

AMENDMENTS TO LB 263

Introduced by Nebraska Retirement Systems

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

3           Section 1. Section 16-1011, Reissue Revised Statutes of  
4 Nebraska, is amended to read:

5           16-1011 (1) If any police officer becomes disabled, such  
6 police officer shall be placed upon the roll of pensioned police  
7 officers at the regular retirement pension of fifty percent of  
8 regular pay for the period of such disability. For purposes of this  
9 section, disability shall mean the complete inability of the police  
10 officer, for reasons of accident or other cause while in the line  
11 of duty, to perform the duties of a police officer.

12           (2) No disability benefit payment shall be made except  
13 upon adequate proof furnished to the city, such proof to consist  
14 of a medical examination conducted by a competent, disinterested  
15 physician who is duly licensed to practice medicine and surgery in  
16 this state and who certifies to the city that the police officer  
17 is unable to perform the duties of a police officer. The city,  
18 during the first three years of the payment of such benefits, shall  
19 have the right, at reasonable times, to require the disabled police  
20 officer to undergo a medical examination at the city's expense to  
21 determine the continuance of the disability claimed. After such  
22 three-year period, the city may request the district court to  
23 order the police officer to submit proof of the continuance of the

1 disability claimed if the city has reasonable grounds to believe  
2 the police officer is fraudulently receiving disability payments.  
3 The city shall have the right to demand a physical examination of  
4 the police officer by a competent, disinterested physician who is  
5 duly licensed to practice medicine and surgery in this state, and  
6 who is chosen by the city. The expense of such examination shall be  
7 borne by the city.

8 (3) In case of temporary disability of a police officer  
9 received while in the line of duty, he or she shall receive  
10 his or her salary during the continuance of such disability  
11 for a period not to exceed twelve months, except that if it  
12 is ascertained by the city council or other proper municipal  
13 authorities within twelve months that such temporary disability has  
14 become a disability as defined in this section, then the salary  
15 shall cease and he or she shall be entitled to the benefits for  
16 pensions in case of disability as provided in this section.

17 (4) All payments of pension or salary provided by this  
18 section shall be subject to deduction of amounts paid under the  
19 Nebraska Workers' Compensation Act. ~~Such~~ In case of a permanent  
20 disability of a police officer, such payments shall not commence  
21 until all credit for unused annual or sick leave and other similar  
22 credits have been fully utilized by the disabled police officer if  
23 there will be no impairment to his or her salary during the period  
24 of disability. Total payments to a disabled police officer, in  
25 excess of amounts paid as workers' compensation benefits, shall not  
26 be less than the retirement value at the date of disability. If the  
27 actuarial equivalent of the disability pension payable under this

1 section exceeds the police officer's retirement value at the time  
2 of the first payment, the city shall contribute such additional  
3 amounts as may be necessary, from time to time, to provide for the  
4 required disability pension.

5 (5) If a police officer who was pensioned under this  
6 section is later determined to be no longer disabled, the pension  
7 provided for under this section shall terminate and the police  
8 officer's vested retirement value, as reduced by any disability  
9 payments made from the retirement system, shall thereafter be held  
10 and administered in the same manner as for any nondisabled police  
11 officer or former police officer.

12 (6) If a police officer who has pensioned under this  
13 section is later determined to be no longer disabled during the  
14 first three years when disability benefit payments are being paid  
15 the police officer may return to duty with the police force under  
16 the following conditions:

17 (a) If a vacancy exists on the police force for which the  
18 police officer is qualified and the police officer wishes to return  
19 to the police force, the city shall hire the police officer to fill  
20 the vacancy at a pay grade of not less than his or her previous pay  
21 grade; or

22 (b) If no vacancy exists on the police force and the  
23 police officer wishes to return to the police force, the city may  
24 create a vacancy under the city's reduction in force policy adopted  
25 under the Civil Service Act and rehire the officer at a pay grade  
26 of not less than his or her previous pay grade.

27 The provisions of this subsection shall not apply to a

1 police officer whose disability benefit payments are terminated  
2 because of fraud on the part of the police officer.

3 Sec. 2. Section 23-2301, Reissue Revised Statutes of  
4 Nebraska, is amended to read:

5 23-2301 For purposes of the County Employees Retirement  
6 Act, unless the context otherwise requires:

7 (1) Actuarial equivalent means the equality in value of  
8 the aggregate amounts expected to be received under different forms  
9 of an annuity payment. The mortality assumption used for purposes  
10 of converting the member cash balance account shall be the 1994  
11 Group Annuity Mortality Table using a unisex rate that is fifty  
12 percent male and fifty percent female. For purposes of converting  
13 the member cash balance account attributable to contributions made  
14 prior to January 1, 1984, that were transferred pursuant to the  
15 act, the 1994 Group Annuity Mortality Table for males shall be  
16 used;

17 (2) Annuity means equal monthly payments provided by the  
18 retirement system to a member or beneficiary under forms determined  
19 by the board beginning the first day of the month after an  
20 annuity election is received in the office of the Nebraska Public  
21 Employees Retirement Systems or the first day of the month after  
22 the employee's termination of employment, whichever is later. The  
23 last payment shall be at the end of the calendar month in which the  
24 member dies or in accordance with the payment option chosen by the  
25 member;

26 (3) Annuity start date means the date upon which a  
27 member's annuity is first effective and shall be the first day of

1 the month following the member's termination or following the date  
2 the application is received by the board, whichever is later;

3 (4) Cash balance benefit means a member's retirement  
4 benefit that is equal to an amount based on annual employee  
5 contribution credits plus interest credits and, if vested, employer  
6 contribution credits plus interest credits and dividend amounts  
7 credited in accordance with subdivision (4)(c) of section 23-2317;

8 (5)(a) Compensation means gross wages or salaries payable  
9 to the member for personal services performed during the plan  
10 year. Compensation does not include insurance premiums converted  
11 into cash payments, reimbursement for expenses incurred, fringe  
12 benefits, per diems, or bonuses for services not actually rendered,  
13 including, but not limited to, early retirement inducements, cash  
14 awards, and severance pay, except for retroactive salary payments  
15 paid pursuant to court order, arbitration, or litigation and  
16 grievance settlements. Compensation includes overtime pay, member  
17 retirement contributions, and amounts contributed by the member to  
18 plans under sections 125, 403(b), and 457 of the Internal Revenue  
19 Code or any other section of the code which defers or excludes such  
20 amounts from income.

21 (b) Compensation in excess of the limitations set forth  
22 in section 401(a)(17) of the Internal Revenue Code shall be  
23 disregarded. For an employee who was a member of the retirement  
24 system before the first plan year beginning after December 31,  
25 1995, the limitation on compensation shall not be less than the  
26 amount which was allowed to be taken into account under the  
27 retirement system as in effect on July 1, 1993;

1           (6) Date of adoption of the retirement system by each  
2 county means the first day of the month next following the date of  
3 approval of the retirement system by the county board or January 1,  
4 1987, whichever is earlier;

5           (7) Date of disability means the date on which a member  
6 is determined by the board to be disabled;

7           (8) Defined contribution benefit means a member's  
8 retirement benefit from a money purchase plan in which member  
9 benefits equal annual contributions and earnings pursuant to  
10 section 23-2309 and, if vested, employer contributions and earnings  
11 pursuant to section 23-2310;

12           (9) Disability means an inability to engage in a  
13 substantially gainful activity by reason of any medically  
14 determinable physical or mental impairment which can be expected to  
15 result in death or be of a long and indefinite duration;

16           (10) Employee means all persons or officers who are  
17 employed by a county of the State of Nebraska on a permanent basis,  
18 persons or officers employed by or serving in a municipal county  
19 formed by at least one county participating in the retirement  
20 system, persons employed as provided in section 2-1608, all elected  
21 officers of a county, and such other persons or officers as  
22 are classified from time to time as permanent employees by the  
23 county board of the county by which they are employed, except  
24 that employee does not include judges, employees or officers of  
25 any county having a population in excess of ~~one~~ two hundred fifty  
26 thousand inhabitants, as determined by the most recent federal  
27 decennial census, or, except as provided in section 23-2306,

1 persons making contributions to the School Employees Retirement  
2 System of the State of Nebraska;

3 (11) Employee contribution credit means an amount equal  
4 to the member contribution amount required by section 23-2307;

5 (12) Employer contribution credit means an amount equal  
6 to the employer contribution amount required by section 23-2308;

7 (13) Final account value means the value of a member's  
8 account on the date the account is either distributed to the member  
9 or used to purchase an annuity from the plan, which date shall  
10 occur as soon as administratively practicable after receipt of a  
11 valid application for benefits, but no sooner than forty-five days  
12 after the member's termination;

13 (14) Five-year break in service means a period of five  
14 consecutive one-year breaks in service;

15 (15) Full-time employee means an employee who is employed  
16 to work one-half or more of the regularly scheduled hours during  
17 each pay period;

18 (16) Future service means service following the date of  
19 adoption of the retirement system;

20 (17) Guaranteed investment contract means an investment  
21 contract or account offering a return of principal invested plus  
22 interest at a specified rate. For investments made after July  
23 19, 1996, guaranteed investment contract does not include direct  
24 obligations of the United States or its instrumentalities, bonds,  
25 participation certificates or other obligations of the Federal  
26 National Mortgage Association, the Federal Home Loan Mortgage  
27 Corporation, or the Government National Mortgage Association,

1 or collateralized mortgage obligations and other derivative  
2 securities. This subdivision shall not be construed to require the  
3 liquidation of investment contracts or accounts entered into prior  
4 to July 19, 1996;

5 (18) Interest credit rate means the greater of (a) five  
6 percent or (b) the applicable federal mid-term rate, as published  
7 by the Internal Revenue Service as of the first day of the calendar  
8 quarter for which interest credits are credited, plus one and  
9 one-half percent, such rate to be compounded annually;

10 (19) Interest credits means the amounts credited to the  
11 employee cash balance account and the employer cash balance account  
12 at the end of each day. Such interest credit for each account  
13 shall be determined by applying the daily portion of the interest  
14 credit rate to the account balance at the end of the previous day.  
15 Such interest credits shall continue to be credited to the employee  
16 cash balance account and the employer cash balance account after  
17 a member ceases to be an employee, except that no such credit  
18 shall be made with respect to the employee cash balance account  
19 and the employer cash balance account for any day beginning on  
20 or after the member's date of final account value. If benefits  
21 payable to the member's surviving spouse or beneficiary are delayed  
22 after the member's death, interest credits shall continue to be  
23 credited to the employee cash balance account and the employer  
24 cash balance account until such surviving spouse or beneficiary  
25 commences receipt of a distribution from the plan;

26 (20) Member cash balance account means an account equal  
27 to the sum of the employee cash balance account and, if vested,

1 the employer cash balance account and dividend amounts credited in  
2 accordance with subdivision (4) (c) of section 23-2317;

3 (21) One-year break in service means a plan year during  
4 which the member has not completed more than five hundred hours of  
5 service;

6 (22) Participation means qualifying for and making the  
7 required deposits to the retirement system during the course of a  
8 plan year;

9 (23) Part-time employee means an employee who is employed  
10 to work less than one-half of the regularly scheduled hours during  
11 each pay period;

12 (24) Plan year means the twelve-month period beginning on  
13 January 1 and ending on December 31;

14 (25) Prior service means service prior to the date of  
15 adoption of the retirement system;

16 (26) Regular interest means the rate of interest earned  
17 each calendar year as determined by the retirement board in  
18 conformity with actual and expected earnings on the investments  
19 through December 31, 1985;

20 (27) Required contribution means the deduction to be made  
21 from the compensation of employees as provided in the act;

22 (28) Retirement means qualifying for and accepting  
23 the retirement benefit granted under the act after terminating  
24 employment;

25 (29) Retirement application means the form approved and  
26 provided by the retirement system for acceptance of a member's  
27 request for either regular or disability retirement;

1           ~~(29)~~ (30) Retirement board or board means the Public  
2 Employees Retirement Board;

3           (31) Retirement date means (a) the first day of the month  
4 following the date upon which a member's request for retirement  
5 is received on a retirement application if the member is eligible  
6 for retirement and has terminated employment or (b) the first day  
7 of the month following termination of employment if the member is  
8 eligible for retirement and has filed an application but has not  
9 yet terminated employment;

10          ~~(30)~~ (32) Retirement system means the Retirement System  
11 for Nebraska Counties;

12          ~~(31)~~ (33) Service means the actual total length of  
13 employment as an employee and is not deemed to be interrupted  
14 by (a) temporary or seasonal suspension of service that does  
15 not terminate the employee's employment, (b) leave of absence  
16 authorized by the employer for a period not exceeding twelve  
17 months, (c) leave of absence because of disability, or (d) military  
18 service, when properly authorized by the retirement board. Service  
19 does not include any period of disability for which disability  
20 retirement benefits are received under section 23-2315;

21          ~~(32)~~ (34) Surviving spouse means (a) the spouse married  
22 to the member on the date of the member's death or (b) the spouse  
23 or former spouse of the member if survivorship rights are provided  
24 under a qualified domestic relations order filed with the board  
25 pursuant to the Spousal Pension Rights Act. The spouse or former  
26 spouse shall supersede the spouse married to the member on the  
27 date of the member's death as provided under a qualified domestic

1 relations order. If the benefits payable to the spouse or former  
2 spouse under a qualified domestic relations order are less than  
3 the value of benefits entitled to the surviving spouse, the spouse  
4 married to the member on the date of the member's death shall be  
5 the surviving spouse for the balance of the benefits;

6 ~~(33)~~ (35) Termination of employment occurs on the date  
7 on which a county which is a member of the retirement system  
8 determines that its employer-employee relationship with an employee  
9 is dissolved. The county shall notify the board of the date on  
10 which such a termination has occurred. Termination of employment  
11 does not occur if an employee whose employer-employee relationship  
12 with a county is dissolved enters into an employer-employee  
13 relationship with the same or another county which participates  
14 in the Retirement System for Nebraska Counties and there are less  
15 than one hundred twenty days between the date when the employee's  
16 employer-employee relationship ceased with the county and the date  
17 when the employer-employee relationship commenced with the same or  
18 another county which qualifies the employee for participation in  
19 the plan. It is the responsibility of the employer that is involved  
20 in the termination of employment to notify the board of such change  
21 in employment and provide the board with such information as the  
22 board deems necessary. If the board determines that termination of  
23 employment has not occurred and a retirement benefit has been paid  
24 to a member of the retirement system pursuant to section 23-2319,  
25 the board shall require the member who has received such benefit to  
26 repay the benefit to the retirement system; and

27 ~~(34)~~ (36) Vesting credit means credit for years, or

1 a fraction of a year, of participation in another Nebraska  
2 governmental plan for purposes of determining vesting of the  
3 employer account.

4 Sec. 3. Section 23-2306, Reissue Revised Statutes of  
5 Nebraska, is amended to read:

6 23-2306 (1) The membership of the retirement system shall  
7 be composed of all persons who are or were employed by member  
8 counties and who maintain an account balance with the retirement  
9 system.

10 (2) The following employees of member counties are  
11 authorized to participate in the retirement system: (a) All  
12 permanent full-time employees shall begin participation in the  
13 retirement system upon employment and full-time elected officials  
14 shall begin participation in the retirement system upon taking  
15 office, (b) all permanent part-time employees who have attained  
16 the age of eighteen years may exercise the option to begin  
17 participation in the retirement system within the first thirty days  
18 of employment, and (c) all part-time elected officials may exercise  
19 the option to begin participation in the retirement system within  
20 thirty days after taking office. An employee who exercises the  
21 option to begin participation in the retirement system shall remain  
22 in the system until termination or retirement, regardless of any  
23 change of status as a permanent or temporary employee.

24 (3) On and after July 1, 2010, no employee of a member  
25 county shall be authorized to participate in the retirement system  
26 provided for in the County Employees Retirement Act unless the  
27 employee (a) is a United States citizen or (b) is a qualified alien

1 under the federal Immigration and Nationality Act, 8 U.S.C. 1101  
2 et seq., as such act existed on January 1, 2009, and is lawfully  
3 present in the United States.

4 (4) On and after July 1, 2013, the board may determine  
5 that a governmental entity currently participating in the  
6 retirement system no longer qualifies under section 414(d) of the  
7 Internal Revenue Code as a participating employer in a governmental  
8 plan. Upon such determination, affected plan members shall be  
9 considered fully vested. The board shall notify such entity within  
10 ten days after making a determination. Within ninety days after the  
11 board's notice to such entity, affected plan members shall become  
12 inactive. The board may adopt and promulgate rules and regulations  
13 to carry out this subsection.

14 ~~(4)~~ (5) Within the first one hundred eighty days of  
15 employment, a full-time employee may apply to the board for  
16 vesting credit for years of participation in another Nebraska  
17 governmental plan, as defined by section 414(d) of the Internal  
18 Revenue Code. During the years of participation in the other  
19 Nebraska governmental plan, the employee must have been a full-time  
20 employee, as defined in the Nebraska governmental plan in which  
21 the credit was earned. The board may adopt and promulgate rules  
22 and regulations governing the assessment and granting of vesting  
23 credit.

24 ~~(5)~~ (6) Any employee who qualifies for membership in the  
25 retirement system pursuant to this section may not be disqualified  
26 from membership in the retirement system solely because such  
27 employee also maintains separate employment which qualifies the

1 employee for membership in another public retirement system,  
2 nor may membership in this retirement system disqualify such an  
3 employee from membership in another public retirement system solely  
4 by reason of separate employment which qualifies such employee for  
5 membership in this retirement system.

6 ~~(6)~~ (7) A full-time or part-time employee of a city,  
7 village, or township who becomes a county employee pursuant to a  
8 merger of services shall receive vesting credit for his or her  
9 years of participation in a Nebraska governmental plan, as defined  
10 by section 414(d) of the Internal Revenue Code, of the city,  
11 village, or township.

12 ~~(7)~~ (8) A full-time or part-time employee of a city,  
13 village, fire protection district, or township who becomes a  
14 municipal county employee shall receive credit for his or her years  
15 of employment with the city, village, fire protection district, or  
16 township for purposes of the vesting provisions of this section.

17 (9) A full-time or part-time employee of the state  
18 who becomes a county employee pursuant to transfer of assessment  
19 function to a county under section 77-1340 or 77-1340.04 shall not  
20 be deemed to have experienced a termination of employment and shall  
21 receive vesting credit for his or her years of participation in the  
22 State Employees Retirement System of the State of Nebraska.

23 ~~(8)~~ (10) Counties shall ensure that employees authorized  
24 to participate in the retirement system pursuant to this section  
25 shall enroll and make required contributions to the retirement  
26 system immediately upon becoming an employee. Information necessary  
27 to determine membership in the retirement system shall be provided

1 by the employer.

2           Sec. 4. Section 23-2307, Reissue Revised Statutes of  
3 Nebraska, is amended to read:

4           23-2307 Each employee who is a member of the retirement  
5 system shall pay to the county or have picked up by the county a  
6 sum equal to four and one-half percent of his or her compensation  
7 for each pay period. The contributions, although designated as  
8 employee contributions, shall be paid by the county in lieu of  
9 employee contributions. The county shall pick up the employee  
10 contributions required by this section for all compensation paid on  
11 or after January 1, 1985, and the contributions so picked up shall  
12 be treated as employer contributions pursuant to section 414(h) (2)  
13 of the Internal Revenue Code in determining federal tax treatment  
14 under the Internal Revenue Code as defined in section 49-801.01,  
15 except that the county shall continue to withhold federal income  
16 taxes based upon these contributions until the Internal Revenue  
17 Service or the federal courts rule that, pursuant to section  
18 414(h) of the code, these contributions code and shall not be  
19 included as gross income of the employee until such time as they  
20 are distributed or made available. The county shall pay these  
21 employee contributions from the same source of funds which is  
22 used in paying earnings to the employee. The county shall pick up  
23 these contributions by a compensation deduction through a reduction  
24 in the cash compensation of the employee. Employee contributions  
25 picked up shall be treated for all purposes of the County Employees  
26 Retirement Act in the same manner and to the extent as employee  
27 contributions made prior to the date picked up.

1           Sec. 5. Section 23-2310.04, Reissue Revised Statutes of  
2 Nebraska, is amended to read:

3           23-2310.04 (1) The County Employees Defined Contribution  
4 Retirement Expense Fund is created. The fund shall be credited  
5 with money from the retirement system assets and income sufficient  
6 to pay the pro rata share of administrative expenses incurred  
7 as directed by the board for the proper administration of the  
8 County Employees Retirement Act and necessary in connection with  
9 the administration and operation of the retirement system, except  
10 as provided in sections 23-2308.01, 23-2309.01, and 23-2310.05. Any  
11 money in the fund available for investment shall be invested by the  
12 state investment officer pursuant to the Nebraska Capital Expansion  
13 Act and the Nebraska State Funds Investment Act.

14           (2) The County Employees Cash Balance Retirement Expense  
15 Fund is created. The fund shall be credited with money forfeited  
16 pursuant to section 23-2319.01 and with money from the retirement  
17 system assets and income sufficient to pay the pro rata share of  
18 administrative expenses incurred as directed by the board for the  
19 proper administration of the County Employees Retirement Act and  
20 necessary in connection with the administration and operation of  
21 the retirement system, except as provided in sections 23-2308.01,  
22 23-2309.01, and 23-2310.05. Any money in the fund available for  
23 investment shall be invested by the state investment officer  
24 pursuant to the Nebraska Capital Expansion Act and the Nebraska  
25 State Funds Investment Act.

26           (3) Forfeiture funds collected from members participating  
27 in the defined contribution benefit shall be used to either pay

1 expenses or reduce employer contributions related to the defined  
2 contribution benefit. Any unused funds shall be allocated as  
3 earnings of and transferred to the accounts of the remaining  
4 members within twelve months after receipt of the funds by the  
5 board.

6           Sec. 6. Section 23-2315, Reissue Revised Statutes of  
7 Nebraska, is amended to read:

8           23-2315 (1) Upon filing an application for benefits with  
9 the board, an employee may elect to retire at any time after  
10 attaining the age of fifty-five or an employee may retire as a  
11 result of disability at any age.

12           (2) The member shall specify in the application for  
13 benefits the manner in which he or she wishes to receive the  
14 retirement benefit under the options provided by the County  
15 Employees Retirement Act. Payment under the application for  
16 benefits shall be made (a) for annuities, no sooner than the  
17 annuity start date, and (b) for other distributions, no sooner than  
18 the date of final account value.

19           (3) Payment of any benefit provided under the retirement  
20 system may not be deferred later than April 1 of the year following  
21 the year in which the employee has both attained at least age  
22 seventy and one-half years and terminated his or her employment  
23 with the county. ~~7~~ ~~except that for members participating in the~~  
24 ~~defined contribution benefit, no distribution is required to be~~  
25 ~~made for the plan year commencing January 1, 2009, through December~~  
26 ~~31, 2009.~~

27           (4) The board shall make reasonable efforts to locate

1 the member or the member's beneficiary and distribute benefits by  
2 the required beginning date as specified by section 401(a)(9) of  
3 the Internal Revenue Code and the regulations issued thereunder. If  
4 the board is unable to make such a distribution, the benefit shall  
5 be distributed pursuant to the Uniform Disposition of Unclaimed  
6 Property Act and no amounts may be applied to increase the benefits  
7 any member would otherwise receive under the County Employees  
8 Retirement Act.

9 (5) A participant or beneficiary who would have been  
10 required to receive required minimum distributions for 2009  
11 but for the enactment of section 401(a)(9)(H) of the Internal  
12 Revenue Code, and who would have satisfied that requirement by  
13 receiving distributions that are either equal to the 2009 required  
14 minimum distributions or one or more payments in a series of  
15 substantially equal distributions, including the 2009 required  
16 minimum distribution, made at least annually and expected to  
17 last for the life or life expectancy of the participant, the  
18 joint lives or joint life expectancy of the participant and  
19 the participant's designated beneficiary, or for a period of  
20 at least ten years, shall receive those distributions for 2009  
21 unless the participant or beneficiary chooses not to receive such  
22 distributions. Participants and beneficiaries shall be given the  
23 opportunity to elect to stop receiving the distributions described  
24 in this subsection.

