the differences between the actuarially
19 required contribution rate and the rate of all contributions
20 required pursuant to the Nebraska State Patrol Retirement Act.
21 Such valuation shall be on the basis of actuarial assumptions
22 recommended by the actuary, approved by the board, and kept on file
23 with the board.

24 (4) The state shall pick up the member contributions
25 required by this section for all compensation paid on or after
26 January 1, 1985, and the contributions so picked up shall
27 be treated as employer contributions in determining federal tax

1 treatment under the Internal Revenue Code as defined in section
2 49-801.01, except that the state shall continue to withhold federal
3 income taxes based upon these contributions until the Internal
4 Revenue Service or the federal courts rule that, pursuant to
5 section 414(h) of the code, these contributions shall not be
6 included as gross income of the member until such time as they
7 are distributed or made available. The state shall pay these
8 member contributions from the same source of funds which is used
9 in paying earnings to the member. The state shall pick up these
10 contributions by a compensation deduction through a reduction in
11 the cash compensation of the member. Member contributions picked
12 up shall be treated for all purposes of the Nebraska State Patrol
13 Retirement Act in the same manner and to the extent as member
14 contributions made prior to the date picked up.

15 Sec. 18. This act becomes operative on July 1, 2013.

16 Sec. 19. If any section in this act or any part of any
17 section is declared invalid or unconstitutional, the declaration
18 shall not affect the validity or constitutionality of the remaining
19 portions.

20 Sec. 20. Original sections 79-966.01, 79-9,100, 79-9,103,
21 and 79-9,105, Reissue Revised Statutes of Nebraska, and sections
22 24-703, 79-901, 79-902, 79-916, 79-947.06, 79-954, 79-958, 79-966,
23 79-9,113, 79-1003, 79-1028.01, and 81-2017, Revised Statutes
24 Cumulative Supplement, 2012, are repealed.

25 Sec. 21. Since an emergency exists, this act takes effect
26 when passed and approved according to law.