25 Sec. 7. Section 23-2317, Reissue Revised Statutes of  
26 Nebraska, is amended to read:

27 23-2317 (1) The future service retirement benefit shall

1 be an annuity, payable monthly with the first payment made no  
2 earlier than the annuity start date, which shall be the actuarial  
3 equivalent of the retirement value as specified in section 23-2316  
4 based on factors determined by the board, except that gender shall  
5 not be a factor when determining the amount of such payments  
6 pursuant to subsection (2) of this section.

7           Except as provided in section 42-1107, at any time before  
8 the annuity start date, the retiring employee may choose to receive  
9 his or her annuity either in the form of an annuity as provided  
10 under subsection (4) of this section or any optional form that is  
11 determined by the board.

12           Except as provided in section 42-1107, in lieu of the  
13 future service retirement annuity, a retiring employee may receive  
14 a benefit not to exceed the amount in his or her employer and  
15 employee accounts as of the date of final account value payable  
16 in a lump sum and, if the employee chooses not to receive the  
17 entire amount in such accounts, an annuity equal to the actuarial  
18 equivalent of the remainder of the retirement value, and the  
19 employee may choose any form of such annuity as provided for by the  
20 board.

21           In any case, the amount of the monthly payment shall  
22 be such that the annuity chosen shall be the actuarial equivalent  
23 of the retirement value as specified in section 23-2316 except as  
24 provided in this section.

25           The board shall provide to any county employee who is  
26 eligible for retirement, prior to his or her selecting any of the  
27 retirement options provided by this section, information on the

1 federal and state income tax consequences of the various annuity or  
2 retirement benefit options.

3 (2) Except as provided in subsection (4) of this section,  
4 the monthly income payable to a member retiring on or after January  
5 1, 1984, shall be as follows:

6 He or she shall receive at retirement the amount which  
7 may be purchased by the accumulated contributions based on annuity  
8 rates in effect on the annuity start date which do not utilize  
9 gender as a factor, except that such amounts shall not be less  
10 than the retirement income which can be provided by the sum of  
11 the amounts derived pursuant to subdivisions (a) and (b) of this  
12 subsection as follows:

13 (a) The income provided by the accumulated contributions  
14 made prior to January 1, 1984, based on male annuity purchase rates  
15 in effect on the date of purchase; and

16 (b) The income provided by the accumulated contributions  
17 made on and after January 1, 1984, based on the annuity purchase  
18 rates in effect on the date of purchase which do not use gender as  
19 a factor.

20 (3) Any amount, in excess of contributions, which may be  
21 required in order to purchase the retirement income specified in  
22 subsection (2) of this section shall be withdrawn from the County  
23 Equal Retirement Benefit Fund.

24 (4) (a) The normal form of payment shall be a single life  
25 annuity with five-year certain, which is an annuity payable monthly  
26 during the remainder of the member's life with the provision that,  
27 in the event of his or her death before sixty monthly payments

1 have been made, the monthly payments will be continued to his or  
2 her estate or to the beneficiary he or she has designated until  
3 sixty monthly payments have been made in total. Such annuity shall  
4 be equal to the actuarial equivalent of the member cash balance  
5 account or the sum of the employee and employer accounts, whichever  
6 is applicable, as of the date of final account value. As a part  
7 of the annuity, the normal form of payment may include a two and  
8 one-half percent cost-of-living adjustment purchased by the member,  
9 if the member elects such a payment option.

10           Except as provided in section 42-1107, a member may elect  
11 a lump-sum distribution of his or her member cash balance account  
12 as of the date of final account value upon termination of service  
13 or retirement.

14           For a member employed and participating in the retirement  
15 system prior to January 1, 2003, who has elected to participate  
16 in the cash balance benefit pursuant to section 23-2308.01, or  
17 for a member employed and participating in the retirement system  
18 beginning on and after January 1, 2003, the balance of his or her  
19 member cash balance account as of the date of final account value  
20 shall be converted to an annuity using an interest rate used in the  
21 actuarial valuation as recommended by the actuary and approved by  
22 the board.

23           For an employee who is a member prior to January 1, 2003,  
24 who has elected not to participate in the cash balance benefit  
25 pursuant to section 23-2308.01, and who, at the time of retirement,  
26 chooses the annuity option rather than the lump-sum option, his  
27 or her employee and employer accounts as of the date of final

1 account value shall be converted to an annuity using an interest  
2 rate that is equal to the lesser of (i) the Pension Benefit  
3 Guaranty Corporation initial interest rate for valuing annuities  
4 for terminating plans as of the beginning of the year during  
5 which payment begins plus three-fourths of one percent or (ii) the  
6 interest rate used in the actuarial valuation as recommended by the  
7 actuary and approved by the board.

8 (b) For the calendar year beginning January 1, 2003, and  
9 each calendar year thereafter, the actuary for the board shall  
10 perform an actuarial valuation of the system using the entry  
11 age actuarial cost method. Under this method, the actuarially  
12 required funding rate is equal to the normal cost rate plus the  
13 contribution rate necessary to amortize the unfunded actuarial  
14 accrued liability on a level-payment basis. The normal cost under  
15 this method shall be determined for each individual member on  
16 a level percentage of salary basis. The normal cost amount is  
17 then summed for all members. The initial unfunded actual accrued  
18 liability as of January 1, 2003, if any, shall be amortized  
19 over a twenty-five-year period. During each subsequent actuarial  
20 valuation, changes in the unfunded actuarial accrued liability  
21 due to changes in benefits, actuarial assumptions, the asset  
22 valuation method, or actuarial gains or losses shall be measured  
23 and amortized over a twenty-five-year period beginning on the  
24 valuation date of such change. If the unfunded actuarial accrued  
25 liability under the entry age actuarial cost method is zero or  
26 less than zero on an actuarial valuation date, then all prior  
27 unfunded actuarial accrued liabilities shall be considered fully

1 funded and the unfunded actuarial accrued liability shall be  
2 reinitialized and amortized over a twenty-five-year period as  
3 of the actuarial valuation date. If the actuarially required  
4 contribution rate exceeds the rate of all contributions required  
5 pursuant to the County Employees Retirement Act, there shall be  
6 a supplemental appropriation sufficient to pay for the difference  
7 between the actuarially required contribution rate and the rate of  
8 all contributions required pursuant to the act.

9 (c) If the unfunded accrued actuarial liability under the  
10 entry age actuarial cost method is less than zero on an actuarial  
11 valuation date, and on the basis of all data in the possession  
12 of the retirement board, including such mortality and other tables  
13 as are recommended by the actuary engaged by the retirement board  
14 and adopted by the retirement board, the retirement board may  
15 elect to pay a dividend to all members participating in the  
16 cash balance option in an amount that would not increase the  
17 actuarial contribution rate above ninety percent of the actual  
18 contribution rate. Dividends shall be credited to the employee cash  
19 balance account and the employer cash balance account based on the  
20 account balances on the actuarial valuation date. In the event a  
21 dividend is granted and paid after the actuarial valuation date,  
22 interest for the period from the actuarial valuation date until the  
23 dividend is actually paid shall be paid on the dividend amount. The  
24 interest rate shall be the interest credit rate earned on regular  
25 contributions.

26 (5) At the option of the retiring member, any lump sum  
27 or annuity provided under this section or section 23-2334 may be

1 deferred to commence at any time, except that no benefit shall be  
2 deferred later than April 1 of the year following the year in which  
3 the employee has both attained at least seventy and one-half years  
4 of age and has terminated his or her employment with the county. 7  
5 ~~except that for members participating in the defined contribution~~  
6 ~~benefit, no distribution is required to be made for the plan~~  
7 ~~year commencing January 1, 2009, through December 31, 2009.~~ Such  
8 election by the retiring member may be made at any time prior to  
9 the commencement of the lump-sum or annuity payments.

10 (6) A participant or beneficiary who would have been  
11 required to receive required minimum distributions for 2009  
12 but for the enactment of section 401(a)(9)(H) of the Internal  
13 Revenue Code, and who would have satisfied that requirement by  
14 receiving distributions that are either equal to the 2009 required  
15 minimum distributions or one or more payments in a series of  
16 substantially equal distributions, including the 2009 required  
17 minimum distribution, made at least annually and expected to  
18 last for the life or life expectancy of the participant, the  
19 joint lives or joint life expectancy of the participant and  
20 the participant's designated beneficiary, or for a period of  
21 at least ten years, shall receive those distributions for 2009  
22 unless the participant or beneficiary chooses not to receive such  
23 distributions. Participants and beneficiaries shall be given the  
24 opportunity to elect to stop receiving the distributions described  
25 in this subsection.

26 Sec. 8. Section 23-2319, Reissue Revised Statutes of  
27 Nebraska, is amended to read:

1                   23-2319 (1) Except as provided in section 42-1107, upon  
2 termination of employment, except for retirement or disability, and  
3 after filing an application with the board, a member may receive:

4                   (a) If not vested, a termination benefit equal to the  
5 amount of his or her employee account or member cash balance  
6 account as of the date of final account value payable in a lump sum  
7 or an annuity with the lump-sum or first annuity payment made at  
8 any time after termination but no later than April 1 of the year  
9 following the year in which the member attains the age of seventy  
10 and one-half years; or ~~except that for members participating in~~  
11 ~~the defined contribution benefit, no distribution is required to be~~  
12 ~~made for the plan year commencing January 1, 2009, through December~~  
13 ~~31, 2009, or~~

14                   (b) If vested, a termination benefit equal to (i) the  
15 amount of his or her member cash balance account as of the date  
16 of final account value payable in a lump sum or an annuity with  
17 the lump-sum or first annuity payment made at any time after  
18 termination but no later than April 1 of the year following the  
19 year in which the member attains the age of seventy and one-half  
20 years or (ii) (A) the amount of his or her employee account as  
21 of the date of final account value payable in a lump sum or an  
22 annuity with the lump-sum or first annuity payment made at any  
23 time after termination but no later than April 1 of the year  
24 following the year in which the member attains the age of seventy  
25 and one-half years plus (B) the amount of his or her employer  
26 account as of the date of final account value payable in a lump  
27 sum or an annuity with the lump-sum or first annuity payment made

1 at any time after termination but no later than April 1 of the  
2 year following the year in which the member attains the age of  
3 seventy and one-half years. ~~For purposes of subdivision (1)(b) of~~  
4 ~~this section, for members participating in the defined contribution~~  
5 ~~benefit, no distribution is required to be made for the plan year~~  
6 ~~commencing January 1, 2009, through December 31, 2009.~~

7 The member cash balance account or employer and employee  
8 accounts of a terminating member shall be retained by the board,  
9 and the termination benefit shall be deferred until a valid  
10 application for benefits has been received.

11 (2) At the option of the terminating member, any lump  
12 sum of the employer account or member cash balance account or any  
13 annuity payment provided under subsection (1) of this section shall  
14 commence as of the first of the month at any time after such  
15 member has terminated his or her employment with the county and no  
16 later than April 1 of the year following the year in which the  
17 member attains the age of seventy and one-half years. ~~except that~~  
18 ~~for members participating in the defined contribution benefit, no~~  
19 ~~distribution is required to be made for the plan year commencing~~  
20 ~~January 1, 2009, through December 31, 2009.~~ Such election by  
21 the terminating member shall be made at any time prior to the  
22 commencement of the lump-sum or annuity payments.

23 (3) Members of the retirement system shall be vested  
24 after a total of three years of participation in the system as a  
25 member pursuant to section 23-2306, including vesting credit. If an  
26 employee retires pursuant to section 23-2315, such employee shall  
27 be fully vested in the retirement system.

1           (4) A participant or beneficiary who would have been  
2 required to receive required minimum distributions for 2009  
3 but for the enactment of section 401(a)(9)(H) of the Internal  
4 Revenue Code, and who would have satisfied that requirement by  
5 receiving distributions that are either equal to the 2009 required  
6 minimum distributions or one or more payments in a series of  
7 substantially equal distributions, including the 2009 required  
8 minimum distribution, made at least annually and expected to  
9 last for the life or life expectancy of the participant, the  
10 joint lives or joint life expectancy of the participant and  
11 the participant's designated beneficiary, or for a period of  
12 at least ten years, shall receive those distributions for 2009  
13 unless the participant or beneficiary chooses not to receive such  
14 distributions. Participants and beneficiaries shall be given the  
15 opportunity to elect to stop receiving the distributions described  
16 in this subsection.

17           Sec. 9. Section 23-2319.01, Reissue Revised Statutes of  
18 Nebraska, is amended to read:

19           23-2319.01 (1) For a member who has terminated employment  
20 and is not vested, the balance of the member's employer account  
21 or employer cash balance account shall be forfeited. The forfeited  
22 account shall be credited to the County Employees Retirement Fund  
23 and shall first be used to meet the expense charges incurred  
24 by the retirement board in connection with administering the  
25 retirement system, which charges shall be credited to the County  
26 Employees Defined Contribution Retirement Expense Fund, if the  
27 member participated in the defined contribution option, or to

1 the County Employees Cash Balance Retirement Expense Fund, if the  
2 member participated in the cash balance option, and the remainder,  
3 if any, shall then be used to restore employer accounts or employer  
4 cash balance accounts. Except as provided in subsection (3) of  
5 section 23-2310.04 and subdivision (4)(c) of section 23-2317,  
6 no forfeited amounts shall be applied to increase the benefits  
7 any member would otherwise receive under the County Employees  
8 Retirement Act.

9 (2)(a) If a member ceases to be an employee due to  
10 the termination of his or her employment by the county and a  
11 grievance or other appeal of the termination is filed, transactions  
12 involving forfeiture of his or her employer account or employer  
13 cash balance account and, except as provided in subdivision (b)  
14 of this subsection, transactions for payment of benefits under  
15 sections 23-2315 and 23-2319 shall be suspended pending the final  
16 outcome of the grievance or other appeal.

17 (b) If a member elects to receive benefits payable under  
18 sections 23-2315 and 23-2319 after a grievance or appeal is filed,  
19 the member may receive an amount up to the balance of his or  
20 her employee account or member cash balance account or twenty-five  
21 thousand dollars payable from the employee account or member cash  
22 balance account, whichever is less.

23 (3) The County Employer Retirement Expense Fund is  
24 created. The fund shall be administered by the Public Employees  
25 Retirement Board. Prior to July 1, 2012, the County Employer  
26 Retirement Expense Fund shall be used to meet expenses of  
27 the retirement system whether such expenses are incurred in

1 administering the member's employer account or in administering the  
2 member's employer cash balance account when the funds available in  
3 the County Employees Defined Contribution Retirement Expense Fund  
4 or County Employees Cash Balance Retirement Expense Fund make such  
5 use reasonably necessary. The County Employer Retirement Expense  
6 Fund shall consist of any reduction in a county contribution which  
7 would otherwise be required to fund future service retirement  
8 benefits or to restore employer accounts or employer cash balance  
9 accounts referred to in subsection (1) of this section. On July 1,  
10 2012, or as soon as practicable thereafter, any money in the County  
11 Employer Retirement Expense Fund shall be transferred by the State  
12 Treasurer to the County Employees Retirement Fund and credited to  
13 the cash balance benefit established in section 23-2308.01.

14 (4) Prior to July 1, 2012, expenses incurred as a  
15 result of a county depositing amounts into the County Employer  
16 Retirement Expense Fund shall be deducted prior to any additional  
17 expenses being allocated. Any remaining amount shall be allocated  
18 in accordance with subsection (3) of this section. Any money in the  
19 County Employer Retirement Expense Fund available for investment  
20 shall be invested by the state investment officer pursuant to  
21 the Nebraska Capital Expansion Act and the Nebraska State Funds  
22 Investment Act.

23 Sec. 10. Section 24-701, Revised Statutes Cumulative  
24 Supplement, 2012, is amended to read:

25 24-701 For purposes of the Judges Retirement Act, unless  
26 the context otherwise requires:

27 (1) Fund means the Nebraska Retirement Fund for Judges;

1           (2) Judge means and includes (a) all duly elected or  
2 appointed Chief Justices or judges of the Supreme Court and judges  
3 of the district courts of Nebraska who serve in such capacity on  
4 and after January 3, 1957, (b) (i) all duly appointed judges of the  
5 Nebraska Workmen's Compensation Court who served in such capacity  
6 on and after September 20, 1957, and prior to July 17, 1986,  
7 and (ii) judges of the Nebraska Workers' Compensation Court who  
8 serve in such capacity on and after July 17, 1986, (c) judges of  
9 separate juvenile courts, (d) judges of the county courts of the  
10 respective counties who serve in such capacity on and after January  
11 5, 1961, (e) judges of the county court and clerk magistrates who  
12 were associate county judges and members of the fund at the time  
13 of their appointment as clerk magistrates, (f) judges of municipal  
14 courts established by Chapter 26, article 1, who served in such  
15 capacity on and after October 23, 1967, and prior to July 1, 1985,  
16 and (g) judges of the Court of Appeals;

17           (3) Prior service means all the periods of time any  
18 person has served as a (a) judge of the Supreme Court or judge  
19 of the district court prior to January 3, 1957, (b) judge of the  
20 county court prior to January 5, 1961, (c) judge of the Nebraska  
21 Workmen's Compensation Court prior to September 20, 1957, (d) judge  
22 of the separate juvenile court, or (e) judge of the municipal court  
23 prior to October 23, 1967;

24           (4) (a) Current service means the period of service (i)  
25 any judge of the Supreme Court or judge of the district court  
26 serves in such capacity from and after January 3, 1957, (ii) (A)  
27 any judge of the Nebraska Workmen's Compensation Court served in

1 such capacity from and after September 20, 1957, and prior to July  
2 17, 1986, and (B) any judge of the Nebraska Workers' Compensation  
3 Court serves in such capacity on and after July 17, 1986, (iii)  
4 any county judge serves in such capacity from and after January  
5 5, 1961, (iv) any judge of a separate juvenile court serves in  
6 such capacity, (v) any judge of the municipal court served in such  
7 capacity subsequent to October 23, 1967, and prior to July 1, 1985,  
8 (vi) any judge of the county court or associate county judge serves  
9 in such capacity subsequent to January 4, 1973, (vii) any clerk  
10 magistrate, who was an associate county judge and a member of the  
11 fund at the time of appointment as a clerk magistrate, serves in  
12 such capacity from and after July 1, 1986, and (viii) any judge of  
13 the Court of Appeals serves in such capacity on or after September  
14 6, 1991.

15 (b) Current service shall not be deemed to be interrupted  
16 by (i) temporary or seasonal suspension of service that does  
17 not terminate the employee's employment, (ii) leave of absence  
18 authorized by the employer for a period not exceeding twelve  
19 months, (iii) leave of absence because of disability, or (iv)  
20 military service, when properly authorized by the board. Current  
21 service does not include any period of disability for which  
22 disability retirement benefits are received under section 24-709;

23 (5) Military service means active service of (a) any  
24 judge of the Supreme Court or judge of the district court in any  
25 of the armed forces of the United States during a war or national  
26 emergency prior or subsequent to September 18, 1955, if such  
27 service commenced while such judge was holding the office of judge,

1 (b) any judge of the Nebraska Workmen's Compensation Court or the  
2 Nebraska Workers' Compensation Court in any of the armed forces  
3 of the United States during a war or national emergency prior or  
4 subsequent to September 20, 1957, if such service commenced while  
5 such judge was holding the office of judge, (c) any judge of the  
6 municipal court in any of the armed forces of the United States  
7 during a war or national emergency prior or subsequent to October  
8 23, 1967, and prior to July 1, 1985, if such service commenced  
9 while such judge was holding the office of judge, (d) any judge  
10 of the county court or associate county judge in any of the armed  
11 forces of the United States during a war or national emergency  
12 prior or subsequent to January 4, 1973, if such service commenced  
13 while such judge was holding the office of judge, (e) any clerk  
14 magistrate, who was an associate county judge and a member of the  
15 fund at the time of appointment as a clerk magistrate, in any of  
16 the armed forces of the United States during a war or national  
17 emergency on or after July 1, 1986, if such service commenced while  
18 such clerk magistrate was holding the office of clerk magistrate,  
19 and (f) any judge of the Court of Appeals in any of the armed  
20 forces of the United States during a war or national emergency on  
21 or after September 6, 1991, if such service commenced while such  
22 judge was holding the office of judge. The board shall have the  
23 power to determine when a national emergency exists or has existed  
24 for the purpose of applying this definition and provision;

25 (6) Creditable service means the total number of years  
26 served as a judge, including prior service, military service, and  
27 current service, computed to the nearest one-twelfth year. For

1 current service prior to the time that the member has contributed  
2 the required percentage of salary until the maximum benefit as  
3 limited by section 24-710 has been earned, creditable service does  
4 not include current service for which member contributions are not  
5 made or are withdrawn and not repaid;

6 (7) (a) Compensation means the statutory salary of a judge  
7 or the salary being received by such judge pursuant to law.  
8 Compensation does not include compensation for unused sick leave  
9 or unused vacation leave converted to cash payments, insurance  
10 premiums converted into cash payments, reimbursement for expenses  
11 incurred, fringe benefits, per diems, or bonuses for services  
12 not actually rendered, including, but not limited to, early  
13 retirement inducements, cash awards, and severance pay, except  
14 for retroactive salary payments paid pursuant to court order,  
15 arbitration, or litigation and grievance settlements. Compensation  
16 includes overtime pay, member retirement contributions, and amounts  
17 contributed by the member to plans under sections 125 and 457 of  
18 the Internal Revenue Code as defined in section 49-801.01 or any  
19 other section of the code which defers or excludes such amounts  
20 from income.

21 (b) Compensation in excess of the limitations set forth  
22 in section 401(a)(17) of the Internal Revenue Code as defined  
23 in section 49-801.01 shall be disregarded. For an employee who  
24 was a member of the retirement system before the first plan year  
25 beginning after December 31, 1995, the limitation on compensation  
26 shall not be less than the amount which was allowed to be taken  
27 into account under the retirement system as in effect on July 1,

1 1993;

2 (8) Beneficiary means a person so designated by a judge  
3 in the last designation of beneficiary on file with the board or,  
4 if no designated person survives or if no designation is on file,  
5 the estate of such judge;

6 (9) Normal form annuity means a series of equal monthly  
7 payments payable at the end of each calendar month during the  
8 life of a retired judge as provided in sections 24-707 and 24-710,  
9 except as provided in section 42-1107. The first payment shall  
10 include all amounts accrued since the effective date of the award  
11 of the annuity. The last payment shall be at the end of the  
12 calendar month in which such judge dies. If at the time of death  
13 the amount of annuity payments such judge has received is less  
14 than contributions to the fund made by such judge, plus regular  
15 interest, the difference shall be paid to the beneficiary or  
16 estate;

17 (10) Board means the Public Employees Retirement Board;

18 (11) Member means a judge eligible to participate in the  
19 retirement system established under the Judges Retirement Act;

20 (12) Original member means a judge who first served as  
21 a judge prior to December 25, 1969, who does not elect to become  
22 a future member pursuant to subsection (8) of section 24-703 or  
23 section 24-710.01, and who was retired on or before December 31,  
24 1992;

25 (13) Future member means a judge who first served as  
26 a judge on or after December 25, 1969, or means a judge who  
27 first served as a judge prior to December 25, 1969, who elects to

1 become a future member on or before June 30, 1970, as provided in  
2 subsection (8) of section 24-703 or section 24-710.01;

3 (14) Final average compensation means the average monthly  
4 compensation for the three twelve-month periods of service as a  
5 judge in which compensation was the greatest or, in the event of  
6 a judge serving less than three twelve-month periods, the average  
7 monthly compensation for such judge's period of service;

8 (15) Regular interest means interest fixed at a rate  
9 equal to the daily treasury yield curve for one-year treasury  
10 securities, as published by the Secretary of the Treasury of the  
11 United States, that applies on July 1 of each year, which may be  
12 credited monthly, quarterly, semiannually, or annually as the board  
13 may direct;

14 (16) Normal retirement date means the first day of the  
15 month following attainment of age sixty-five;

16 (17) Actuarial equivalence means the equality in value of  
17 the aggregate amounts expected to be received under different forms  
18 of payment. The determinations are to be based on the 1994 Group  
19 Annuity Mortality Table reflecting sex-distinct factors blended  
20 using seventy-five percent of the male table and twenty-five  
21 percent of the female table. An interest rate of eight percent per  
22 annum shall be reflected in making these determinations;

23 (18) Current benefit means the initial benefit increased  
24 by all adjustments made pursuant to the Judges Retirement Act;

25 (19) Initial benefit means the retirement benefit  
26 calculated at the time of retirement;

27 (20) Plan year means the twelve-month period beginning on

1 July 1 and ending on June 30 of the following year;

2 (21) Retirement application means the form approved and  
3 provided by the retirement system for acceptance of a member's  
4 request for either regular or disability retirement;

5 (22) Retirement date means (a) the first day of the month  
6 following the date upon which a member's request for retirement  
7 is received on a retirement application if the member is eligible  
8 for retirement and has terminated employment or (b) the first day  
9 of the month following termination of employment if the member is  
10 eligible for retirement and has filed an application but has not  
11 yet terminated employment;

12 ~~(21)~~ (23) Retirement system or system means the Nebraska  
13 Judges Retirement System as provided in the Judges Retirement Act;

14 ~~(22)~~ (24) Surviving spouse means (a) the spouse married  
15 to the member on the date of the member's death or (b) the spouse  
16 or former spouse of the member if survivorship rights are provided  
17 under a qualified domestic relations order filed with the board  
18 pursuant to the Spousal Pension Rights Act. The spouse or former  
19 spouse shall supersede the spouse married to the member on the  
20 date of the member's death as provided under a qualified domestic  
21 relations order. If the benefits payable to the spouse or former  
22 spouse under the qualified domestic relations order are less than  
23 the value of benefits entitled to the surviving spouse, the spouse  
24 married to the member on the date of the member's death shall be  
25 the surviving spouse for the balance of the benefits; and

26 ~~(23)~~ (25) Termination of employment occurs on the date on  
27 which the State Court Administrator's office determines that the

1 judge's employer-employee relationship with the State of Nebraska  
2 is dissolved. The State Court Administrator's office shall notify  
3 the board of the date on which such a termination has occurred.  
4 Termination of employment does not include ceasing employment as  
5 a judge if the judge returns to regular employment as a judge or  
6 is employed on a regular basis by another agency of the State of  
7 Nebraska and there are less than one hundred twenty days between  
8 the date when the judge's employer-employee relationship ceased  
9 and the date when the employer-employee relationship recommences.  
10 It is the responsibility of the employer that is involved in the  
11 termination of employment to notify the board of such change in  
12 employment and provide the board with such information as the  
13 board deems necessary. If the board determines that termination of  
14 employment has not occurred and a retirement benefit has been paid  
15 to a member of the retirement system pursuant to section 24-710,  
16 the board shall require the member who has received such benefit to  
17 repay the benefit to the retirement system.

18           Sec. 11. Section 24-703, Revised Statutes Cumulative  
19 Supplement, 2012, is amended to read:

20           24-703 (1) Each original member shall contribute monthly  
21 four percent of his or her monthly compensation to the fund  
22 until the maximum benefit as limited in subsection (1) of section  
23 24-710 has been earned. It shall be the duty of the Director  
24 of Administrative Services in accordance with subsection (10) of  
25 this section to make a deduction of four percent on the monthly  
26 payroll of each original member who is a judge of the Supreme  
27 Court, a judge of the Court of Appeals, a judge of the district

1 court, a judge of a separate juvenile court, a judge of the county  
2 court, a clerk magistrate of the county court who was an associate  
3 county judge and a member of the fund at the time of his or her  
4 appointment as a clerk magistrate, or a judge of the Nebraska  
5 Workers' Compensation Court showing the amount to be deducted and  
6 its credit to the fund. The Director of Administrative Services  
7 and the State Treasurer shall credit the four percent as shown  
8 on the payroll and the amounts received from the various counties  
9 to the fund and remit the same to the director in charge of the  
10 judges retirement system who shall keep an accurate record of the  
11 contributions of each judge.

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

1           (b) In addition to the contribution required under  
2 subdivision (c) of this subsection, beginning on July 1, 2004,  
3 a judge who first serves as a judge on or after such date or a  
4 future member who elects to make contributions and receive benefits  
5 as provided in section 24-703.03 shall contribute monthly eight  
6 percent of his or her monthly compensation to the fund until the  
7 maximum benefit as limited by subsection (2) of section 24-710  
8 has been earned. In addition to the contribution required under  
9 subdivision (c) of this subsection, after the maximum benefit as  
10 limited in subsection (2) of section 24-710 has been earned, such  
11 judge or future member shall contribute monthly four percent of his  
12 or her monthly compensation to the fund for the remainder of his or  
13 her active service.

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

18           (d) It shall be the duty of the Director of  
19 Administrative Services to make a deduction on the monthly payroll  
20 of each such future member who is a judge of the Supreme Court,  
21 a judge of the Court of Appeals, a judge of the district court,  
22 a judge of a separate juvenile court, a judge of the county  
23 court, a clerk magistrate of the county court who was an associate  
24 county judge and a member of the fund at the time of his or her  
25 appointment as a clerk magistrate, or a judge of the Nebraska  
26 Workers' Compensation Court showing the amount to be deducted and  
27 its credit to the fund. This shall be done each month. The Director

1 of Administrative Services and the State Treasurer shall credit the  
2 amount as shown on the payroll and the amounts received from the  
3 various counties to the fund and remit the same to the director in  
4 charge of the judges retirement system who shall keep an accurate  
5 record of the contributions of each judge.

6 (3) Except as otherwise provided in this subsection, a  
7 Nebraska Retirement Fund for Judges fee of five dollars shall  
8 be taxed as costs in each (a) civil cause of action, criminal  
9 cause of action, traffic misdemeanor or infraction, and city or  
10 village ordinance violation filed in the district courts, the  
11 county courts, and the separate juvenile courts, (b) filing in the  
12 district court of an order, award, or judgment of the Nebraska  
13 Workers' Compensation Court or any judge thereof pursuant to  
14 section 48-188, (c) appeal or other proceeding filed in the Court  
15 of Appeals, and (d) original action, appeal, or other proceeding  
16 filed in the Supreme Court. Beginning on July 1, 2009, and until  
17 July 1, 2014, such fee shall be six dollars. In county courts a sum  
18 shall be charged which is equal to ten percent of each fee provided  
19 by sections 33-125, 33-126.02, 33-126.03, and 33-126.06, rounded to  
20 the nearest even dollar. No judges retirement fee shall be charged  
21 for filing a report pursuant to sections 33-126.02 and 33-126.06.  
22 When collected by the clerk of the district or county court, such  
23 fees shall be paid and information submitted to the director in  
24 charge of the judges retirement system on forms prescribed by the  
25 board by the clerk within ten days after the close of each calendar  
26 quarter. The board may charge a late administrative processing fee  
27 not to exceed twenty-five dollars if the information is not timely

1 received or the money is delinquent. In addition, the board may  
2 charge a late fee of thirty-eight thousandths of one percent of the  
3 amount required to be submitted pursuant to this section for each  
4 day such amount has not been received. Such director shall promptly  
5 thereafter remit the same to the State Treasurer for credit to  
6 the fund. No Nebraska Retirement Fund for Judges fee which is  
7 uncollectible for any reason shall be waived by a county judge as  
8 provided in section 29-2709.

9 (4) All expenditures from the fund shall be authorized by  
10 voucher in the manner prescribed in section 24-713. The fund shall  
11 be used for the payment of all annuities and other benefits and for  
12 the expenses of administration.

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

17 (6) Not later than January 1 of each year, the State  
18 Treasurer shall transfer to the fund the amount certified by the  
19 board as being necessary to pay the cost of any benefits accrued  
20 during the fiscal year ending the previous June 30 in excess  
21 of member contributions for that fiscal year and court fees as  
22 provided in subsection (3) of this section and fees pursuant to  
23 sections 25-2804, 33-103, 33-103.01, 33-106, 33-106.02, 33-123,  
24 33-125, 33-126.02, 33-126.03, and 33-126.06 and directed to be  
25 remitted to the fund, if any, for that fiscal year plus any  
26 required contributions of the state as provided in subsection (9)  
27 of this section.

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

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

7           (9) Not later than January 1 of each year, the State  
8 Treasurer shall transfer to the fund an amount, determined on  
9 the basis of an actuarial valuation as of the previous June 30  
10 and certified by the board, to fully fund the unfunded accrued  
11 liabilities of the retirement system as of June 30, 1988, by level  
12 payments up to January 1, 2000. Such valuation shall be on the  
13 basis of actuarial assumptions recommended by the actuary, approved  
14 by the board, and kept on file with the board. For the fiscal  
15 year beginning July 1, 2002, and each fiscal year thereafter,  
16 the actuary for the board shall perform an actuarial valuation  
17 of the system using the entry age actuarial cost method. Under  
18 this method, the actuarially required funding rate is equal to the  
19 normal cost rate, plus the contribution rate necessary to amortize  
20 the unfunded actuarial accrued liability on a level payment basis.  
21 The normal cost under this method shall be determined for each  
22 individual member on a level percentage of salary basis. The normal  
23 cost amount is then summed for all members. The initial unfunded  
24 actual accrued liability as of July 1, 2002, if any, shall be  
25 amortized over a twenty-five-year period. Prior to July 1, 2006,  
26 changes in the funded actuarial accrued liability due to changes  
27 in benefits, actuarial assumptions, the asset valuation method, or

1 actuarial gains or losses shall be measured and amortized over a  
2 twenty-five-year period beginning on the valuation date of such  
3 change. Beginning July 1, 2006, any existing unfunded liabilities  
4 shall be reinitialized and amortized over a thirty-year period,  
5 and during each subsequent actuarial valuation, changes in the  
6 funded actuarial accrued liability due to changes in benefits,  
7 actuarial assumptions, the asset valuation method, or actuarial  
8 gains or losses shall be measured and amortized over a thirty-year  
9 period beginning on the valuation date of such change. If the  
10 unfunded actuarial accrued liability under the entry age actuarial  
11 cost method is zero or less than zero on an actuarial valuation  
12 date, then all prior unfunded actuarial accrued liabilities shall  
13 be considered fully funded and the unfunded actuarial accrued  
14 liability shall be reinitialized and amortized over a thirty-year  
15 period as of the actuarial valuation date. If the actuarially  
16 required contribution rate exceeds the rate of all contributions  
17 required pursuant to the Judges Retirement Act, there shall be a  
18 supplemental appropriation sufficient to pay for the differences  
19 between the actuarially required contribution rate and the rate of  
20 all contributions required pursuant to the Judges Retirement Act.

21 (10) The state or county shall pick up the member  
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 pursuant to section  
25 414(h)(2) of the Internal Revenue Code in determining federal tax  
26 treatment under the Internal Revenue Code as defined in section  
27 ~~49-801.01, except that the state or county shall continue to~~

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

15           Sec. 12. Section 24-710.13, Revised Statutes Cumulative  
16 Supplement, 2012, is amended to read:

17           24-710.13 (1) Beginning July 1, 2011, and each July 1  
18 thereafter, the board shall determine the number of retired members  
19 or beneficiaries described in subdivision (4)(b) of this section  
20 in the retirement system and an annual benefit adjustment shall  
21 be made by the board for each retired member or beneficiary under  
22 one of the cost-of-living adjustment calculation methods found  
23 in subsection (2), (3), or (4) of this section. Each retired  
24 member or beneficiary, if eligible, shall receive an annual benefit  
25 adjustment under the cost-of-living adjustment calculation method  
26 that provides the retired member or beneficiary the greatest annual  
27 benefit adjustment increase. No retired member or beneficiary shall

1 receive an annual benefit adjustment under more than one of the  
2 cost-of-living adjustment calculation methods provided in this  
3 section.

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

24           (3) The current benefit paid to a retired member or  
25 beneficiary under this subsection shall be increased annually by  
26 the lesser of (a) the percentage change in the Consumer Price Index  
27 for Urban Wage Earners and Clerical Workers for the period between

1 June 30 of the prior year to June 30 of the present year or (b) two  
2 and one-half percent.

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

15 (b) In order for a retired member or beneficiary to  
16 receive the cost-of-living adjustment calculation method provided  
17 in this subsection, the retired member or beneficiary shall be  
18 (i) a retired member or beneficiary who has been receiving a  
19 retirement benefit for at least five years if the member had at  
20 least twenty-five years of creditable service, (ii) a member who  
21 has been receiving a disability retirement benefit for at least  
22 five years pursuant to section 24-709, or (iii) a beneficiary who  
23 has been receiving a death benefit pursuant to section 24-707 or  
24 24-707.01 for at least five years, if the member's or beneficiary's  
25 monthly accrual rate is less than or equal to the minimum accrual  
26 rate as determined by this subsection.

27 (c) The monthly accrual rate under this subsection is the

1 retired member's or beneficiary's total monthly benefit divided by  
2 the number of years of creditable service earned by the retired or  
3 deceased member.

4 (d) The total monthly benefit under this subsection is  
5 the total benefit received by a retired member or beneficiary  
6 pursuant to the Judges Retirement Act and previous adjustments made  
7 pursuant to this section or any other provision of the act that  
8 grants a benefit or cost-of-living increase, but the total monthly  
9 benefit shall not include sums received by an eligible retired  
10 member or eligible beneficiary from federal sources.

11 (e) ~~The minimum accrual rate under this subsection is~~  
12 ~~forty-five dollars and thirty cents until adjusted pursuant to this~~  
13 ~~subsection. Beginning July 1, 2011, Beginning July 1, 2010, the~~  
14 minimum accrual rate under this subsection was forty-six dollars  
15 and eighty-five cents. Beginning July 1, 2011, the minimum accrual  
16 rate under this subsection was forty-eight dollars and seventy-five  
17 cents. Beginning July 1, 2012, the minimum accrual rate under this  
18 subsection was forty-nine dollars and fifty-two cents. Beginning  
19 July 1, 2013, the board shall annually adjust the minimum accrual  
20 rate to reflect the cumulative percentage change in the Consumer  
21 Price Index for Urban Wage Earners and Clerical Workers from the  
22 last adjustment of the minimum accrual rate.

23 (5) Beginning July 1, 2011, and each July 1 thereafter,  
24 each retired member or beneficiary shall receive the sum of the  
25 annual benefit adjustment and such retiree's total monthly benefit  
26 less withholding, which sum shall be the retired member's or  
27 beneficiary's adjusted total monthly benefit. Each retired member

1 or beneficiary shall receive the adjusted total monthly benefit  
2 until the expiration of the annuity option selected by the member  
3 or until the retired member or beneficiary again qualifies for the  
4 annual benefit adjustment, whichever occurs first.

5 (6) The annual benefit adjustment pursuant to this  
6 section shall not cause a current benefit to be reduced, and  
7 a retired member or beneficiary shall never receive less than the  
8 adjusted total monthly benefit until the annuity option selected by  
9 the member expires.

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

21 (8) The state shall contribute to the Nebraska Retirement  
22 Fund for Judges an annual level dollar payment certified by the  
23 board. For the 2011-12 fiscal year through the 2012-13 fiscal year,  
24 the annual level dollar payment certified by the board shall equal  
25 1.04778 percent of six million eight hundred ninety-five thousand  
26 dollars.

27 Sec. 13. Section 79-902, Revised Statutes Cumulative

1 Supplement, 2012, is amended to read:

2 79-902 For purposes of the School Employees Retirement  
3 Act, unless the context otherwise requires:

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

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

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

13 (4) County school official means (a) until July 1, 2000,  
14 the county superintendent or district superintendent and any person  
15 serving in his or her office who is required by law to have  
16 a teacher's certificate and (b) on or after July 1, 2000, the  
17 county superintendent, county school administrator, or district  
18 superintendent and any person serving in his or her office who is  
19 required by law to have a teacher's certificate;

20 (5) Creditable service means prior service for which  
21 credit is granted under sections 79-926 to 79-929, service credit  
22 purchased under sections 79-933.03 to 79-933.06 and 79-933.08,  
23 and all service rendered while a contributing member of the  
24 retirement system. Creditable service includes working days, sick  
25 days, vacation days, holidays, and any other leave days for which  
26 the employee is paid regular wages as part of the employee's  
27 agreement with the employer. Creditable service does not include

1 lump-sum payments to the employee upon termination or retirement  
2 in lieu of accrued benefits for such days, eligibility and vesting  
3 credit, nor service years for which member contributions are  
4 withdrawn and not repaid. Creditable service also does not include  
5 service rendered by a member for which the retirement board  
6 determines that the member was paid less in compensation than the  
7 minimum wage as provided in the Wage and Hour Act or service which  
8 the board determines was rendered with the intent to defraud the  
9 retirement system;

10 (6) Disability retirement allowance means the annuity  
11 paid to a person upon retirement for disability under section  
12 79-952;

13 (7) Employer means the State of Nebraska or any  
14 subdivision thereof or agency of the state or subdivision  
15 authorized by law to hire school employees or to pay their  
16 compensation;

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

19 (9) Regular interest means interest fixed at a rate equal  
20 to the daily treasury yield curve for one-year treasury securities,  
21 as published by the Secretary of the Treasury of the United States,  
22 that applies on July 1 of each year, which may be credited monthly,  
23 quarterly, semiannually, or annually as the board may direct;

24 (10) School employee means a contributing member who  
25 earns service credit pursuant to section 79-927. For purposes of  
26 this section, contributing member means the following persons who  
27 receive compensation from a public school: (a) Regular employees;

1 (b) regular employees having retired pursuant to the School  
2 Employees Retirement Act who subsequently provide compensated  
3 service on a regular basis in any capacity; and (c) regular  
4 employees hired by a public school on an ongoing basis to assume  
5 the duties of other regular employees who are temporarily absent.  
6 Substitute employees, temporary employees, and employees who have  
7 not attained the age of eighteen years shall not be considered  
8 school employees;

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

12 (12) Public school means any and all schools offering  
13 instruction in elementary or high school grades, as defined in  
14 section 79-101, which schools are supported by public funds and are  
15 wholly under the control and management of the State of Nebraska  
16 or any subdivision thereof, including (a) schools or other entities  
17 established, maintained, and controlled by the school boards of  
18 local school districts, except Class V school districts, (b) any  
19 educational service unit, and (c) any other educational institution  
20 wholly supported by public funds, except schools under the control  
21 and management of the Board of Trustees of the Nebraska State  
22 Colleges, the Board of Regents of the University of Nebraska, or  
23 the community college boards of governors for any community college  
24 areas;

25 (13) Retirement means qualifying for and accepting a  
26 school or disability retirement allowance granted under the School  
27 Employees Retirement Act;

1                   (14) Retirement board or board means the Public Employees  
2 Retirement Board;

3                   (15) Retirement system means the School Employees  
4 Retirement System of the State of Nebraska;

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

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

12                   (18) Service means employment as a school employee and  
13 shall not be deemed interrupted by (a) termination at the end of  
14 the school year of the contract of employment of an employee in a  
15 public school if the employee enters into a contract of employment  
16 in any public school, except a school in a Class V school district,  
17 for the following school year, (b) temporary or seasonal suspension  
18 of service that does not terminate the employee's employment,  
19 (c) leave of absence authorized by the employer for a period  
20 not exceeding twelve months, (d) leave of absence because of  
21 disability, or (e) military service when properly authorized by  
22 the retirement board. Service does not include any period of  
23 disability for which disability retirement benefits are received  
24 under sections 79-951 to 79-953;

25                   (19) School retirement allowance means the total of the  
26 savings annuity and the service annuity or formula annuity paid a  
27 person who has retired under sections 79-931 to 79-935. The monthly

1 payments shall be payable at the end of each calendar month during  
2 the life of a retired member. The first payment shall include all  
3 amounts accrued since the effective date of the award of annuity.  
4 The last payment shall be at the end of the calendar month in which  
5 such member dies or in accordance with the payment option chosen by  
6 the member;

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

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

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

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

19 (24) Emeritus member means a person (a) who has entered  
20 retirement under the provisions of the act, including those persons  
21 who have retired since July 1, 1945, under any other regularly  
22 established retirement or pension system as contemplated by section  
23 79-916, (b) who has thereafter been reemployed in any capacity  
24 by a public school, a Class V school district, or a school  
25 under the control and management of the Board of Trustees of the  
26 Nebraska State Colleges, the Board of Regents of the University of  
27 Nebraska, or a community college board of governors or has become

1 a state school official or county school official subsequent to  
2 such retirement, and (c) who has applied to the board for emeritus  
3 membership in the retirement system. The school district or agency  
4 shall certify to the retirement board on forms prescribed by the  
5 retirement board that the annuitant was reemployed, rendered a  
6 service, and was paid by the district or agency for such services;

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

18 (26) Retirement date means (a) if the member has  
19 terminated employment, the first day of the month following the  
20 date upon which a member's request for retirement is received on  
21 a retirement application provided by the retirement system or (b)  
22 if the member has filed ~~an~~ a retirement application but has not  
23 yet terminated employment, the first day of the month following the  
24 date on which the member terminates employment. An application may  
25 be filed no more than ~~ninety~~ one hundred twenty days prior to the  
26 effective date of the member's initial benefit;

27 (27) Disability retirement date means the first day of

1 the month following the date upon which a member's request for  
2 disability retirement is received on a retirement application  
3 provided by the retirement system if the member has terminated  
4 employment in the school system and has complied with sections  
5 79-951 to 79-954 as such sections refer to disability retirement;

6 (28) Retirement application means the form approved and  
7 provided by the retirement system for acceptance of a member's  
8 request for either regular or disability retirement;

9 (29) Eligibility and vesting credit means credit for  
10 years, or a fraction of a year, of participation in a Nebraska  
11 government plan for purposes of determining eligibility for  
12 benefits under the School Employees Retirement Act. Such credit  
13 shall not be included as years of creditable service in the benefit  
14 calculation;

15 (30) (a) Final average compensation means the sum of the  
16 member's total compensation during the three twelve-month periods  
17 of service as a school employee in which such compensation was the  
18 greatest divided by thirty-six.

19 (b) If a member has such compensation for less than  
20 thirty-six months, his or her final average compensation shall be  
21 determined by dividing his or her total compensation in all months  
22 by the total number of months of his or her creditable service  
23 therefor.

24 (c) Payments under the Retirement Incentive Plan pursuant  
25 to section 79-855 and Staff Development Assistance pursuant to  
26 section 79-856 shall not be included in the determination of final  
27 average compensation;

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

3                   (32) Current benefit means the initial benefit increased  
4 by all adjustments made pursuant to the School Employees Retirement  
5 Act;

6                   (33) Initial benefit means the retirement benefit  
7 calculated at the time of retirement;

8                   (34) Surviving spouse means (a) the spouse married to  
9 the member on the date of the member's death or (b) the spouse  
10 or former spouse of the member if survivorship rights are provided  
11 under a qualified domestic relations order filed with the board  
12 pursuant to the Spousal Pension Rights Act. The spouse or former  
13 spouse shall supersede the spouse married to the member on the  
14 date of the member's death as provided under a qualified domestic  
15 relations order. If the benefits payable to the spouse or former  
16 spouse under a qualified domestic relations order are less than  
17 the value of benefits entitled to the surviving spouse, the spouse  
18 married to the member on the date of the member's death shall be  
19 the surviving spouse for the balance of the benefits;

20                   (35)(a) Compensation means gross wages or salaries  
21 payable to the member for personal services performed during the  
22 plan year and includes (i) overtime pay, (ii) member retirement  
23 contributions, (iii) retroactive salary payments paid pursuant to  
24 court order, arbitration, or litigation and grievance settlements,  
25 and (iv) amounts contributed by the member to plans under sections  
26 125, 403(b), and 457 of the Internal Revenue Code as defined in  
27 section 49-801.01 or any other section of the code which defers or

1 excludes such amounts from income.

2 (b) Compensation does not include (i) fraudulently  
3 obtained amounts as determined by the retirement board, (ii)  
4 amounts for unused sick leave or unused vacation leave converted  
5 to cash payments, (iii) insurance premiums converted into cash  
6 payments, (iv) reimbursement for expenses incurred, (v) fringe  
7 benefits, (vi) per diems paid as expenses, (vii) bonuses for  
8 services not actually rendered, including, but not limited to,  
9 early retirement inducements, cash awards, and severance pay, or  
10 (viii) beginning on September 4, 2005, employer contributions made  
11 for the purposes of separation payments made at retirement and  
12 early retirement inducements as provided for in section 79-514.

13 (c) Compensation in excess of the limitations set forth  
14 in section 401(a)(17) of the Internal Revenue Code as defined  
15 in section 49-801.01 shall be disregarded. For an employee who  
16 was a member of the retirement system before the first plan year  
17 beginning after December 31, 1995, the limitation on compensation  
18 shall not be less than the amount which was allowed to be taken  
19 into account under the retirement system as in effect on July 1,  
20 1993.

21 (d) (i) For purposes of section 79-934, in the  
22 determination of compensation for members on or after July 1,  
23 2005, that part of a member's compensation for the plan year  
24 which exceeds the member's compensation with the same employer  
25 for the preceding plan year by more than seven percent of the  
26 compensation base during the sixty months preceding the member's  
27 retirement shall be excluded unless (A) the member experienced a

1 substantial change in employment position, (B) as verified by the  
2 school board, the excess compensation above seven percent occurred  
3 as the result of a collective-bargaining agreement between the  
4 employer and a recognized collective-bargaining unit or category  
5 of school employee, and the percentage increase in compensation  
6 above seven percent shall not be excluded for employees outside of  
7 a collective-bargaining unit or within the same category of school  
8 employee, or (C) the excess compensation occurred as the result  
9 of a districtwide permanent benefit change made by the employer  
10 for a category of school employee in accordance with subdivision  
11 (35) (a) (iv) of this section.

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

13 (A) Category of school employee means either all  
14 employees of the employer who are administrators or certificated  
15 teachers, or all employees of the employer who are not  
16 administrators or certificated teachers, or both;

17 (B) Compensation base means (I) for current members,  
18 employed with the same employer, the member's compensation for the  
19 plan year ending June 30, 2005, or (II) for members newly hired or  
20 hired by a separate employer on or after July 1, 2005, the member's  
21 compensation for the first full plan year following the member's  
22 date of hiring. Thereafter, the member's compensation base shall  
23 be increased each plan year by the lesser of seven percent of the  
24 member's preceding plan year's compensation base or the member's  
25 actual annual compensation increase during the preceding plan year;  
26 and

27 (C) Recognized collective-bargaining unit means a group

1 of employees similarly situated with a similar community of  
2 interest appropriate for bargaining recognized as such by a school  
3 board.

4 (e) (i) ~~In~~ For purposes of section 79-934, in the  
5 determination of compensation for members whose retirement date  
6 is on or after July 1, 2012, until July 1, 2013, that part of a  
7 member's compensation for the plan year which exceeds the member's  
8 compensation with the same employer for the preceding plan year by  
9 more than nine percent of the compensation base during the sixty  
10 months preceding the member's retirement shall be excluded.

11 (ii) For purposes of subdivision (35) (e) of this  
12 section, compensation ~~-(A) Category of school employee means~~  
13 ~~either all employees of the employer who are administrators or~~  
14 ~~certificated teachers, or all employees of the employer who are~~  
15 ~~not administrators or certificated teachers, or both; and (B)~~  
16 Compensation base means (I) (A) for current members employed with  
17 the same employer, the member's compensation for the plan year  
18 ending June 30, 2012, or (II) (B) for members newly hired or hired  
19 by a separate employer on or after July 1, 2012, the member's  
20 compensation for the first full plan year following the member's  
21 date of hiring. Thereafter, the member's compensation base shall  
22 be increased each plan year by the lesser of nine percent of the  
23 member's preceding plan year's compensation base or the member's  
24 actual annual compensation increase during the preceding plan year.

25 (f) (i) ~~In the determination of compensation for members~~  
26 ~~on or after July 1, 2013, that part of a member's compensation for~~  
27 ~~the plan year which exceeds the member's compensation with the same~~

1 employer for the preceding plan year by more than eight percent  
2 of the compensation base during the sixty months preceding the  
3 member's retirement shall be excluded.

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

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

9 ~~(B) Compensation base means (I) for current members~~  
10 ~~employed with the same employer, the member's compensation for the~~  
11 ~~plan year ending June 30, 2013, or (II) for members newly hired or~~  
12 ~~hired by a separate employer on or after July 1, 2013, the member's~~  
13 ~~compensation for the first full plan year following the member's~~  
14 ~~date of hiring. Thereafter, the member's compensation base shall~~  
15 ~~be increased each plan year by the lesser of eight percent of the~~  
16 ~~member's preceding plan year's compensation base or the member's~~  
17 ~~actual annual compensation increase during the preceding plan year;~~

18 (f)(i) Notwithstanding any other provision of this  
19 section, for purposes of section 79-934, in the determination of  
20 compensation for members whose retirement date is on or after July  
21 1, 2013, that part of a member's compensation for the plan year  
22 which exceeds the member's compensation for the preceding plan  
23 year by more than eight percent during the capping period shall  
24 be excluded. Such member's compensation for the first plan year of  
25 the capping period shall be compared to the member's compensation  
26 received for the plan year immediately preceding the capping  
27 period.

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

2           (A) Capping period means the five plan years preceding  
3 the later of (I) such member's retirement date or (II) such  
4 member's final compensation date; and

5           (B) Final compensation date means the later of (I) the  
6 date on which a retiring member's final compensation is actually  
7 paid or (II) if a retiring member's final compensation is paid in  
8 advance as a lump sum, the date on which such final compensation  
9 would have been paid to the member in the absence of such advance  
10 payment;

11           (36) Termination of employment occurs on the date on  
12 which the member experiences a bona fide separation from service of  
13 employment with the member's employer, the date of which separation  
14 is determined by the end of the member's contractual agreement or,  
15 if there is no contract or only partial fulfillment of a contract,  
16 by the employer. The employer shall notify the board of the date on  
17 which such a termination has occurred. It is the responsibility of  
18 the employer that is involved in the termination of employment to  
19 notify the board of such change in employment and provide the board  
20 with such information as the board deems necessary. If the board  
21 determines that termination of employment has not occurred and a  
22 retirement benefit has been paid to a member of the retirement  
23 system pursuant to section 79-933, the board shall require the  
24 member who has received such benefit to repay the benefit to the  
25 retirement system. A member shall not be deemed to have terminated  
26 employment if the member subsequently provides service to any  
27 employer participating in the retirement system provided for in the

1 School Employees Retirement Act within one hundred eighty ~~calendar~~  
2 days after ceasing employment unless such service:

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

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

6 Nothing in this subdivision precludes an employer from  
7 adopting a policy which limits or denies employees who have  
8 terminated employment from providing voluntary or substitute  
9 service within one hundred eighty days after termination.

10 A member shall not be deemed to have terminated  
11 employment if the board determines that a ~~purported~~ claimed  
12 termination was not a bona fide separation from service with the  
13 employer or that a member was compensated for a full contractual  
14 period when the member terminated prior to the end date of the  
15 contract;

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

20 (38) Substitute employee means a person hired by a public  
21 school as a temporary employee to assume the duties of regular  
22 employees due to ~~the~~ a temporary absence of ~~the~~ any regular  
23 employees. Substitute employee does not mean a person hired as a  
24 regular employee on an ongoing basis to assume the duties of other  
25 regular employees who are temporarily absent;

26 (39) Participation means qualifying for and making  
27 required deposits to the retirement system during the course of a

1 plan year;

2 (40) Regular employee means an employee hired by a public  
3 school or under contract in a regular full-time or part-time  
4 position who works a full-time or part-time schedule on an ongoing  
5 basis for fifteen or more hours per week. An employee hired as  
6 described in this subdivision to provide service for less than  
7 fifteen hours per week but who provides service for an average  
8 of fifteen hours or more per week in each calendar month of any  
9 three calendar months of a plan year ~~shall immediately commence~~  
10 ~~contributions and shall be deemed a regular employee; and shall,~~  
11 beginning with the next full payroll period, commence contributions  
12 and shall be deemed a regular employee for all future employment  
13 with the same employer; and

14 (41) Temporary employee means an employee hired by a  
15 public school who is not a regular employee and who is hired  
16 to provide service for a limited period of time to accomplish a  
17 specific purpose or task. When such specific purpose or task is  
18 complete, the employment of such temporary employee shall terminate  
19 and in no case shall the temporary employment period exceed one  
20 year in duration.

21 Sec. 14. Section 79-904.01, Revised Statutes Cumulative  
22 Supplement, 2012, is amended to read:

23 79-904.01 (1) If the board determines that the retirement  
24 system has previously received contributions or distributed  
25 benefits which for any reason are not in accordance with the  
26 statutory provisions of the School Employees Retirement Act,  
27 the board ~~shall~~ may refund contributions, require additional

1 contributions, adjust benefits, or require repayment of benefits  
2 paid. In the event of an overpayment of a benefit, the board may,  
3 in addition to other remedies, offset future benefit payments by  
4 the amount of the prior overpayment, together with regular interest  
5 thereon. In the event of ~~an~~ a material underpayment of a benefit,  
6 the board shall immediately make payment equal to the deficit  
7 amount plus regular interest.

8 (2) If the board determines that termination of  
9 employment has not occurred and a retirement benefit has been paid  
10 to a member of the retirement system pursuant to section 79-933,  
11 such member shall repay the benefit to the retirement system.

12 ~~(2)~~ (3) The board shall adopt and promulgate rules and  
13 regulations implementing this section, which shall include, but not  
14 be limited to, the following: (a) The procedures for refunding  
15 contributions, adjusting future contributions or benefit payments,  
16 and requiring additional contributions or repayment of benefits;  
17 (b) the process for a member, member's beneficiary, employee, or  
18 employer to dispute an adjustment of contributions or benefits;  
19 and (c) notice provided to all affected persons. All notices shall  
20 be sent at the time of or prior to an adjustment and shall  
21 describe the process for disputing an adjustment of contributions  
22 or benefits.

23 ~~(3)~~ (4) The board shall not refund contributions made on  
24 compensation in excess of the limitations imposed by subdivision  
25 (35) of section 79-902.

26 Sec. 15. Section 79-917, Reissue Revised Statutes of  
27 Nebraska, is amended to read:

1           79-917 Within the first ~~thirty~~ one hundred eighty days  
2 of employment, a school employee may apply to the board for  
3 eligibility and vesting credit for years of participation in  
4 another Nebraska governmental plan, as defined by section 414(d)  
5 of the Internal Revenue Code. During the years of participation in  
6 the other Nebraska governmental plan, the employee must have been  
7 a full-time or a part-time employee as defined in the Nebraska  
8 governmental plan in which the credit was earned. Such credit shall  
9 not be included as years of service in the benefit calculation. The  
10 board may adopt and promulgate rules and regulations governing the  
11 assessment and granting of eligibility and vesting credit.

12           Sec. 16. Section 79-921, Reissue Revised Statutes of  
13 Nebraska, is amended to read:

14           79-921 (1) The membership of any person in the retirement  
15 system shall cease only if he or she (a) withdraws his or her  
16 accumulated contributions under section 79-955, (b) retires on a  
17 school or formula or disability retirement allowance, or (c) dies.

18           (2) The employer shall notify the board of the date  
19 upon which a termination has occurred. It is the responsibility of  
20 the employer that is involved in the termination of employment to  
21 notify the board of such change in employment and provide the board  
22 with such information as the board deems necessary.

23           ~~(2)~~ (3) The retirement board shall reinstate to  
24 membership, with the same status as when such membership ceased,  
25 a school employee who has withdrawn his or her accumulated  
26 contributions under the following conditions:

27           (a) If he or she again becomes an employee and if such

1 employee chooses within three years after rejoining the system to  
2 repay, within five years after the date on which he or she rejoins  
3 the retirement system or prior to termination of employment,  
4 whichever is first, to the retirement board part or all of the  
5 amount he or she has withdrawn plus interest which would have  
6 accrued on that amount under the retirement system; or

7 (b) If, more than three years after again becoming an  
8 employee and rejoining the system but prior to termination of  
9 employment, he or she chooses to repay part or all of the amount he  
10 or she has withdrawn, plus an amount equal to the actuarial assumed  
11 rate of return for the period repaid. Payment must be completed  
12 within five years after electing to repay or prior to termination,  
13 whichever is earlier.

14 ~~(3)~~ (4) Prior creditable service shall be restored in  
15 proportion to the amounts repaid. A member's prior creditable  
16 service shall be fully restored only if the member has repaid  
17 all accumulated withdrawals in accordance with either subdivision  
18 ~~(2)(a) or (2)(b)~~ (3)(a) or (3)(b) of this section, as applicable.  
19 Repayment may be made through direct payment, installment payments,  
20 or an irrevocable payroll deduction authorization. If the school  
21 employee chooses not to repay such withdrawals with interest, the  
22 school employee shall enter the system as a new member with no  
23 prior rights.

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

26 79-947.06 (1) Beginning July 1, 2011, and each July 1  
27 thereafter, the board shall determine the number of retired members

1 or beneficiaries described in subdivision (4)(b) of this section  
2 in the retirement system and an annual benefit adjustment shall  
3 be made by the board for each retired member or beneficiary under  
4 one of the cost-of-living adjustment calculation methods found  
5 in subsection (2), (3), or (4) of this section. Each retired  
6 member or beneficiary, if eligible, shall receive an annual benefit  
7 adjustment under the cost-of-living adjustment calculation method  
8 that provides the retired member or beneficiary the greatest annual  
9 benefit adjustment increase. No retired member or beneficiary shall  
10 receive an annual benefit adjustment under more than one of the  
11 cost-of-living adjustment calculation methods provided in this  
12 section.

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

1 which would be less than seventy-five percent of the purchasing  
2 power of the initial benefit as calculated in this subsection, the  
3 adjustment shall instead be equal to the percentage change in the  
4 Consumer Price Index for Urban Wage Earners and Clerical Workers  
5 factor from the prior year to the current year.

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

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

24 (b) In order for a retired member or beneficiary to  
25 receive the cost-of-living adjustment calculation method provided  
26 in this subsection, the retired member or beneficiary shall be (i)  
27 a retired member or beneficiary who has been receiving a retirement

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

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

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

21 (e) ~~The minimum accrual rate under this subsection is~~  
22 ~~twenty-three dollars and thirty-two cents until adjusted pursuant~~  
23 ~~to this subsection. Beginning July 1, 2011, Beginning July 1, 2010,~~  
24 the minimum accrual rate under this subsection was twenty-four  
25 dollars and eleven cents. Beginning July 1, 2011, the minimum  
26 accrual rate under this subsection was twenty-five dollars and nine  
27 cents. Beginning July 1, 2012, the minimum accrual rate under this

1 subsection was twenty-five dollars and forty-nine cents. Beginning  
2 July 1, 2013, the board shall annually adjust the minimum accrual  
3 rate to reflect the cumulative percentage change in the Consumer  
4 Price Index for Urban Wage Earners and Clerical Workers from the  
5 last adjustment of the minimum accrual rate.

6 (5) Beginning July 1, 2011, and each July 1 thereafter,  
7 each retired member or beneficiary shall receive the sum of the  
8 annual benefit adjustment and such retiree's total monthly benefit  
9 less withholding, which sum shall be the retired member's or  
10 beneficiary's adjusted total monthly benefit. Each retired member  
11 or beneficiary shall receive the adjusted total monthly benefit  
12 until the expiration of the annuity option selected by the member  
13 or until the retired member or beneficiary again qualifies for the  
14 annual benefit adjustment, whichever occurs first.

15 (6) The annual benefit adjustment pursuant to this  
16 section shall not cause a current benefit to be reduced, and  
17 a retired member or beneficiary shall never receive less than the  
18 adjusted total monthly benefit until the annuity option selected by  
19 the member expires.

20 (7) The board shall adjust the annual benefit adjustment  
21 provided in this section so that the cost-of-living adjustment  
22 provided to the retired member or beneficiary at the time of  
23 the annual benefit adjustment does not exceed the change in the  
24 Consumer Price Index for Urban Wage Earners and Clerical Workers  
25 for the period between June 30 of the prior year to June 30  
26 of the present year. If the consumer price index used in this  
27 section is discontinued or replaced, a substitute index published

1 by the United States Department of Labor shall be selected by the  
2 board which shall be a reasonable representative measurement of the  
3 cost-of-living for retired employees.

4 (8) The state shall contribute to the Annuity Reserve  
5 Fund an annual level dollar payment certified by the board. For  
6 the 2011-12 fiscal year through the 2012-13 fiscal year, the annual  
7 level dollar payment certified by the board shall equal 81.7873  
8 percent of six million eight hundred ninety-five thousand dollars.

9 Sec. 18. Section 79-956, Revised Statutes Cumulative  
10 Supplement, 2012, is amended to read:

11 79-956 (1) If a member dies before his or her retirement  
12 date, his or her accumulated contributions shall be paid to his  
13 or her estate, to an alternate payee pursuant to a qualified  
14 domestic relations order as provided in section 42-1107, or to the  
15 person he or she has nominated by designation duly executed  
16 and filed with the retirement board. Except for payment to  
17 an alternative payee pursuant to a qualified domestic relations  
18 order, if no legal representative or beneficiary applies for such  
19 accumulated contributions within five years following the date of  
20 the deceased member's death, the contributions shall be distributed  
21 in accordance with the Uniform Disposition of Unclaimed Property  
22 Act.

23 (2) When the deceased member has twenty years or more of  
24 creditable service regardless of age or dies on or after his or  
25 her sixty-fifth birthday and leaves a surviving spouse who has been  
26 designated as beneficiary and who, as of the date of the member's  
27 death, is the sole surviving primary beneficiary, such beneficiary

1 may elect, within twelve months after the death of the member, to  
2 receive (a) a refund of the member's contribution account balance,  
3 including interest, plus an additional one hundred one percent of  
4 the member's contribution account balance, including interest, or  
5 (b) an annuity which shall be equal to the amount that would have  
6 accrued to the member had he or she elected to have the retirement  
7 annuity paid as a one-hundred-percent joint and survivor annuity  
8 payable as long as either the member or the member's spouse should  
9 survive and had the member retired (i) on the date of death if his  
10 or her age at death is sixty-five years or more or (ii) at age  
11 sixty-five years if his or her age at death is less than sixty-five  
12 years.

13 (3) When the deceased member who was a school employee on  
14 or after May 1, 2001, has not less than five years of creditable  
15 service and less than twenty years of creditable service and dies  
16 before his or her sixty-fifth birthday and leaves a surviving  
17 spouse who has been designated in writing as beneficiary and who,  
18 as of the date of the member's death, is the sole surviving  
19 primary beneficiary, such beneficiary may elect, within twelve  
20 months after the death of the member, to receive (a) a refund of  
21 the member's contribution account balance with interest plus an  
22 additional one hundred one percent of the member's contribution  
23 account balance with interest or (b) an annuity payable monthly  
24 for the surviving spouse's lifetime which shall be equal to the  
25 benefit amount that had accrued to the member at the date of the  
26 member's death, commencing when the member would have reached age  
27 sixty, or the member's age at death if greater, reduced by three

1 percent for each year payments commence before the member would  
2 have reached age sixty-five, and adjusted for payment in the form  
3 of a one-hundred-percent joint and survivor annuity.

4 (4) If the requirements of subsection (2) or (3) of  
5 this section are not met, then the beneficiary or the estate,  
6 if the member has not filed a statement with the board naming a  
7 beneficiary, shall be paid a lump sum equal to all contributions  
8 to the fund made by such member plus regular interest, except that  
9 commencing on January 1, 2006, an application for benefits under  
10 subsection (2) or (3) of this section shall be deemed to have  
11 been timely filed if the application is received by the retirement  
12 system within twelve months after the date of the death of the  
13 member.

14 (5) Benefits to which a surviving spouse, beneficiary, or  
15 estate of a member shall be entitled pursuant to this section shall  
16 commence immediately upon the death of such member.

17 (6) A lump-sum death benefit paid to the member's  
18 beneficiary, other than the member's estate, that is an eligible  
19 distribution may be distributed in the form of a direct transfer  
20 to a retirement plan eligible to receive such transfer under the  
21 provisions of the Internal Revenue Code.

22 (7) For any member whose death occurs on or after January  
23 1, 2007, while performing qualified military service as defined  
24 in section 414(u) of the Internal Revenue Code, the member's  
25 beneficiary shall be entitled to any additional death benefit  
26 that would have been provided, other than the accrual of any  
27 benefit relating to the period of qualified military service. The

1 additional death benefit shall be determined as if the member had  
2 returned to employment with the employer and such employment had  
3 terminated on the date of the member's death.

4           Sec. 19. Section 79-958, Revised Statutes Cumulative  
5 Supplement, 2012, is amended to read:

6           79-958 (1) Beginning on September 1, 2009, and ending  
7 August 31, 2011, for the purpose of providing the funds to pay  
8 for formula annuities, every employee shall be required to deposit  
9 in the School Retirement Fund eight and twenty-eight hundredths  
10 percent of compensation. Beginning on September 1, 2011, and ending  
11 August 31, 2012, for the purpose of providing the funds to pay  
12 for formula annuities, every employee shall be required to deposit  
13 in the School Retirement Fund eight and eighty-eight hundredths  
14 percent of compensation. Beginning on September 1, 2012, and ending  
15 August 31, 2017, for the purpose of providing the funds to pay  
16 for formula annuities, every employee shall be required to deposit  
17 in the School Retirement Fund nine and seventy-eight hundredths  
18 percent of compensation. Beginning on September 1, 2017, for the  
19 purpose of providing the funds to pay for formula annuities, every  
20 employee shall be required to deposit in the School Retirement Fund  
21 seven and twenty-eight hundredths percent of compensation. Such  
22 deposits shall be transmitted at the same time and in the same  
23 manner as required employer contributions.

24           (2) For the purpose of providing the funds to pay for  
25 formula annuities, every employer shall be required to deposit  
26 in the School Retirement Fund one hundred one percent of the  
27 required contributions of the school employees of each employer.

1 Such deposits shall be transmitted to the retirement board at  
2 the same time and in the same manner as such required employee  
3 contributions.

4 (3) The employer shall pick up the member contributions  
5 required by this section for all compensation paid on or after  
6 January 1, 1986, and the contributions so picked up shall be  
7 treated as employer contributions pursuant to section 414(h)(2)  
8 of the Internal Revenue Code in determining federal tax treatment  
9 under the ~~Internal Revenue Code as defined in section 49-801.01,~~  
10 ~~except that the employer shall continue to withhold federal income~~  
11 ~~taxes based upon these contributions until the Internal Revenue~~  
12 ~~Service or the federal courts rule that,~~ pursuant to section 414(h)  
13 ~~of the code,~~ these contributions code and shall not be included as  
14 gross income of the member until such time as they are distributed  
15 or made available. The contributions, although designated as member  
16 contributions, shall be paid by the employer in lieu of member  
17 contributions. The employer shall pay these member contributions  
18 from the same source of funds which is used in paying earnings to  
19 the member. The employer shall pick up these contributions by a  
20 compensation deduction through a reduction in the cash compensation  
21 of the member. Member contributions picked up shall be treated for  
22 all purposes of the School Employees Retirement Act in the same  
23 manner and to the same extent as member contributions made prior to  
24 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. 20. Section 79-962, Reissue Revised Statutes of  
5 Nebraska, is amended to read:

6 79-962 Every contract of employment with a school  
7 employee shall specify (1) the contractual period of employment,  
8 including the starting and ending dates of the contract, and (2)  
9 that it is subject to the provisions of the School Employees  
10 Retirement Act.

11 Sec. 21. Section 79-984, Reissue Revised Statutes of  
12 Nebraska, is amended to read:

13 79-984 The board of education or Class V Retirement  
14 System Board shall contract for the services of an actuary who  
15 shall be the technical advisor of the board and the trustees  
16 on matters regarding the operation of the retirement system. The  
17 actuary shall (1) make a general investigation of the operation of  
18 the retirement system at least ~~once in every three years,~~ annually,  
19 which investigation shall cover mortality, retirement, disability,  
20 employment, turnover, interest, and earnable compensation, and  
21 (2) recommend tables to be used for all required actuarial  
22 calculations. The actuary shall perform such other duties as  
23 may be assigned by the board.

24 Sec. 22. Section 79-987, Revised Statutes Cumulative  
25 Supplement, 2012, is amended to read:

26 79-987 (1) An annual audit of the affairs of the  
27 retirement system shall be conducted. At the option of the board,

1 such audit may be conducted by a certified public accountant or the  
2 Auditor of Public Accounts. The costs of such audit shall be paid  
3 from funds of the retirement system. A copy of such audit shall be  
4 filed with the Auditor of Public Accounts.

5 (2) Beginning March 31, 2012, and each March 31  
6 thereafter, if such retirement plan is a defined benefit plan,  
7 the trustees of a retirement system established pursuant to  
8 section 79-979 shall cause to be prepared an annual report and  
9 the administrator shall file the same with the Public Employees  
10 Retirement Board and submit to the members of the Nebraska  
11 Retirement Systems Committee of the Legislature a copy of such  
12 report. The report submitted to the committee shall be submitted  
13 electronically. The report shall consist of a full actuarial  
14 analysis of each such retirement plan established pursuant to  
15 section 79-979. The analysis shall be prepared by an independent  
16 private organization or public entity employing actuaries who are  
17 members ~~in good standing~~ of the American Academy of Actuaries and  
18 meet the academy's qualification standards to render a statement  
19 of actuarial opinion, and which organization or entity has  
20 demonstrated expertise to perform this type of analysis and is  
21 unrelated to any organization offering investment advice or which  
22 provides investment management services to the retirement plan.

23 Sec. 23. Section 79-990, Revised Statutes Cumulative  
24 Supplement, 2012, is amended to read:

25 79-990 (1) Any member who is eligible for reemployment  
26 on or after December 12, 1994, pursuant to 38 U.S.C. 4301 et  
27 seq., as adopted under section 55-161, or who is eligible for

1 reemployment under section 55-160 may pay to the retirement system  
2 after the date of his or her return from active military service,  
3 and within the period required by law, not to exceed five years,  
4 an amount equal to the sum of all deductions which would have been  
5 made from the salary which he or she would have received during  
6 the period of military service for which creditable service is  
7 desired. If such payment is made, the member shall be entitled  
8 to credit for membership service in determining his or her  
9 annuity for the period for which contributions have been made  
10 and the board shall be responsible for any funding necessary to  
11 provide for the benefit which is attributable to this increase in  
12 the member's creditable service. The member's payments shall be  
13 paid as the trustees may direct, through direct payments to the  
14 retirement system or on an installment basis pursuant to a binding  
15 irrevocable payroll deduction authorization between the member and  
16 the school district. Creditable service may be purchased only in  
17 one-tenth-year increments, starting with the most recent years'  
18 salary.

19 (2) Under such rules and regulations as the board may  
20 prescribe, any member who was away from his or her position while  
21 on a leave of absence from such position authorized by the board of  
22 education of the school district by which he or she was employed at  
23 the time of such leave of absence or pursuant to any contractual  
24 agreement entered into by such school district may receive credit  
25 for any or all time he or she was on leave of absence. Such  
26 time shall be included in creditable service when determining  
27 eligibility for death, disability, termination, and retirement

1 benefits. The member who receives the credit shall earn benefits  
2 during the leave based on salary at the level received immediately  
3 prior to the leave of absence. Such credit shall be received if  
4 such member pays into the retirement system (a) an amount equal to  
5 the sum of the deductions from his or her salary for the portion  
6 of the leave for which creditable service is desired, (b) any  
7 contribution which the school district would have been required to  
8 make for the portion of the leave for which creditable service is  
9 desired had he or she continued to receive salary at the level  
10 received immediately prior to the leave of absence, and (c) ~~regular~~  
11 interest on these combined payments from the date such deductions  
12 would have been made to the date of repayment determined by using  
13 the rate of interest established by the board for interest on  
14 such purchases of service credit. Such amounts shall be paid as  
15 the trustees may direct, through direct payments to the retirement  
16 system or on an installment basis pursuant to a binding irrevocable  
17 payroll deduction authorization between the member and the school  
18 district over a period not to exceed five years from the date  
19 of the termination of his or her leave of absence. Interest on  
20 any delayed payment shall be at the rate of ~~regular~~ interest  
21 established by the board for determining interest on delayed  
22 payments by members to the retirement system. Creditable service  
23 may be purchased only in one-tenth-year increments, starting with  
24 the most recent years' salary, and if payments are made on an  
25 installment basis, creditable service will be credited only as  
26 payment has been made to the retirement system to purchase each  
27 additional one-tenth-year increment. Leave of absence shall be

1 construed to include, but not be limited to, sabbaticals, maternity  
2 leave, exchange teaching programs, full-time leave as an elected  
3 official of a professional association or collective-bargaining  
4 unit, or leave of absence to pursue further education or study. A  
5 leave of absence granted pursuant to this section shall not exceed  
6 four years in length, and in order to receive credit for the leave  
7 of absence, the member must have returned to employment with the  
8 school district within one year after termination of the leave of  
9 absence.

10 (3) Until one year after May 2, 2001, any member  
11 currently employed by the school district who resigned from  
12 full-time employment with the school district for maternity  
13 purposes prior to September 1, 1979, and was reemployed as a  
14 full-time employee by the school district before the end of the  
15 school year following the school year of such member's resignation  
16 may have such absence treated as though the absence was a leave of  
17 absence described in subsection (2) of this section. The period of  
18 such absence for maternity purposes shall be included in creditable  
19 service when determining the member's eligibility for death,  
20 disability, termination, and retirement benefits if the member  
21 submits satisfactory proof to the board that the prior resignation  
22 was for maternity purposes and the member complies with the payment  
23 provisions of subsection (2) of this section before the one-year  
24 anniversary of May 2, 2001.

25 Sec. 24. Section 79-991, Reissue Revised Statutes of  
26 Nebraska, is amended to read:

27 79-991 (1) An employee who becomes a member without prior

1 service credit may purchase prior service credit, not to exceed the  
2 lesser of ten years or the member's years of membership service,  
3 for the period of service the member was employed by a school  
4 district or by an educational service unit and which is not used in  
5 the calculation of any retirement or disability benefit having been  
6 paid, being paid, or payable in the future to such member under  
7 any defined benefit retirement system or program maintained by such  
8 other school district or educational service unit. The purchase of  
9 prior service credit shall be made in accordance with and subject  
10 to the following requirements:

11 (a) A member who desires to purchase prior service  
12 credit shall make written application to the administrator of the  
13 retirement system that includes all information and documentation  
14 determined by the administrator as necessary to verify the  
15 member's prior service and qualification to purchase the prior  
16 service credit. Such application shall include the member's written  
17 authorization for the administrator to request and receive from  
18 any of the member's former employers verification of the member's  
19 prior service, salary, and other information for determining the  
20 member's eligibility to purchase prior service credit. Before prior  
21 service credit may be purchased, the administrator shall have  
22 received verification of the member's salary in each year with the  
23 other school district or educational service unit and confirmation  
24 that the prior service to be purchased by the member is not also  
25 credited in the calculation of a retirement or disability benefit  
26 for such member under another defined benefit retirement system  
27 or program. The member's application to purchase prior service

1 credit may be made at any time before the fifth anniversary of the  
2 member's membership in the retirement system or, if earlier, the  
3 member's termination of employment with the school district;

4 (b) The member shall pay to the retirement system the  
5 total amount he or she would have contributed to the retirement  
6 system had he or she been a member of the retirement system during  
7 the period for which prior service is being purchased, together  
8 with ~~regular~~ interest thereon as determined using the rate of  
9 interest established by the board for interest on such purchases  
10 of prior service credit. Such payment shall be based on the most  
11 recent years' salary the member earned in another school district  
12 or educational service unit if the salary is verified by the other  
13 school district or educational service unit or, if not, the payment  
14 shall be based on the member's annual salary at the time he or she  
15 became a member;

16 (c) Payments by the member for the purchase of the prior  
17 service credit shall be paid as the trustees may direct through  
18 direct payments to the retirement system or on an installment basis  
19 pursuant to a binding irrevocable payroll deduction authorization  
20 between the member and the school district over a period not  
21 to exceed five years from the date of membership. Interest  
22 on delayed payments shall be at the rate of ~~regular~~ interest  
23 established by the board for determining interest on delayed  
24 payments by members to the retirement system. In the event  
25 the member terminates employment with the school district for  
26 any reason before full payment for the prior service has been  
27 made, the remaining installments shall be immediately due and

1 payable to the retirement system. Prior service credit may be  
2 purchased only in one-tenth-year increments, and if payments are  
3 made on an installment basis, the prior service will be credited  
4 only as payment has been made to the retirement system. If the  
5 prior service to be purchased by the member exceeds the member's  
6 membership service at the time of application or any subsequent  
7 date, such excess prior service shall be credited to the member  
8 only as the member completes and is credited additional membership  
9 service, in one-tenth-year increments, notwithstanding the member's  
10 payment for such prior service credit. If the member retires  
11 or terminates employment before completing sufficient membership  
12 service to permit all of the excess prior service that has  
13 been purchased by the member to be credited to such member, the  
14 retirement system shall refund to the member, or to the member's  
15 beneficiary if the member's termination is due to his or her death,  
16 the payments that have been made to the retirement system for such  
17 uncredited prior service, together with regular interest on such  
18 refund; and

19 (d) The school district shall contribute to the  
20 retirement system an amount equal to the amount paid by each member  
21 for the purchase of prior service credit at the time such payments  
22 are made by such member.

23 (2) Any member having five or more years of creditable  
24 service, excluding years of prior service acquired pursuant to  
25 section 79-990, 79-994, 79-995, or 79-997, or subsection (1) of  
26 this section, may elect to purchase up to a total of five years  
27 of additional creditable service under the retirement system, and

1 upon such purchase the member shall be given the same status as  
2 though he or she had been a member of the retirement system for  
3 such additional number of years, except as otherwise specifically  
4 provided in the Class V School Employees Retirement Act. Creditable  
5 service may be purchased only in one-tenth-year increments. The  
6 amount to be paid to the retirement system for such creditable  
7 service shall be equal to the actuarial cost to the retirement  
8 system of the increased benefits attributable to such additional  
9 creditable service as determined by the retirement system's actuary  
10 at the time of the purchase pursuant to actuarial assumptions and  
11 methods adopted by the trustees for this purpose. The election  
12 to purchase additional creditable service may be made at any time  
13 before the member's termination of employment, and all payments for  
14 the purchase of such creditable service must be completed within  
15 five years after the election or before the member's termination or  
16 retirement, whichever event occurs first. Payment shall be made as  
17 the trustees may direct through a single payment to the retirement  
18 system, on an installment basis, including payments pursuant to  
19 a binding irrevocable payroll deduction authorization between the  
20 member and the school district, or by such other method approved  
21 by the trustees and permitted by law. If payments are made on  
22 an installment basis, creditable service will be credited only as  
23 payment has been made to the retirement system to purchase each  
24 additional one-tenth-year increment. Interest shall be charged on  
25 installment payments at the rate of ~~regular~~ interest established by  
26 the board for determining interest on delayed payments by members  
27 to the retirement system.

1                   Sec. 25. Section 79-992, Reissue Revised Statutes of  
2 Nebraska, is amended to read:

3                   79-992 (1) A member who has five years or more of  
4 creditable service, excluding years of prior service acquired  
5 pursuant to section 79-990, 79-991, 79-994, 79-995, or 79-997, and  
6 who severs his or her employment may elect to leave his or her  
7 contributions in the retirement system, in which event he or she  
8 shall receive a retirement allowance at normal retirement age based  
9 on the annuity earned to the date of such severance. Such member  
10 may elect to receive a retirement allowance at early retirement age  
11 if such member retires at an early retirement date. Such annuity  
12 shall be adjusted in accordance with section 79-9,100. Upon the  
13 severance of employment, except on account of retirement, a member  
14 shall be entitled to receive refunds as follows: (a) An amount  
15 equal to the accumulated contributions to the retirement system  
16 by the member; and (b) any contributions made to a previously  
17 existing system which were refundable under the terms of that  
18 system. Any member receiving a refund of contributions shall  
19 thereby forfeit and relinquish all accrued rights in the retirement  
20 system including all accumulated creditable service, except that if  
21 any member who has withdrawn his or her contributions as provided  
22 in this section reenters the service of the district and again  
23 becomes a member of the retirement system, he or she may restore  
24 any or all money previously received by him or her as a refund,  
25 including the ~~regular~~ interest on the amount of the restored refund  
26 for the period of his or her absence from the district's service  
27 as determined using the interest rate established by the board for

1 interest on such restored refunds, and he or she shall then again  
2 receive credit for that portion of service which the restored money  
3 represents. Such restoration may be made as the trustees may direct  
4 through direct payments to the system or on an installment basis  
5 pursuant to a binding irrevocable payroll deduction authorized  
6 between the member and the school district over a period of not  
7 to exceed five years from the date of reemployment. Interest  
8 on delayed payments shall be at the rate of ~~regular~~ interest  
9 established by the board for determining interest on delayed  
10 payments by members to the retirement system. Creditable service  
11 may be purchased only in one-tenth-year increments, starting with  
12 the most recent years' salary.

13 (2) A retired member who returns to employment as an  
14 employee of the school district shall again participate in the  
15 retirement system as a new member and shall make contributions to  
16 the retirement system commencing upon reemployment. The retirement  
17 annuity of a retired member who returns to employment with the  
18 school district shall continue to be paid by the retirement system.  
19 A retired member who returns to employment as an employee of the  
20 school district shall receive creditable service only for service  
21 performed after his or her return to employment and in no event  
22 shall creditable service which accrues or the compensation paid  
23 to the member after such return to employment after retirement  
24 increase the amount of the member's original retirement annuity.

25 (3) Upon termination of the reemployed member, the member  
26 shall receive in addition to the retirement annuity which commenced  
27 at the time of the previous retirement (a) if the member has

1 accrued five years or more of creditable service after his or her  
2 return to employment, excluding years of prior service acquired  
3 pursuant to section 79-990, 79-991, 79-994, 79-995, or 79-997, a  
4 retirement annuity as provided in section 79-999 or 79-9,100,  
5 as applicable, calculated solely on the basis of creditable  
6 service and final average compensation accrued and earned after  
7 the member's return to employment after his or her original  
8 retirement, and as adjusted to reflect any payment in other than  
9 the normal form or (b) if the member has not accrued five years or  
10 more of creditable service after his or her return to employment,  
11 a refund equal to the member's accumulated contributions which were  
12 credited to the member after the member's return to employment. In  
13 no event shall the member's creditable service which accrued prior  
14 to a previous retirement be considered as part of the member's  
15 creditable service after his or her return to employment for any  
16 purpose of the Class V School Employees Retirement Act.

17 (4) In the event a member is entitled to receive a refund  
18 of contributions pursuant to subsection (1) or subdivision (3)(b)  
19 of this section in an amount greater than one thousand dollars,  
20 if the member does not elect to have the refund paid directly  
21 to himself or herself or transferred to an eligible retirement  
22 plan designated by the member as a direct rollover pursuant to  
23 section 79-998, then the refund of contributions shall be paid in a  
24 direct rollover to an individual retirement plan designated by the  
25 trustees.

26 Sec. 26. Section 79-996, Reissue Revised Statutes of  
27 Nebraska, is amended to read:

1           79-996 (1) The payments provided for by sections 79-993,  
2 79-994, and 79-997 may be made in equal installments over a period  
3 of not to exceed two years from the date of the election to  
4 make such payments. The payments provided for by section 79-995  
5 may be made in equal installments over a period of not to exceed  
6 three years from the date of election to make such payments. Any  
7 person who elects to make payments on an installment basis shall be  
8 credited with prior service only in six-month increments and only  
9 after payment has been made to the retirement system to purchase  
10 each additional six-month increment.

11           ~~(2) Interest on delayed payments shall be at the rate of~~  
12 ~~regular interest.~~

13           (2) The rate of interest for the purchase of additional  
14 service credit pursuant to sections 79-990 and 79-991 and for  
15 determining the interest on a restored refund pursuant to section  
16 79-992 or on delayed payments by members to the retirement system  
17 shall be determined by the board from time to time, and such rate  
18 of interest shall be used to determine applicable interest for a  
19 member's purchase of additional service credit, restored refund, or  
20 delayed payments that are made while such interest rate of interest  
21 is in effect.

22           Sec. 27. Section 79-9,102, Reissue Revised Statutes of  
23 Nebraska, is amended to read:

24           79-9,102 (1) Notwithstanding any other provision of the  
25 Class V School Employees Retirement Act, no member or beneficiary  
26 of the retirement system shall receive in any calendar year an  
27 annuity or other benefit which would exceed the maximum benefit

1 permitted under section 415 of the Internal Revenue Code, or  
2 any successor provision and the regulations issued thereunder,  
3 as they may be amended from time to time, and as adjusted as  
4 of January 1 of each calendar year to the dollar limitation as  
5 determined for such year by the Commissioner of Internal Revenue  
6 pursuant to section 415(d) of the Internal Revenue Code to reflect  
7 cost-of-living adjustments, and the amount of benefit to be paid  
8 to any member or beneficiary by the retirement system shall  
9 be adjusted each calendar year, if necessary, to conform with  
10 the maximum benefit permitted under section 415 of the Internal  
11 Revenue Code. The cost-of-living adjustment to the maximum benefit  
12 permitted under section 415 of the Internal Revenue Code shall  
13 apply to determining the maximum benefit of a member who severed  
14 employment or commenced receiving benefits prior to the effective  
15 date of the adjustment. benefit derived from contributions of the  
16 board which if received in the form of a straight life annuity  
17 with no ancillary benefits would exceed a dollar limitation of  
18 ninety thousand dollars, adjusted as of January 1 of each calendar  
19 year to the dollar limitation as determined for such year by the  
20 Commissioner of Internal Revenue pursuant to section 415(d) of the  
21 Internal Revenue Code.

22           (2) The limitation provided in this section shall be  
23 adjusted as follows:

24           (a) If the annuity begins prior to the sixty-second  
25 birthday of the member, the dollar limitation shall be equal to an  
26 annual annuity benefit which is equal to the actuarial equivalent  
27 of an annuity benefit commencing on the sixty-second birthday of

1 the member, but not less than seventy-five thousand dollars if the  
2 member's annuity benefit begins at or after age fifty-five and not  
3 less than the actuarial equivalent of seventy-five thousand dollars  
4 if the annuity benefit begins before age fifty-five.

5 (b) If the annuity begins after the sixty-fifth birthday  
6 of the member, the dollar limitation shall be equal to an annual  
7 annuity benefit which is equal to the actuarial equivalent of  
8 an annuity benefit commencing on the sixty-fifth birthday of the  
9 member.

10 (c) If the annuity begins prior to the member having ten  
11 years of creditable service, the dollar limitation shall be reduced  
12 by a fraction, the numerator of which is the total full fractional  
13 parts of years of creditable service and the denominator of which  
14 is ten, and

15 (d) The adjustments provided in subdivisions (a) and (c)  
16 of this subsection shall not apply to the disability retirement  
17 annuity under section 79-9,105 or to any annuity paid to a  
18 beneficiary as the result of the death of a member.

19 (3) For purposes of the limitations provided in this  
20 section, the actuarial equivalent shall be determined from the  
21 actuarial tables used for the retirement allowance for early  
22 retirement, except that in the case of the adjustment for an  
23 annuity which begins (a) before the sixty-second birthday of a  
24 member, the rate to be used in determining actuarial equivalency  
25 shall not be less than five percent, and (b) after the sixty-fifth  
26 birthday of a member, the interest rate to be used in determining  
27 the actuarial equivalency shall not be greater than five percent.

1 ~~The value of the joint and survivorship feature of an annuity shall~~  
2 ~~not be taken into account in applying the limitations provided in~~  
3 ~~this section.~~

4       ~~(4)~~ (2) Any payments provided for by sections 79-990,  
5 79-991, and 79-992 for the purchase or restoration of creditable  
6 service shall be subject to the limitations of section 415 of the  
7 Internal Revenue Code on annual additions to the system, and the  
8 trustees may suspend payments, alter installment periods, or, if  
9 such suspension or alteration is not possible, deny the purchase of  
10 all or a portion of the creditable service desired to be purchased,  
11 as necessary to comply with the requirements of section 415 of the  
12 Internal Revenue Code.

13       ~~(5)~~ (3) This section is intended to meet and incorporate  
14 the requirements of section 415 of the Internal Revenue Code and  
15 regulations under that section that are applicable to governmental  
16 plans and shall be construed in accordance with ~~such~~ section 415 of  
17 the Internal Revenue Code and the regulations issued thereunder and  
18 shall, by this reference, incorporate any subsequent changes made  
19 to such section as the same may apply to the retirement system.

20       Sec. 28. Section 79-9,117, Revised Statutes Cumulative  
21 Supplement, 2012, is amended to read:

22       79-9,117 (1) The board shall establish a comprehensive  
23 preretirement planning program for school employees who are members  
24 of the retirement system. The program shall provide information and  
25 advice regarding the many changes employees face upon retirement,  
26 including, but not limited to, changes in physical and mental  
27 health, housing, family life, leisure activity, and retirement

1 income.

2 (2) The preretirement planning program shall be available  
3 to all employees who have attained the age of fifty years or are  
4 within five years of qualifying for retirement or early retirement  
5 under their retirement systems.

6 (3) The preretirement planning program shall include  
7 information on the federal and state income tax consequences of  
8 the various annuity or retirement benefit options available to  
9 the employee, information on social security benefits, information  
10 on various local, state, and federal government programs and  
11 programs in the private sector designed to assist elderly persons,  
12 and information and advice the board deems valuable in assisting  
13 employees in the transition from public employment to retirement.

14 (4) The board shall work with any governmental agency,  
15 including political subdivisions or bodies whose services or  
16 expertise may enhance the development or implementation of the  
17 preretirement planning program.

18 (5) The costs of the preretirement planning program shall  
19 be charged back to the retirement system.

20 (6) The employer shall provide each eligible employee  
21 leave with pay to attend up to two preretirement planning programs.  
22 For purposes of this subsection, leave with pay means a day off  
23 paid by the employer and does not mean vacation, sick, personal,  
24 or compensatory time. An employee may choose to attend a program  
25 more than twice, but such leave shall be at the expense of the  
26 employee and shall be at the discretion of the employer. An  
27 eligible employee shall not be entitled to attend more than one

1 preretirement planning program per fiscal year prior to actual  
2 election of retirement.

3 (7) A nominal registration fee ~~shall~~ may be charged each  
4 person attending a preretirement planning program to cover the  
5 costs for meals, meeting rooms, or other expenses incurred under  
6 such program.

7 Sec. 29. Section 80-401, Reissue Revised Statutes of  
8 Nebraska, is amended to read:

9 80-401 (1) There is hereby established a fund to be known  
10 as the Nebraska Veterans' Aid Fund. The ~~Board of Educational Lands~~  
11 ~~and Funds~~ Nebraska Investment Council is directed to purchase bonds  
12 or notes issued by the government of the United States or the  
13 State of Nebraska, or any county, school district, or municipality  
14 therein, with a face value of twelve million dollars, as of August  
15 1, 1984, to carry out sections 80-401 to 80-405 and to place them  
16 in the custody and control of the State Treasurer of the State of  
17 Nebraska under the same conditions as other state money.

18 (2) Such fund shall be managed as follows: ~~(1)~~ (a) When  
19 necessary to pay a premium for bonds for such fund, the amount of  
20 the premium shall be amortized over the term of the bonds from  
21 the interest received on such bonds; and ~~(2)~~ (b) when bonds for  
22 such fund are purchased at a discount, the amount of the discount  
23 shall be used to purchase additional bonds, it being contemplated  
24 that the face amount of the bonds in such fund may in this manner  
25 aggregate in excess of twelve million dollars at some future time.

26 (3) The interest on the Nebraska Veterans' Aid Fund,  
27 except so much as may be required for amortization of premium

1 bond purchases as authorized in this section and so much as may  
2 be required to pay a pro rata share of the budget appropriated  
3 for the Nebraska Investment Council pursuant to section 72-1249.02,  
4 shall be paid to the Veterans' Aid Income Fund, which fund is  
5 hereby created. The Veterans' Aid Income Fund, when appropriated  
6 by the Legislature, shall be available to the ~~director~~ Director of  
7 Veterans' Affairs for aid to needy veterans as authorized by law.

8 ~~The Board of Educational Lands and Funds~~

9 (4) The Nebraska Investment Council shall manage the  
10 Nebraska Veterans' Aid Fund, ~~except that the investment and~~  
11 ~~reinvestment of such fund shall be the duty of the state investment~~  
12 ~~officer,~~ with investment and reinvestment to be made in the same  
13 type securities authorized for investment of funds by the Nebraska  
14 Capital Expansion Act and the Nebraska State Funds Investment Act.

15 (5) The director shall advise the council Nebraska  
16 Investment Council when amounts in the Veterans' Aid Income Fund  
17 are not immediately required for aid to needy veterans. The state  
18 investment officer shall invest such amounts available from the  
19 Veterans' Aid Income Fund in the same manner as investments of the  
20 Nebraska Veterans' Aid Fund, and the interest thereon shall also  
21 become a part of the Veterans' Aid Income Fund.

22 Sec. 30. Section 81-2014, Revised Statutes Cumulative  
23 Supplement, 2012, is amended to read:

24 81-2014 For purposes of the Nebraska State Patrol  
25 Retirement Act:

26 (1) Actuarial equivalent means the equality in value  
27 of the aggregate amounts expected to be received under different

1 forms of payment or to be received at an earlier retirement age  
2 than the normal retirement age. The determinations shall be based  
3 on the 1994 Group Annuity Mortality Table reflecting sex-distinct  
4 factors blended using seventy-five percent of the male table and  
5 twenty-five percent of the female table. An interest rate of eight  
6 percent per annum shall be reflected in making the determinations  
7 until such percent is amended by the Legislature;

8 (2) Board means the Public Employees Retirement Board;

9 (3) (a) Compensation means gross wages or salaries payable  
10 to the member for personal services performed during the plan  
11 year. Compensation does not include insurance premiums converted  
12 into cash payments, reimbursement for expenses incurred, fringe  
13 benefits, per diems, or bonuses for services not actually rendered,  
14 including, but not limited to, early retirement inducements,  
15 cash awards, and severance pay, except for retroactive salary  
16 payments paid pursuant to court order, arbitration, or litigation  
17 and grievance settlements. For any officer employed after  
18 January 4, 1979, compensation does not include compensation for  
19 unused sick leave or unused vacation leave converted to cash  
20 payments. Compensation includes overtime pay, member retirement  
21 contributions, and amounts contributed by the member to plans under  
22 sections 125 and 457 of the Internal Revenue Code as defined in  
23 section 49-801.01 or any other section of the code which defers or  
24 excludes such amounts from income.

25 (b) Compensation in excess of the limitations set forth  
26 in section 401(a)(17) of the Internal Revenue Code as defined  
27 in section 49-801.01 shall be disregarded. For an employee who

1 was a member of the retirement system before the first plan year  
2 beginning after December 31, 1995, the limitation on compensation  
3 shall not be less than the amount which was allowed to be taken  
4 into account under the retirement system as in effect on July 1,  
5 1993;

6 (4) Creditable service means service granted pursuant to  
7 section 81-2034 and all service rendered while a contributing  
8 member of the retirement system. Creditable service includes  
9 working days, sick days, vacation days, holidays, and any other  
10 leave days for which the officer is paid regular wages. Creditable  
11 service does not include eligibility and vesting credit nor service  
12 years for which member contributions are withdrawn and not repaid;

13 (5) Current benefit means the initial benefit increased  
14 by all adjustments made pursuant to the Nebraska State Patrol  
15 Retirement Act;

16 (6) DROP means the deferred retirement option plan as  
17 provided in section 81-2041;

18 (7) DROP account means an individual DROP participant's  
19 defined contribution account under section 414(k) of the Internal  
20 Revenue Code;

21 ~~(7)~~ (8) DROP period means the amount of time the member  
22 elects to participate in DROP which shall be for a period not to  
23 exceed five years from and after the date of the member's DROP  
24 election;

25 ~~(8)~~ (9) Eligibility and vesting credit means credit  
26 for years, or a fraction of a year, of participation in a  
27 Nebraska government plan for purposes of determining eligibility

1 for benefits under the Nebraska State Patrol Retirement Act. Such  
2 credit shall be used toward the vesting percentage pursuant to  
3 subsection (2) of section 81-2031 but shall not be included as  
4 years of service in the benefit calculation;

5 ~~(9)~~ (10) Initial benefit means the retirement benefit  
6 calculated at the time of retirement;

7 ~~(10)~~ (11) Officer means an officer provided for in  
8 sections 81-2001 to 81-2009;

9 ~~(11)~~ (12) Plan year means the twelve-month period  
10 beginning on July 1 and ending on June 30 of the following year;

11 ~~(12)~~ (13) Regular interest means interest fixed at a  
12 rate equal to the daily treasury yield curve for one-year treasury  
13 securities, as published by the Secretary of the Treasury of the  
14 United States, that applies on July 1 of each year, which may be  
15 credited monthly, quarterly, semiannually, or annually as the board  
16 may direct;

17 (14) Retirement application means the form approved and  
18 provided by the retirement system for acceptance of a member's  
19 request for either regular or disability retirement;

20 (15) Retirement date means (a) the first day of the month  
21 following the date upon which a member's request for retirement  
22 is received on a retirement application if the member is eligible  
23 for retirement and has terminated employment or (b) the first day  
24 of the month following termination of employment if the member is  
25 eligible for retirement and has filed an application but has not  
26 yet terminated employment;

27 ~~(13)~~ (16) Retirement system or system means the Nebraska

1 State Patrol Retirement System as provided in the act;

2 ~~(14)~~ (17) Service means employment as a member of the  
3 Nebraska State Patrol and shall not be deemed to be interrupted  
4 by (a) temporary or seasonal suspension of service that does  
5 not terminate the employee's employment, (b) leave of absence  
6 authorized by the employer for a period not exceeding twelve  
7 months, (c) leave of absence because of disability, or (d) military  
8 service, when properly authorized by the board. Service does not  
9 include any period of disability for which disability retirement  
10 benefits are received under subsection (1) of section 81-2025;

11 ~~(15)~~ (18) Surviving spouse means (a) the spouse married  
12 to the member on the date of the member's death if married for  
13 at least one year prior to death or if married on the date of  
14 the member's retirement or (b) the spouse or former spouse of  
15 the member if survivorship rights are provided under a qualified  
16 domestic relations order filed with the board pursuant to the  
17 Spousal Pension Rights Act. The spouse or former spouse shall  
18 supersede the spouse married to the member on the date of the  
19 member's death as provided under a qualified domestic relations  
20 order. If the benefits payable to the spouse or former spouse under  
21 a qualified domestic relations order are less than the value of  
22 benefits entitled to the surviving spouse, the spouse married to  
23 the member on the date of the member's death shall be the surviving  
24 spouse for the balance of the benefits; and

25 ~~(16)~~ (19) Termination of employment occurs on the date  
26 on which the Nebraska State Patrol determines that the officer's  
27 employer-employee relationship with the patrol is dissolved. The

1 Nebraska State Patrol shall notify the board of the date on which  
2 such a termination has occurred. Termination of employment does  
3 not include ceasing employment with the Nebraska State Patrol  
4 if the officer returns to regular employment with the Nebraska  
5 State Patrol or another agency of the State of Nebraska and  
6 there are less than one hundred twenty days between the date when  
7 the employee's employer-employee relationship ceased and the date  
8 when the employer-employee relationship commenced with the Nebraska  
9 State Patrol or another state agency. Termination of employment  
10 does not occur upon an officer's participation in DROP pursuant  
11 to section 81-2041. It is the responsibility of the employer that  
12 is involved in the termination of employment to notify the board  
13 of such change in employment and provide the board with such  
14 information as the board deems necessary. If the board determines  
15 that termination of employment has not occurred and a retirement  
16 benefit has been paid to a member of the retirement system pursuant  
17 to section 81-2026, the board shall require the member who has  
18 received such benefit to repay the benefit to the retirement  
19 system.

20           Sec. 31. Section 81-2016, Revised Statutes Cumulative  
21 Supplement, 2012, is amended to read:

22           81-2016 (1) Every member of the Nebraska State Patrol  
23 who was employed by the State of Nebraska as such, on September  
24 7, 1947, and every person employed as a member of such patrol  
25 thereafter, shall be a member of the system, except for those  
26 members of the Nebraska State Patrol who elected pursuant to  
27 section 60-1304 to remain members of the State Employees Retirement

1 System of the State of Nebraska. On and after July 1, 2010,  
2 no employee shall be authorized to participate in the retirement  
3 system provided for in the Nebraska State Patrol Retirement Act  
4 unless the employee (a) is a United States citizen or (b) is a  
5 qualified alien under the federal Immigration and Nationality Act,  
6 8 U.S.C. 1101 et seq., as such act existed on January 1, 2009, and  
7 is lawfully present in the United States.

8 (2) Within the first ~~thirty~~ one hundred eighty days of  
9 employment, a member may apply to the board for eligibility and  
10 vesting credit for years of participation in another Nebraska  
11 governmental plan, as defined by section 414(d) of the Internal  
12 Revenue Code. During the years of participation in the other  
13 Nebraska governmental plan, the employee must have been a full-time  
14 employee, as defined in the Nebraska governmental plan in which the  
15 credit was earned.

16 (3) Any officer who qualifies for membership pursuant  
17 to subsection (1) of this section may not be disqualified from  
18 membership in the retirement system solely because such officer  
19 also maintains separate employment which qualifies the officer  
20 for membership in another public retirement system, nor may  
21 membership in this retirement system disqualify such an officer  
22 from membership in another public retirement system solely by  
23 reason of separate employment which qualifies such officer for  
24 membership in this retirement system.

25 (4) Information necessary to determine membership shall  
26 be provided by the Nebraska State Patrol.

27 (5) The board may adopt and promulgate rules and

1 regulations governing the assessment and granting of eligibility  
2 and vesting credit.

3           Sec. 32. Section 81-2017, Revised Statutes Cumulative  
4 Supplement, 2012, is amended to read:

5           81-2017 (1) Commencing July 1, 2010, and until July 1,  
6 2011, each officer while in the service of the Nebraska State  
7 Patrol shall pay or have paid on his or her behalf a sum equal  
8 to sixteen percent of his or her monthly compensation. Commencing  
9 July 1, 2011, and until July 1, 2013, each officer while in the  
10 service of the Nebraska State Patrol shall pay or have paid on  
11 his or her behalf a sum equal to nineteen percent of his or her  
12 monthly compensation. Commencing July 1, 2013, each officer while  
13 in the service of the Nebraska State Patrol shall pay or have  
14 paid on his or her behalf a sum equal to sixteen percent of  
15 his or her monthly compensation. Such amounts shall be deducted  
16 monthly by the Director of Administrative Services who shall draw  
17 a warrant monthly in the amount of the total deductions from the  
18 compensation of members of the Nebraska State Patrol in accordance  
19 with subsection (4) of this section, and the State Treasurer shall  
20 credit the amount of such warrant to the State Patrol Retirement  
21 Fund. The director shall cause a detailed report of all monthly  
22 deductions to be made each month to the board.

23           (2) In addition, commencing July 1, 2010, and until July  
24 1, 2011, there shall be assessed against the appropriation of  
25 the Nebraska State Patrol a sum equal to the amount of sixteen  
26 percent of each officer's monthly compensation which shall be  
27 credited to the State Patrol Retirement Fund. Commencing July 1,

1 2011, and until July 1, 2013, there shall be assessed against  
2 the appropriation of the Nebraska State Patrol a sum equal to the  
3 amount of nineteen percent of each officer's monthly compensation  
4 which shall be credited to the State Patrol Retirement Fund.  
5 Commencing July 1, 2013, there shall be assessed against the  
6 appropriation of the Nebraska State Patrol a sum equal to the  
7 amount of sixteen percent of each officer's monthly compensation  
8 which shall be credited to the State Patrol Retirement Fund.

9 (3) For the fiscal year beginning on July 1, 2002,  
10 and each fiscal year thereafter, the actuary for the board shall  
11 perform an actuarial valuation of the system using the entry  
12 age actuarial cost method. Under this method, the actuarially  
13 required funding rate is equal to the normal cost rate, plus  
14 the contribution rate necessary to amortize the unfunded actuarial  
15 accrued liability on a level payment basis. The normal cost under  
16 this method shall be determined for each individual member on  
17 a level percentage of salary basis. The normal cost amount is  
18 then summed for all members. Beginning July 1, 2006, any existing  
19 unfunded liabilities shall be reinitialized and amortized over a  
20 thirty-year period, and during each subsequent actuarial valuation,  
21 changes in the funded actuarial accrued liability due to changes  
22 in benefits, actuarial assumptions, the asset valuation method, or  
23 actuarial gains or losses shall be measured and amortized over  
24 a thirty-year period beginning on the valuation date of such  
25 change. If the unfunded actuarial accrued liability under the  
26 entry age actuarial cost method is zero or less than zero on  
27 an actuarial valuation date, then all prior unfunded actuarial

1 accrued liabilities shall be considered fully funded and the  
2 unfunded actuarial accrued liability shall be reinitialized and  
3 amortized over a thirty-year period as of the actuarial valuation  
4 date. If the actuarially required contribution rate exceeds the  
5 rate of all contributions required pursuant to the Nebraska State  
6 Patrol Retirement Act, there shall be a supplemental appropriation  
7 sufficient to pay for the differences between the actuarially  
8 required contribution rate and the rate of all contributions  
9 required pursuant to the Nebraska State Patrol Retirement Act.  
10 Such valuation shall be on the basis of actuarial assumptions  
11 recommended by the actuary, approved by the board, and kept on file  
12 with the board.

13 (4) The state shall pick up the member contributions  
14 required by this section for all compensation paid on or after  
15 January 1, 1985, and the contributions so picked up shall be  
16 treated as employer contributions pursuant to section 414(h)(2)  
17 of the Internal Revenue Code in determining federal tax treatment  
18 under the Internal Revenue Code as defined in section 49-801.01,  
19 except that the state shall continue to withhold federal income  
20 taxes based upon these contributions until the Internal Revenue  
21 Service or the federal courts rule that, pursuant to section 414(h)  
22 of the code, these contributions code and shall not be included as  
23 gross income of the member until such time as they are distributed  
24 or made available. The contributions, although designated as member  
25 contributions, shall be paid by the state in lieu of member  
26 contributions. The state shall pay these member contributions from  
27 the same source of funds which is used in paying earnings to

1 the member. The state shall pick up these contributions by a  
2 compensation deduction through a reduction in the cash compensation  
3 of the member. Member contributions picked up shall be treated for  
4 all purposes of the Nebraska State Patrol Retirement Act in the  
5 same manner and to the extent as member contributions made prior to  
6 the date picked up.

7 Sec. 33. Section 81-2027.08, Revised Statutes Cumulative  
8 Supplement, 2012, is amended to read:

9 81-2027.08 (1) Beginning July 1, 2011, and each July 1  
10 thereafter, the board shall determine the number of retired members  
11 or beneficiaries described in subdivision (4)(b) of this section  
12 in the retirement system and an annual benefit adjustment shall  
13 be made by the board for each retired member or beneficiary under  
14 one of the cost-of-living adjustment calculation methods found  
15 in subsection (2), (3), or (4) of this section. Each retired  
16 member or beneficiary, if eligible, shall receive an annual benefit  
17 adjustment under the cost-of-living adjustment calculation method  
18 that provides the retired member or beneficiary the greatest annual  
19 benefit adjustment increase. No retired member or beneficiary shall  
20 receive an annual benefit adjustment under more than one of the  
21 cost-of-living adjustment calculation methods provided in this  
22 section.

23 (2) The current benefit paid to a retired member or  
24 beneficiary under this subsection shall be adjusted so that the  
25 purchasing power of the benefit being paid is not less than  
26 sixty percent of the purchasing power of the initial benefit. The  
27 purchasing power of the initial benefit in any year following the

1 year in which the initial benefit commenced shall be calculated  
2 by dividing the United States Department of Labor, Bureau of  
3 Labor Statistics, Consumer Price Index for Urban Wage Earners and  
4 Clerical Workers factor on June 30 of the current year by the  
5 Consumer Price Index for Urban Wage Earners and Clerical Workers  
6 factor on June 30 of the year in which the benefit commenced. The  
7 result shall be multiplied by the product that results when the  
8 amount of the initial benefit is multiplied by sixty percent. In  
9 any year in which applying the adjustment provided in subsection  
10 (3) of this section results in a benefit which would be less  
11 than sixty percent of the purchasing power of the initial benefit  
12 as calculated in this subsection, the adjustment shall instead be  
13 equal to the percentage change in the Consumer Price Index for  
14 Urban Wage Earners and Clerical Workers factor from the prior year  
15 to the current year.

16 (3) The current benefit paid to a retired member or  
17 beneficiary under this subsection shall be increased annually by  
18 the lesser of (i) the percentage change in the Consumer Price Index  
19 for Urban Wage Earners and Clerical Workers for the period between  
20 June 30 of the prior year to June 30 of the present year or (ii)  
21 two and one-half percent.

22 (4) (a) The current benefit paid to a retired member  
23 or beneficiary under this subsection shall be calculated by  
24 multiplying the retired member's or beneficiary's total monthly  
25 benefit by the lesser of (i) the cumulative change in the Consumer  
26 Price Index for Urban Wage Earners and Clerical Workers from the  
27 last adjustment of the total monthly benefit of each retired member

1 or beneficiary through June 30 of the year for which the annual  
2 benefit adjustment is being calculated or (ii) an amount equal to  
3 three percent per annum compounded for the period from the last  
4 adjustment of the total monthly benefit of each retired member  
5 or beneficiary through June 30 of the year for which the annual  
6 benefit adjustment is being calculated.

7 (b) In order for a retired member or beneficiary to  
8 receive the cost-of-living adjustment calculation method in this  
9 subsection, the retired member or beneficiary shall be (i) a  
10 retired member or beneficiary who has been receiving a retirement  
11 benefit for at least five years if the member had at least  
12 twenty-five years of creditable service, (ii) a member who has been  
13 receiving a disability retirement benefit for at least five years  
14 pursuant to section 81-2025, or (iii) a beneficiary who has been  
15 receiving a death benefit pursuant to section 81-2026 for at least  
16 five years, if the member's or beneficiary's monthly accrual rate  
17 is less than or equal to the minimum accrual rate as determined by  
18 this subsection.

19 (c) The monthly accrual rate under this subsection is the  
20 retired member's or beneficiary's total monthly benefit divided by  
21 the number of years of creditable service earned by the retired or  
22 deceased member.

23 (d) The total monthly benefit under this subsection is  
24 the total benefit received by a retired member or beneficiary  
25 pursuant to the Nebraska State Patrol Retirement Act and previous  
26 adjustments made pursuant to this section or any other provision  
27 of the act that grants a benefit or cost-of-living increase,

1 but the total monthly benefit shall not include sums received by  
2 an eligible retired member or eligible beneficiary from federal  
3 sources.

4 (e) ~~The minimum accrual rate under this subsection is~~  
5 ~~thirty-eight dollars and eighty-four cents until adjusted pursuant~~  
6 ~~to this subsection. Beginning July 1, 2011, Beginning July 1, 2010,~~  
7 the minimum accrual rate under this subsection was forty dollars  
8 and sixteen cents. Beginning July 1, 2011, the minimum accrual  
9 rate under this subsection was forty-one dollars and seventy-nine  
10 cents. Beginning July 1, 2012, the minimum accrual rate under this  
11 subsection was forty-two dollars and forty-five cents. Beginning  
12 July 1, 2013, the board shall annually adjust the minimum accrual  
13 rate to reflect the cumulative percentage change in the Consumer  
14 Price Index for Urban Wage Earners and Clerical Workers from the  
15 last adjustment of the minimum accrual rate.

16 (5) Beginning July 1, 2011, and each July 1 thereafter,  
17 each retired member or beneficiary shall receive the sum of the  
18 annual benefit adjustment and such retiree's total monthly benefit  
19 less withholding, which sum shall be the retired member's or  
20 beneficiary's adjusted total monthly benefit. Each retired member  
21 or beneficiary shall receive the adjusted total monthly benefit  
22 until the expiration of the annuity option selected by the member  
23 or until the retired member or beneficiary again qualifies for the  
24 annual benefit adjustment, whichever occurs first.

25 (6) 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.

3 (7) 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 (8) The state shall contribute to the State Patrol  
15 Retirement Fund an annual level dollar payment certified by the  
16 board. For the 2011-12 fiscal year through the 2012-13 fiscal year,  
17 the annual level dollar payment certified by the board shall equal  
18 3.04888 percent of six million eight hundred ninety-five thousand  
19 dollars.

20 Sec. 34. Section 81-2041, Revised Statutes Cumulative  
21 Supplement, 2012, is amended to read:

22 81-2041 (1) Any member who meets the participation  
23 requirements of subsection (2) of this section may participate  
24 in DROP. DROP provides that subsequent to attaining normal age and  
25 service retirement eligibility, a member may voluntarily choose to  
26 participate in DROP upon its adoption which, for purposes of this  
27 section, shall be the earlier of September 1, 2008, or the first

1 of the month following a favorable letter determination by the  
2 Internal Revenue Service. If the member chooses to participate in  
3 DROP, the member shall be deemed to have retired but shall not  
4 be deemed to be terminated, and the member may continue in active  
5 employment for up to a five-year period. During the DROP period,  
6 the member's retirement benefit payments shall be deposited into  
7 the DROP account for the benefit of the member until the member  
8 actually retires from active employment at or before the expiration  
9 of the DROP period. Thereafter, future retirement benefit payments  
10 shall be made directly to the member, and the member shall have  
11 access to all funds in the DROP account designated for the benefit  
12 of the member. DROP funds shall be held and invested in a defined  
13 contribution account under section 414(k) of the Internal Revenue  
14 Code and shall meet the limitations in section 415 of the code.

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

17 (a) A member shall be eligible to enter DROP at any time  
18 subsequent to the date when the member has (i) attained normal  
19 retirement age and (ii) completed twenty-five years of service.  
20 Members having attained normal retirement age and completed  
21 twenty-five years of service on or before the date of adoption of  
22 DROP shall be eligible to enter DROP at any future date;

23 (b) A member who elects to enter DROP shall be entitled  
24 to receive regular age and service retirement benefits in  
25 accordance with section 81-2026. A member is entitled to remain in  
26 DROP for a maximum of five years subsequent to the date of the  
27 member's DROP election. A member may separate from service and

1 thereby exit DROP at any time during the DROP period. On or before  
2 the completion of the DROP period, the member must separate from  
3 active employment and exit DROP. During the DROP period, a member's  
4 retirement benefit shall be payable to the DROP account vendor  
5 designated in the member's name. Amounts transferred or paid to  
6 a participating member's DROP account shall not constitute annual  
7 additions under section 415 of the Internal Revenue Code;

8 (c) A member electing to enter DROP shall choose an  
9 annuity payment option. After the option is chosen, the member  
10 shall not be entitled to any retirement benefit changes, for  
11 reasons including, but not limited to, wage increases, promotions,  
12 and demotions, except that the restriction on retirement benefit  
13 changes shall not apply in the event of duty-related death or  
14 duty-related disability. The benefit amount shall be fixed as of  
15 the date of election and shall be payable as if the employee  
16 retired on that date and separated from active employment. Upon  
17 the death of a member during the DROP period, monthly benefits  
18 shall be provided as a percentage of the amount of the member's  
19 annuity as set forth in subsection (3) of section 81-2026 based  
20 upon the annuity benefit calculation made at commencement of the  
21 DROP period. In addition, the balance of the DROP account, if any,  
22 shall be provided to the beneficiary or beneficiaries of the member  
23 in accordance with subsection (6) of section 81-2026 or, if no  
24 beneficiary is provided, to the estate of the member. Upon the  
25 disability of a member during the DROP period, the member shall  
26 be deemed to have completed the DROP period, shall begin receiving  
27 the annuity benefit as calculated at the commencement of the DROP

1 period, and shall be paid the balance of the DROP account, if any;

2 (d) No member shall be allowed to continue making the  
3 required contributions while the member is enrolled in DROP;

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

8 (f) The member shall be paid the balance of the DROP  
9 account upon the member's separation from active employment or  
10 at the expiration of the DROP period thereby ending the member's  
11 participation in DROP. If a member has not voluntarily separated  
12 from active employment on or before the completion of the DROP  
13 period, the member's retirement benefit shall be paid directly  
14 to the member thereby ending the member's active employment. The  
15 member's DROP account shall consist of accrued retirement benefits  
16 and interest on such benefits;

17 (g) Any member that is enrolled in DROP shall be  
18 responsible for directing the DROP account designated for the  
19 benefit of the member by investing the account in any DROP  
20 investment options. There shall be no guaranteed rate of investment  
21 return on DROP account assets. Any losses, charges, or expenses  
22 incurred by the participating DROP member in such member's DROP  
23 account by virtue of the investment options selected by the  
24 participating DROP member shall not be made up by the retirement  
25 system but all of the same shall be borne by the participating DROP  
26 member. The retirement system, the state, the board, and the state  
27 investment officer shall not be responsible for any investment

1 results under the DROP agreement. Transfers between investment  
2 options shall be in accordance with the rules and regulations of  
3 DROP. A DROP account shall be established for each participating  
4 DROP member. Such DROP account shall be adjusted no less frequently  
5 than annually for the member's retirement benefit distributions and  
6 net investment earnings and losses;

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

10 (i) Cost-of-living adjustments as provided for in section  
11 81-2027.08 shall not be applied to retirement benefits during the  
12 DROP period.

13 Sec. 35. Section 84-1301, Revised Statutes Cumulative  
14 Supplement, 2012, is amended to read:

15 84-1301 For purposes of the State Employees Retirement  
16 Act, unless the context otherwise requires:

17 (1) Actuarial equivalent means the equality in value of  
18 the aggregate amounts expected to be received under different forms  
19 of an annuity payment. The mortality assumption used for purposes  
20 of converting the member cash balance account shall be the 1994  
21 Group Annuity Mortality Table using a unisex rate that is fifty  
22 percent male and fifty percent female. For purposes of converting  
23 the member cash balance account attributable to contributions made  
24 prior to January 1, 1984, that were transferred pursuant to the  
25 act, the 1994 Group Annuity Mortality Table for males shall be  
26 used;

27 (2) Annuity means equal monthly payments provided by the

1 retirement system to a member or beneficiary under forms determined  
2 by the board beginning the first day of the month after an  
3 annuity election is received in the office of the Nebraska Public  
4 Employees Retirement Systems or the first day of the month after  
5 the employee's termination of employment, whichever is later. The  
6 last payment shall be at the end of the calendar month in which the  
7 member dies or in accordance with the payment option chosen by the  
8 member;

9 (3) Annuity start date means the date upon which a  
10 member's annuity is first effective and shall be the first day of  
11 the month following the member's termination or following the date  
12 the application is received by the board, whichever is later;

13 (4) Cash balance benefit means a member's retirement  
14 benefit that is equal to an amount based on annual employee  
15 contribution credits plus interest credits and, if vested, employer  
16 contribution credits plus interest credits and dividend amounts  
17 credited in accordance with subdivision (4)(c) of section 84-1319;

18 (5) (a) Compensation means gross wages or salaries payable  
19 to the member for personal services performed during the plan  
20 year. Compensation does not include insurance premiums converted  
21 into cash payments, reimbursement for expenses incurred, fringe  
22 benefits, per diems, or bonuses for services not actually rendered,  
23 including, but not limited to, early retirement inducements, cash  
24 awards, and severance pay, except for retroactive salary payments  
25 paid pursuant to court order, arbitration, or litigation and  
26 grievance settlements. Compensation includes overtime pay, member  
27 retirement contributions, and amounts contributed by the member to

1 plans under sections 125, 403(b), and 457 of the Internal Revenue  
2 Code or any other section of the code which defers or excludes such  
3 amounts from income.

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

11 (6) Date of disability means the date on which a member  
12 is determined to be disabled by the board;

13 (7) Defined contribution benefit means a member's  
14 retirement benefit from a money purchase plan in which member  
15 benefits equal annual contributions and earnings pursuant to  
16 section 84-1310 and, if vested, employer contributions and earnings  
17 pursuant to section 84-1311;

18 (8) Disability means an inability to engage in a  
19 substantially gainful activity by reason of any medically  
20 determinable physical or mental impairment which can be expected to  
21 result in death or to be of long-continued and indefinite duration;

22 (9) Employee means any employee of the State Board of  
23 Agriculture who is a member of the state retirement system on  
24 July 1, 1982, and any person or officer employed by the State of  
25 Nebraska whose compensation is paid out of state funds or funds  
26 controlled or administered by a state department through any of  
27 its executive or administrative officers when acting exclusively in

1 their respective official, executive, or administrative capacities.  
2 Employee does not include (a) judges as defined in section 24-701,  
3 (b) members of the Nebraska State Patrol, except for those members  
4 of the Nebraska State Patrol who elected pursuant to section  
5 60-1304 to remain members of the State Employees Retirement System  
6 of the State of Nebraska, (c) employees of the University of  
7 Nebraska, (d) employees of the state colleges, (e) employees  
8 of community colleges, (f) employees of the Department of Labor  
9 employed prior to July 1, 1984, and paid from funds provided  
10 pursuant to Title III of the federal Social Security Act or  
11 funds from other federal sources, except that if the contributory  
12 retirement plan or contract let pursuant to section 48-609 is  
13 terminated, such employees shall become employees for purposes  
14 of the State Employees Retirement Act on the first day of the  
15 first pay period following the termination of such contributory  
16 retirement plan or contract, (g) employees of the State Board of  
17 Agriculture who are not members of the state retirement system  
18 on July 1, 1982, (h) the Nebraska National Guard air and army  
19 technicians, (i) persons eligible for membership under the School  
20 Employees Retirement System of the State of Nebraska who have  
21 not elected to become members of the retirement system pursuant  
22 to section 79-920 or been made members of the system pursuant  
23 to such section, except that those persons so eligible and who  
24 as of September 2, 1973, are contributing to the State Employees  
25 Retirement System of the State of Nebraska shall continue as  
26 members of such system, or (j) employees of the Coordinating  
27 Commission for Postsecondary Education who are eligible for and

1 have elected to become members of a qualified retirement program  
2 approved by the commission which is commensurate with retirement  
3 programs at the University of Nebraska. Any individual appointed  
4 by the Governor may elect not to become a member of the State  
5 Employees Retirement System of the State of Nebraska;

6 (10) Employee contribution credit means an amount equal  
7 to the member contribution amount required by section 84-1308;

8 (11) Employer contribution credit means an amount equal  
9 to the employer contribution amount required by section 84-1309;

10 (12) Final account value means the value of a member's  
11 account on the date the account is either distributed to the member  
12 or used to purchase an annuity from the plan, which date shall  
13 occur as soon as administratively practicable after receipt of a  
14 valid application for benefits, but no sooner than forty-five days  
15 after the member's termination;

16 (13) Five-year break in service means five consecutive  
17 one-year breaks in service;

18 (14) Full-time employee means an employee who is employed  
19 to work one-half or more of the regularly scheduled hours during  
20 each pay period;

21 (15) Fund means the State Employees Retirement Fund  
22 created by section 84-1309;

23 (16) Guaranteed investment contract means an investment  
24 contract or account offering a return of principal invested plus  
25 interest at a specified rate. For investments made after July  
26 19, 1996, guaranteed investment contract does not include direct  
27 obligations of the United States or its instrumentalities, bonds,

1 participation certificates or other obligations of the Federal  
2 National Mortgage Association, the Federal Home Loan Mortgage  
3 Corporation, or the Government National Mortgage Association,  
4 or collateralized mortgage obligations and other derivative  
5 securities. This subdivision shall not be construed to require the  
6 liquidation of investment contracts or accounts entered into prior  
7 to July 19, 1996;

8 (17) Interest credit rate means the greater of (a) five  
9 percent or (b) the applicable federal mid-term rate, as published  
10 by the Internal Revenue Service as of the first day of the calendar  
11 quarter for which interest credits are credited, plus one and  
12 one-half percent, such rate to be compounded annually;

13 (18) Interest credits means the amounts credited to the  
14 employee cash balance account and the employer cash balance account  
15 at the end of each day. Such interest credit for each account  
16 shall be determined by applying the daily portion of the interest  
17 credit rate to the account balance at the end of the previous day.  
18 Such interest credits shall continue to be credited to the employee  
19 cash balance account and the employer cash balance account after  
20 a member ceases to be an employee, except that no such credit  
21 shall be made with respect to the employee cash balance account  
22 and the employer cash balance account for any day beginning on  
23 or after the member's date of final account value. If benefits  
24 payable to the member's surviving spouse or beneficiary are delayed  
25 after the member's death, interest credits shall continue to be  
26 credited to the employee cash balance account and the employer  
27 cash balance account until such surviving spouse or beneficiary

1 commences receipt of a distribution from the plan;

2 (19) Member cash balance account means an account equal  
3 to the sum of the employee cash balance account and, if vested,  
4 the employer cash balance account and dividend amounts credited in  
5 accordance with subdivision (4) (c) of section 84-1319;

6 (20) One-year break in service means a plan year during  
7 which the member has not completed more than five hundred hours of  
8 service;

9 (21) Participation means qualifying for and making the  
10 required deposits to the retirement system during the course of a  
11 plan year;

12 (22) Part-time employee means an employee who is employed  
13 to work less than one-half of the regularly scheduled hours during  
14 each pay period;

15 (23) Plan year means the twelve-month period beginning on  
16 January 1 and ending on December 31;

17 (24) Prior service means service before January 1, 1964;

18 (25) Regular interest means the rate of interest earned  
19 each calendar year commencing January 1, 1975, as determined by the  
20 retirement board in conformity with actual and expected earnings on  
21 the investments through December 31, 1984;

22 (26) Required contribution means the deduction to be made  
23 from the compensation of employees as provided in section 84-1308;

24 (27) Retirement means qualifying for and accepting the  
25 retirement benefit granted under the State Employees Retirement Act  
26 after terminating employment;

27 (28) Retirement application means the form approved and

1 provided by the retirement system for acceptance of a member's  
2 request for either regular or disability retirement;

3 ~~(28)~~ (29) Retirement board or board means the Public  
4 Employees Retirement Board;

5 (30) Retirement date means (a) the first day of the month  
6 following the date upon which a member's request for retirement  
7 is received on a retirement application if the member is eligible  
8 for retirement and has terminated employment or (b) the first day  
9 of the month following termination of employment if the member is  
10 eligible for retirement and has filed an application but has not  
11 yet terminated employment;

12 ~~(29)~~ (31) Retirement system means the State Employees  
13 Retirement System of the State of Nebraska;

14 ~~(30)~~ (32) Service means the actual total length of  
15 employment as an employee and shall not be deemed to be interrupted  
16 by (a) temporary or seasonal suspension of service that does  
17 not terminate the employee's employment, (b) leave of absence  
18 authorized by the employer for a period not exceeding twelve  
19 months, (c) leave of absence because of disability, or (d) military  
20 service, when properly authorized by the retirement board. Service  
21 does not include any period of disability for which disability  
22 retirement benefits are received under section 84-1317;

23 ~~(31)~~ (33) State department means any department, bureau,  
24 commission, or other division of state government not otherwise  
25 specifically defined or exempted in the act, the employees and  
26 officers of which are not already covered by a retirement plan;

27 ~~(32)~~ (34) Surviving spouse means (a) the spouse married

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

12 ~~(33)~~ (35) Termination of employment occurs on the date  
13 on which the agency which employs the member determines that  
14 the member's employer-employee relationship with the State of  
15 Nebraska is dissolved. The agency which employs the member shall  
16 notify the board of the date on which such a termination has  
17 occurred. Termination of employment does not occur if an employee  
18 whose employer-employee relationship with the State of Nebraska  
19 is dissolved enters into an employer-employee relationship with  
20 the same or another agency of the State of Nebraska and there  
21 are less than one hundred twenty days between the date when the  
22 employee's employer-employee relationship ceased with the state and  
23 the date when the employer-employee relationship commenced with the  
24 same or another agency. It is the responsibility of the employer  
25 that is involved in the termination of employment to notify the  
26 board of such change in employment and provide the board with such  
27 information as the board deems necessary. If the board determines

1 that termination of employment has not occurred and a retirement  
2 benefit has been paid to a member of the retirement system pursuant  
3 to section 84-1321, the board shall require the member who has  
4 received such benefit to repay the benefit to the retirement  
5 system; and

6 ~~(34)~~ (36) Vesting credit means credit for years, or  
7 a fraction of a year, of participation in another Nebraska  
8 governmental plan for purposes of determining vesting of the  
9 employer account.

10 Sec. 36. Section 84-1307, Revised Statutes Cumulative  
11 Supplement, 2012, is amended to read:

12 84-1307 (1) The membership of the retirement system shall  
13 be composed of all persons who are or were employed by the State  
14 of Nebraska and who maintain an account balance with the retirement  
15 system.

16 (2) The following employees of the State of Nebraska  
17 are authorized to participate in the retirement system: (a) All  
18 permanent full-time employees shall begin participation in the  
19 retirement system upon employment; and (b) all permanent part-time  
20 employees who have attained the age of eighteen years may exercise  
21 the option to begin participation in the retirement system within  
22 the first thirty days of employment. An employee who exercises the  
23 option to begin participation in the retirement system pursuant to  
24 this section shall remain in the retirement system until his or her  
25 termination of employment or retirement, regardless of any change  
26 of status as a permanent or temporary employee.

27 (3) On and after July 1, 2010, no employee shall be

1 authorized to participate in the retirement system provided for in  
2 the State Employees Retirement Act unless the employee (a) is a  
3 United States citizen or (b) is a qualified alien under the federal  
4 Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act  
5 existed on January 1, 2009, and is lawfully present in the United  
6 States.

7 (4) For purposes of this section, (a) permanent full-time  
8 employees includes employees of the Legislature or Legislative  
9 Council who work one-half or more of the regularly scheduled  
10 hours during each pay period of the legislative session and (b)  
11 permanent part-time employees includes employees of the Legislature  
12 or Legislative Council who work less than one-half of the regularly  
13 scheduled hours during each pay period of the legislative session.

14 (5) (a) Within the first one hundred eighty days of  
15 employment, a full-time employee may apply to the board for  
16 vesting credit for years of participation in another Nebraska  
17 governmental plan, as defined by section 414(d) of the Internal  
18 Revenue Code. During the years of participation in the other  
19 Nebraska governmental plan, the employee must have been a full-time  
20 employee, as defined in the Nebraska governmental plan in which  
21 the credit was earned. The board may adopt and promulgate rules  
22 and regulations governing the assessment and granting of vesting  
23 credit.

24 (b) If the contributory retirement plan or contract  
25 let pursuant to section 48-609 is terminated, employees of  
26 the Department of Labor who are active participants in such  
27 contributory retirement plan or contract on the date of termination

1 of such plan or contract shall be granted vesting credit for their  
2 years of participation in such plan or contract.

3 (6) Any employee who qualifies for membership in the  
4 retirement system pursuant to this section may not be disqualified  
5 for membership in the retirement system solely because such  
6 employee also maintains separate employment which qualifies the  
7 employee for membership in another public retirement system,  
8 nor may membership in this retirement system disqualify such an  
9 employee from membership in another public employment system solely  
10 by reason of separate employment which qualifies such employee for  
11 membership in this retirement system.

12 (7) State agencies shall ensure that employees authorized  
13 to participate in the retirement system pursuant to this section  
14 shall enroll and make required contributions to the retirement  
15 system immediately upon becoming an employee. Information necessary  
16 to determine membership in the retirement system shall be provided  
17 by the employer.

18 Sec. 37. Section 84-1308, Reissue Revised Statutes of  
19 Nebraska, is amended to read:

20 84-1308 (1) Each employee who is a member of the  
21 retirement system shall pay or have paid on his or her behalf  
22 a sum equal to four and eight-tenths percent of his or her monthly  
23 compensation. The contributions, although designated as employee  
24 contributions, shall be paid by the employer in lieu of employee  
25 contributions. Such amounts shall be deducted monthly pursuant to  
26 subsection (2) of this section by the Director of Administrative  
27 Services. All money received shall be set aside by the State

1 Treasurer and credited to the State Employees Retirement Fund.

2           (2) The employer shall pick up the employee contributions  
3 required by this section for all compensation paid on or after  
4 January 1, 1985, and the contributions so picked up shall be  
5 treated as employer contributions pursuant to section 414(h)(2)  
6 of the Internal Revenue Code in determining federal tax treatment  
7 under the ~~Internal Revenue Code as defined in section 49-801.01,~~  
8 ~~except that the employer shall continue to withhold federal income~~  
9 ~~taxes based upon these contributions until the Internal Revenue~~  
10 ~~Service or the federal courts rule that,~~ pursuant to section  
11 ~~414(h) of the code,~~ these contributions code and shall not be  
12 included as gross income of the employee until such time as they  
13 are distributed or made available. The employer shall pay these  
14 employee contributions from the same source of funds which is  
15 used in paying earnings to the employee. The employer shall pick  
16 up these contributions by a deduction through a reduction in the  
17 cash compensation of the employee. Employee contributions picked up  
18 shall be treated for all purposes of the State Employees Retirement  
19 Act in the same manner and to the extent as employee contributions  
20 made prior to the date picked up.

21           Sec. 38. Section 84-1314, Revised Statutes Cumulative  
22 Supplement, 2012, is amended to read:

23           84-1314 (1) The State Employees Defined Contribution  
24 Retirement Expense Fund is created. The fund shall be credited  
25 with money from the retirement system assets and income sufficient  
26 to pay the pro rata share of administrative expenses incurred  
27 as directed by the board for the proper administration of the

1 State Employees Retirement Act and necessary in connection with the  
2 administration and operation of the retirement system, except as  
3 provided in sections 84-1309.02, 84-1310.01, and 84-1311.03. Any  
4 money in the fund available for investment shall be invested by the  
5 state investment officer pursuant to the Nebraska Capital Expansion  
6 Act and the Nebraska State Funds Investment Act.

7 (2) The State Employees Cash Balance Retirement Expense  
8 Fund is created. The fund shall be credited with money forfeited  
9 pursuant to section 84-1321.01 and with money from the retirement  
10 system assets and income sufficient to pay the pro rata share of  
11 administrative expenses incurred as directed by the board for the  
12 proper administration of the State Employees Retirement Act and  
13 necessary in connection with the administration and operation of  
14 the retirement system, except as provided in sections 84-1309.02,  
15 84-1310.01, and 84-1311.03. Any money in the fund available for  
16 investment shall be invested by the state investment officer  
17 pursuant to the Nebraska Capital Expansion Act and the Nebraska  
18 State Funds Investment Act.

19 (3) Forfeiture funds collected from members participating  
20 in the defined contribution benefit shall be used to either pay  
21 expenses or reduce employer contributions related to the defined  
22 contribution benefit. Any unused funds shall be allocated as  
23 earnings of and transferred to the accounts of the remaining  
24 members within twelve months after receipt of the funds by the  
25 board.

26 Sec. 39. Section 84-1317, Revised Statutes Cumulative  
27 Supplement, 2012, is amended to read:

1           84-1317 (1) Upon filing an application for benefits with  
2 the board, an employee may elect to retire after the attainment of  
3 age fifty-five or an employee may retire as a result of disability  
4 at any age.

5           (2) The member shall specify in the application for  
6 benefits the manner in which he or she wishes to receive the  
7 retirement benefit under the options provided by the State  
8 Employees Retirement Act. Payment under the application for  
9 benefits shall be made (a) for annuities, no sooner than the  
10 annuity start date, and (b) for other distributions, no sooner than  
11 the date of final account value.

12           (3) Payment of any benefit provided under the retirement  
13 system may not be deferred later than April 1 of the year following  
14 the year in which the employee has both attained at least age  
15 seventy and one-half years and terminated his or her employment  
16 with the state.  ~~except that for members participating in the~~  
17  ~~defined contribution benefit, no distribution is required to be~~  
18  ~~made for the plan year commencing January 1, 2009, through December~~  
19  ~~31, 2009.~~

20           (4) The board shall make reasonable efforts to locate  
21 the member or the member's beneficiary and distribute benefits by  
22 the required beginning date as specified by section 401(a)(9) of  
23 the Internal Revenue Code and the regulations issued thereunder. If  
24 the board is unable to make such a distribution, the benefit shall  
25 be distributed pursuant to the Uniform Disposition of Unclaimed  
26 Property Act and no amounts may be applied to increase the benefits  
27 any member would otherwise receive under the State Employees

1 Retirement Act.

2 (5) A participant or beneficiary who would have been  
3 required to receive required minimum distributions for 2009  
4 but for the enactment of section 401(a)(9)(H) of the Internal  
5 Revenue Code, and who would have satisfied that requirement by  
6 receiving distributions that are either equal to the 2009 required  
7 minimum distributions or one or more payments in a series of  
8 substantially equal distributions, including the 2009 required  
9 minimum distribution, made at least annually and expected to  
10 last for the life or life expectancy of the participant, the  
11 joint lives or joint life expectancy of the participant and  
12 the participant's designated beneficiary, or for a period of  
13 at least ten years, shall receive those distributions for 2009  
14 unless the participant or beneficiary chooses not to receive such  
15 distributions. Participants and beneficiaries shall be given the  
16 opportunity to elect to stop receiving the distributions described  
17 in this subsection.

18 Sec. 40. Section 84-1319, Revised Statutes Cumulative  
19 Supplement, 2012, is amended to read:

20 84-1319 (1) The future service retirement benefit shall  
21 be an annuity, payable monthly with the first payment made no  
22 earlier than the annuity start date, which shall be the actuarial  
23 equivalent of the retirement value as specified in section 84-1318  
24 based on factors determined by the board, except that gender shall  
25 not be a factor when determining the amount of such payments except  
26 as provided in this section.

27 Except as provided in section 42-1107, at any time before

1 the annuity start date, the retiring employee may choose to receive  
2 his or her annuity either in the form of an annuity as provided  
3 under subsection (4) of this section or any optional form that is  
4 determined acceptable by the board.

5           Except as provided in section 42-1107, in lieu of the  
6 future service retirement annuity, a retiring employee may receive  
7 a benefit not to exceed the amount in his or her employer and  
8 employee accounts as of the date of final account value payable  
9 in a lump sum and, if the employee chooses not to receive the  
10 entire amount in such accounts, an annuity equal to the actuarial  
11 equivalent of the remainder of the retirement value, and the  
12 employee may choose any form of such annuity as provided for by the  
13 board.

14           In any case, the amount of the monthly payment shall  
15 be such that the annuity chosen shall be the actuarial equivalent  
16 of the retirement value as specified in section 84-1318 except as  
17 provided in this section.

18           The board shall provide to any state employee who is  
19 eligible for retirement, prior to his or her selecting any of the  
20 retirement options provided by this section, information on the  
21 federal and state income tax consequences of the various annuity or  
22 retirement benefit options.

23           (2) Except as provided in subsection (4) of this section,  
24 the monthly annuity income payable to a member retiring on or after  
25 January 1, 1984, shall be as follows:

26           He or she shall receive at retirement the amount which  
27 may be purchased by the accumulated contributions based on annuity

1 rates in effect on the annuity start date which do not utilize  
2 gender as a factor, except that such amounts shall not be less  
3 than the retirement income which can be provided by the sum of  
4 the amounts derived pursuant to subdivisions (a) and (b) of this  
5 subsection as follows:

6 (a) The income provided by the accumulated contributions  
7 made prior to January 1, 1984, based on male annuity purchase rates  
8 in effect on the date of purchase; and

9 (b) The income provided by the accumulated contributions  
10 made on and after January 1, 1984, based on the annuity purchase  
11 rates in effect on the date of purchase which do not use gender as  
12 a factor.

13 (3) Any amounts, in excess of contributions, which may be  
14 required in order to purchase the retirement income specified in  
15 subsection (2) of this section shall be withdrawn from the State  
16 Equal Retirement Benefit Fund.

17 (4) (a) The normal form of payment shall be a single life  
18 annuity with five-year certain, which is an annuity payable monthly  
19 during the remainder of the member's life with the provision that,  
20 in the event of his or her death before sixty monthly payments  
21 have been made, the monthly payments will be continued to his or  
22 her estate or to the beneficiary he or she has designated until  
23 sixty monthly payments have been made in total. Such annuity shall  
24 be equal to the actuarial equivalent of the member cash balance  
25 account or the sum of the employee and employer accounts, whichever  
26 is applicable, as of the date of final account value. As a part  
27 of the annuity, the normal form of payment may include a two and

1 one-half percent cost-of-living adjustment purchased by the member,  
2 if the member elects such a payment option.

3           Except as provided in section 42-1107, a member may elect  
4 a lump-sum distribution of his or her member cash balance account  
5 as of the date of final account value upon termination of service  
6 or retirement.

7           For a member employed and participating in the retirement  
8 system prior to January 1, 2003, who has elected to participate  
9 in the cash balance benefit pursuant to section 84-1309.02, or  
10 for a member employed and participating in the retirement system  
11 beginning on and after January 1, 2003, the balance of his or her  
12 member cash balance account as of the date of final account value  
13 shall be converted to an annuity using an interest rate used in the  
14 actuarial valuation as recommended by the actuary and approved by  
15 the board.

16           For an employee who is a member prior to January 1, 2003,  
17 who has elected not to participate in the cash balance benefit  
18 pursuant to section 84-1309.02, and who, at the time of retirement,  
19 chooses the annuity option rather than the lump-sum option, his  
20 or her employee and employer accounts as of the date of final  
21 account value shall be converted to an annuity using an interest  
22 rate that is equal to the lesser of (i) the Pension Benefit  
23 Guaranty Corporation initial interest rate for valuing annuities  
24 for terminating plans as of the beginning of the year during  
25 which payment begins plus three-fourths of one percent or (ii) the  
26 interest rate used in the actuarial valuation as recommended by the  
27 actuary and approved by the board.

1           (b) For the calendar year beginning January 1, 2003, and  
2 each calendar year thereafter, the actuary for the board shall  
3 perform an actuarial valuation of the system using the entry  
4 age actuarial cost method. Under this method, the actuarially  
5 required funding rate is equal to the normal cost rate plus the  
6 contribution rate necessary to amortize the unfunded actuarial  
7 accrued liability on a level-payment basis. The normal cost under  
8 this method shall be determined for each individual member on  
9 a level percentage of salary basis. The normal cost amount is  
10 then summed for all members. The initial unfunded actual accrued  
11 liability as of January 1, 2003, if any, shall be amortized  
12 over a twenty-five-year period. During each subsequent actuarial  
13 valuation, changes in the unfunded actuarial accrued liability  
14 due to changes in benefits, actuarial assumptions, the asset  
15 valuation method, or actuarial gains or losses shall be measured  
16 and amortized over a twenty-five-year period beginning on the  
17 valuation date of such change. If the unfunded actuarial accrued  
18 liability under the entry age actuarial cost method is zero or  
19 less than zero on an actuarial valuation date, then all prior  
20 unfunded actuarial accrued liabilities shall be considered fully  
21 funded and the unfunded actuarial accrued liability shall be  
22 reinitialized and amortized over a twenty-five-year period as  
23 of the actuarial valuation date. If the actuarially required  
24 contribution rate exceeds the rate of all contributions required  
25 pursuant to the State Employees Retirement Act, there shall be  
26 a supplemental appropriation sufficient to pay for the difference  
27 between the actuarially required contribution rate and the rate of

1 all contributions required pursuant to the act.

2 (c) If the unfunded accrued actuarial liability under the  
3 entry age actuarial cost method is less than zero on an actuarial  
4 valuation date, and on the basis of all data in the possession  
5 of the retirement board, including such mortality and other tables  
6 as are recommended by the actuary engaged by the retirement board  
7 and adopted by the retirement board, the retirement board may  
8 elect to pay a dividend to all members participating in the  
9 cash balance option in an amount that would not increase the  
10 actuarial contribution rate above ninety percent of the actual  
11 contribution rate. Dividends shall be credited to the employee cash  
12 balance account and the employer cash balance account based on the  
13 account balances on the actuarial valuation date. In the event a  
14 dividend is granted and paid after the actuarial valuation date,  
15 interest for the period from the actuarial valuation date until the  
16 dividend is actually paid shall be paid on the dividend amount. The  
17 interest rate shall be the interest credit rate earned on regular  
18 contributions.

19 (5) At the option of the retiring member, any lump sum  
20 or annuity provided under this section or section 84-1320 may be  
21 deferred to commence at any time, except that no benefit shall be  
22 deferred later than April 1 of the year following the year in which  
23 the employee has both attained at least seventy and one-half years  
24 of age and has terminated his or her employment with the state. ~~7~~  
25 ~~except that for members participating in the defined contribution~~  
26 ~~benefit, no distribution is required to be made for the plan~~  
27 ~~year commencing January 1, 2009, through December 31, 2009.~~ Such

1 election by the retiring member may be made at any time prior to  
2 the commencement of the lump-sum or annuity payments.

3 (6) A participant or beneficiary who would have been  
4 required to receive required minimum distributions for 2009  
5 but for the enactment of section 401(a)(9)(H) of the Internal  
6 Revenue Code, and who would have satisfied that requirement by  
7 receiving distributions that are either equal to the 2009 required  
8 minimum distributions or one or more payments in a series of  
9 substantially equal distributions, including the 2009 required  
10 minimum distribution, made at least annually and expected to  
11 last for the life or life expectancy of the participant, the  
12 joint lives or joint life expectancy of the participant and  
13 the participant's designated beneficiary, or for a period of  
14 at least ten years, shall receive those distributions for 2009  
15 unless the participant or beneficiary chooses not to receive such  
16 distributions. Participants and beneficiaries shall be given the  
17 opportunity to elect to stop receiving the distributions described  
18 in this subsection.

19 Sec. 41. Section 84-1321, Revised Statutes Cumulative  
20 Supplement, 2012, is amended to read:

21 84-1321 (1) Except as provided in section 42-1107, upon  
22 termination of employment before becoming eligible for retirement  
23 under section 84-1317, a member may, upon application to the board,  
24 receive:

25 (a) If not vested, a termination benefit equal to the  
26 amount in his or her employee account or member cash balance  
27 account as of the date of final account value payable in a lump sum

1 or an annuity with the lump-sum or first annuity payment made at  
2 any time after termination but no later than April 1 of the year  
3 following the year in which the member attains the age of seventy  
4 and one-half years; ~~or~~ ~~except that for members participating in~~  
5 ~~the defined contribution benefit, no distribution is required to be~~  
6 ~~made for the plan year commencing January 1, 2009, through December~~  
7 ~~31, 2009, or~~

8 (b) If vested, a termination benefit equal to (i) the  
9 amount of his or her member cash balance account as of the date  
10 of final account value payable in a lump sum or an annuity with  
11 the lump-sum or first annuity payment made at any time after  
12 termination but no later than April 1 of the year following the  
13 year in which the member attains the age of seventy and one-half  
14 years or (ii) (A) the amount in his or her employee account as  
15 of the date of final account value payable in a lump sum or an  
16 annuity with the lump-sum or first annuity payment made at any  
17 time after termination but no later than April 1 of the year  
18 following the year in which the member attains the age of seventy  
19 and one-half years plus (B) the amount of his or her employer  
20 account as of the date of final account value payable in a lump  
21 sum or an annuity with the lump-sum or first annuity payment made  
22 at any time after termination but no later than April 1 of the  
23 year following the year in which the member attains the age of  
24 seventy and one-half years. ~~For purposes of subdivision (1)(b) of~~  
25 ~~this section, for members participating in the defined contribution~~  
26 ~~benefit, no distribution is required to be made for the plan year~~  
27 ~~commencing January 1, 2009, through December 31, 2009.~~

1           The member cash balance account or employer and employee  
2 accounts of a terminating member shall be retained by the board,  
3 and the termination benefit shall be deferred until a valid  
4 application for benefits has been received.

5           (2) At the option of the terminating member, any lump  
6 sum of the vested portion of the employer account or member cash  
7 balance account or any annuity provided under subsection (1) of  
8 this section shall commence as of the first of the month at any  
9 time after such member has terminated his or her employment with  
10 the state or may be deferred, except that no benefit shall be  
11 deferred later than April 1 of the year following the year in which  
12 the employee has both attained at least seventy and one-half years  
13 of age and has terminated his or her employment with the state. ~~7~~  
14 ~~except that for members participating in the defined contribution~~  
15 ~~benefit, no distribution is required to be made for the plan~~  
16 ~~year commencing January 1, 2009, through December 31, 2009.~~ Such  
17 election by the terminating member shall be made at any time prior  
18 to the commencement of the lump-sum or annuity payments.

19           (3) Members of the retirement system shall be vested  
20 after a total of three years of participation in the system as a  
21 member pursuant to section 84-1307, including vesting credit. If  
22 an employee retires pursuant to section 84-1317, such an employee  
23 shall be fully vested in the retirement system.

24           (4) A participant or beneficiary who would have been  
25 required to receive required minimum distributions for 2009  
26 but for the enactment of section 401(a)(9)(H) of the Internal  
27 Revenue Code, and who would have satisfied that requirement by

1 receiving distributions that are either equal to the 2009 required  
2 minimum distributions or one or more payments in a series of  
3 substantially equal distributions, including the 2009 required  
4 minimum distribution, made at least annually and expected to  
5 last for the life or life expectancy of the participant, the  
6 joint lives or joint life expectancy of the participant and  
7 the participant's designated beneficiary, or for a period of  
8 at least ten years, shall receive those distributions for 2009  
9 unless the participant or beneficiary chooses not to receive such  
10 distributions. Participants and beneficiaries shall be given the  
11 opportunity to elect to stop receiving the distributions.

12           Sec. 42. Section 84-1321.01, Revised Statutes Cumulative  
13 Supplement, 2012, is amended to read:

14           84-1321.01 (1) For a member who has terminated employment  
15 and is not vested, the balance of the member's employer account  
16 or employer cash balance account shall be forfeited. The forfeited  
17 account shall be credited to the State Employees Retirement Fund  
18 and shall first be used to meet the expense charges incurred  
19 by the retirement board in connection with administering the  
20 retirement system, which charges shall be credited to the State  
21 Employees Defined Contribution Retirement Expense Fund, if the  
22 member participated in the defined contribution option, or to the  
23 State Employees Cash Balance Retirement Expense Fund, if the member  
24 participated in the cash balance option, and the remainder, if any,  
25 shall then be used to restore employer accounts or employer cash  
26 balance accounts. Except as provided in subsection (3) of section  
27 84-1314 and subdivision (4)(c) of section 84-1319, no forfeited

1 amounts shall be applied to increase the benefits any member would  
2 otherwise receive under the State Employees Retirement Act.

3 (2) (a) If a member ceases to be an employee due to  
4 the termination of his or her employment by the state and a  
5 grievance or other appeal of the termination is filed, transactions  
6 involving forfeiture of his or her employer account or employer  
7 cash balance account and, except as provided in subdivision (b)  
8 of this subsection, transactions for payment of benefits under  
9 sections 84-1317 and 84-1321 shall be suspended pending the final  
10 outcome of the grievance or other appeal.

11 (b) If a member elects to receive benefits payable under  
12 sections 84-1317 and 84-1321 after a grievance or appeal is filed,  
13 the member may receive an amount up to the balance of his or  
14 her employee account or member cash balance account or twenty-five  
15 thousand dollars payable from the employee account or member cash  
16 balance account, whichever is less.

17 (3) The State Employer Retirement Expense Fund is  
18 created. The fund shall be administered by the Public Employees  
19 Retirement Board. Prior to July 1, 2012, the fund shall be used to  
20 meet expenses of the State Employees Retirement System of the State  
21 of Nebraska whether such expenses are incurred in administering  
22 the member's employer account or in administering the member's  
23 employer cash balance account when the funds available in the  
24 State Employees Defined Contribution Retirement Expense Fund or  
25 State Employees Cash Balance Retirement Expense Fund make such use  
26 reasonably necessary. On July 1, 2012, or as soon as practicable  
27 thereafter, any money in the State Employer Retirement Expense

1 Fund shall be transferred by the State Treasurer to the State  
2 Employees Retirement Fund and credited to the cash balance benefit  
3 established in section 84-1309.02.

4 (4) Prior to July 1, 2012, the director of the Nebraska  
5 Public Employees Retirement Systems shall certify to the Accounting  
6 Administrator of the Department of Administrative Services when  
7 accumulated employer account forfeiture funds are available to  
8 reduce the state contribution which would otherwise be required  
9 to fund future service retirement benefits or to restore employer  
10 accounts or employer cash balance accounts referred to in  
11 subsection (1) of this section. Following such certification, the  
12 Accounting Administrator shall transfer the amount reduced from the  
13 state contribution from the Imprest Payroll Distributive Fund to  
14 the State Employer Retirement Expense Fund. Expenses incurred as  
15 a result of the state depositing amounts into the State Employer  
16 Retirement Expense Fund shall be deducted prior to any additional  
17 expenses being allocated. Any remaining amount shall be allocated  
18 in accordance with subsection (3) of this section. Any money in  
19 the State Employer Retirement Expense Fund available for investment  
20 shall be invested by the state investment officer pursuant to  
21 the Nebraska Capital Expansion Act and the Nebraska State Funds  
22 Investment Act.

23 Sec. 43. Section 84-1503, Revised Statutes Cumulative  
24 Supplement, 2012, is amended to read:

25 84-1503 (1) It shall be the duty of the Public Employees  
26 Retirement Board:

27 (a) To administer the retirement systems provided for in

1 the County Employees Retirement Act, the Judges Retirement Act,  
2 the Nebraska State Patrol Retirement Act, the School Employees  
3 Retirement Act, and the State Employees Retirement Act. The agency  
4 for the administration of the retirement systems and under the  
5 direction of the board shall be known and may be cited as the  
6 Nebraska Public Employees Retirement Systems;

7 (b) To appoint a director to administer the systems under  
8 the direction of the board. The appointment shall be subject to  
9 the approval of the Governor and a majority of the Legislature.  
10 The director shall be qualified by training and have at least five  
11 years of experience in the administration of a qualified public  
12 or private employee retirement plan. The director shall not be a  
13 member of the board. The salary of the director shall be set by the  
14 board. The director shall serve without term and may be removed by  
15 the board;

16 (c) To provide for an equitable allocation of expenses  
17 among the retirement systems administered by the board, and all  
18 expenses shall be provided from the investment income earned by the  
19 various retirement funds unless alternative sources of funds to pay  
20 expenses are specified by law;

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

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

26 (f) To hire an internal auditor to perform the duties  
27 described in section 84-1503.04 who meets the minimum standards as

1 described in section 84-304.03;

2 (g) To adopt and implement procedures for reporting  
3 information by employers, as well as testing and monitoring  
4 procedures in order to verify the accuracy of such information.  
5 The information necessary to determine membership shall be provided  
6 by the employer. The board shall adopt and promulgate rules  
7 and regulations and prescribe such forms necessary to carry out  
8 this subdivision. Nothing in this subdivision shall be construed  
9 to require the board to conduct onsite audits of political  
10 subdivisions for compliance with statutes, rules, and regulations  
11 governing the retirement systems listed in subdivision (1)(a) of  
12 this section regarding membership and contributions; and

13 (h) To prescribe and furnish forms for the public  
14 retirement system plan reports required to be filed pursuant to  
15 sections 2-3228, 12-101, 14-567, 14-1805.01, 14-2111, 15-1017,  
16 16-1017, 16-1037, 19-3501, 23-1118, 23-3526, 71-1631.02, and  
17 79-987.

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

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

25 (b) To determine the eligibility of an individual to be  
26 a member of the retirement system and other questions of fact in  
27 the event of a dispute between an individual and the individual's

1 employer;

2 (c) To adopt and promulgate rules and regulations for the  
3 management of the board;

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

6 (e) To obtain, by a competitive, formal, and sealed  
7 bidding process through the materiel division of the Department  
8 of Administrative Services, actuarial services on behalf of the  
9 State of Nebraska as may be necessary in the administration and  
10 development of the retirement systems. Any contract for actuarial  
11 services shall contain a provision allowing the actuary, without  
12 prior approval of the board, to perform actuarial studies of the  
13 systems as requested by entities other than the board, if notice,  
14 which does not identify the entity or substance of the request, is  
15 given to the board, all costs are paid by the requesting entity,  
16 results are provided to the board, the Nebraska Retirement Systems  
17 Committee of the Legislature, and the Legislative Fiscal Analyst  
18 upon being made public, and such actuarial studies do not interfere  
19 with the actuary's ongoing responsibility to the board. The term  
20 of the contract shall be for up to three years. A competitive,  
21 formal, and sealed bidding process shall be completed at least  
22 once every three years, unless the board determines that such a  
23 process would not be cost effective under the circumstances and  
24 that the actuarial services performed have been satisfactory, in  
25 which case the contract may also contain an option for renewal  
26 without a competitive, formal, and sealed bidding process for up to  
27 three additional years. An actuary under contract for the State of

1 Nebraska shall be a member of the American Academy of Actuaries and  
2 meet the academy's qualification standards to render a statement of  
3 actuarial opinion;

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

10 (g) To adopt and promulgate rules and regulations to  
11 carry out the provisions of each retirement system described in  
12 subdivision (1)(a) of this section, which includes, but is not  
13 limited to, the crediting of military service, direct rollover  
14 distributions, and the acceptance of rollovers;

15 (h) To obtain, by a competitive, formal, and sealed  
16 bidding process through the materiel division of the Department  
17 of Administrative Services, auditing services for a separate  
18 compliance audit of the retirement systems to be completed by  
19 December 31, ~~2012~~, 2020, and from time to time thereafter at  
20 the request of the Nebraska Retirement Systems Committee of the  
21 Legislature, to be completed not more than every four years but  
22 not less than every ten years. The compliance audit shall be in  
23 addition to the annual audit conducted by the Auditor of Public  
24 Accounts. The compliance audit shall include, but not be limited  
25 to, an examination of records, files, and other documents and an  
26 evaluation of all policies and procedures to determine compliance  
27 with all state and federal laws. A copy of the compliance audit

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

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

17 (j) To administer all retirement system plans in a manner  
18 which will maintain each plan's status as a qualified plan pursuant  
19 to the Internal Revenue Code, as defined in section 49-801.01,  
20 including: Section 401(a)(9) of the Internal Revenue Code relating  
21 to the time and manner in which benefits are required to be  
22 distributed, including the incidental death benefit distribution  
23 requirement of section 401(a)(9)(G) of the Internal Revenue Code;  
24 section 401(a)(16) of the Internal Revenue Code relating to the  
25 specification of actuarial assumptions; section 401(a)(31) of the  
26 Internal Revenue Code relating to direct rollover distributions  
27 from eligible retirement plans; ~~and~~ section 401(a)(37) of the

1 Internal Revenue Code relating to the death benefit of a member  
2 whose death occurs while performing qualified military service;  
3 and section 414(d) of the Internal Revenue Code relating to the  
4 establishment of retirement plans for employees of a state or  
5 political subdivision thereof. The board shall adopt and promulgate  
6 rules and regulations necessary or appropriate to maintain such  
7 status including, but not limited to, rules or regulations which  
8 restrict discretionary or optional contributions to a plan or which  
9 limit distributions from a plan.

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

21 Sec. 44. Section 84-1511, Revised Statutes Cumulative  
22 Supplement, 2012, is amended to read:

23 84-1511 (1) The Public Employees Retirement Board shall  
24 establish a comprehensive preretirement planning program for  
25 state patrol officers, state employees, judges, county employees,  
26 and school employees who are members of the retirement systems  
27 established pursuant to the County Employees Retirement Act, the

1 Judges Retirement Act, the School Employees Retirement Act, the  
2 Nebraska State Patrol Retirement Act, and the State Employees  
3 Retirement Act. The program shall provide information and advice  
4 regarding the many changes employees face upon retirement,  
5 including, but not limited to, changes in physical and mental  
6 health, housing, family life, leisure activity, and retirement  
7 income.

8 (2) The preretirement planning program shall be available  
9 to all employees who have attained the age of fifty years or are  
10 within five years of qualifying for retirement or early retirement  
11 under their retirement systems.

12 (3) The preretirement planning program shall include  
13 information on the federal and state income tax consequences of  
14 the various annuity or retirement benefit options available to the  
15 employee, information on social security benefits, information on  
16 various local, state, and federal government programs and programs  
17 in the private sector designed to assist elderly persons, and  
18 information and advice the board deems valuable in assisting public  
19 employees in the transition from public employment to retirement.

20 (4) The board shall work with the Department of Health  
21 and Human Services, the personnel division of the Department  
22 of Administrative Services, employee groups, and any other  
23 governmental agency, including political subdivisions or bodies  
24 whose services or expertise may enhance the development or  
25 implementation of the preretirement planning program.

26 (5) Funding to cover the expense of the preretirement  
27 planning program shall be charged back to each retirement fund on a

1 pro rata share based on the number of employees in each plan.

2 (6) The employer shall provide each eligible employee  
3 leave with pay to attend up to two preretirement planning programs.  
4 For purposes of this subsection, leave with pay shall mean a  
5 day off paid by the employer and shall not mean vacation, sick,  
6 personal, or compensatory time. An employee may choose to attend  
7 a program more than twice, but such leave shall be at the expense  
8 of the employee and shall be at the discretion of the employer.  
9 An eligible employee shall not be entitled to attend more than  
10 one preretirement planning program per fiscal year prior to actual  
11 election of retirement.

12 (7) A nominal registration fee ~~shall~~ may be charged each  
13 person attending a preretirement planning program to cover the  
14 costs for meals, meeting rooms, or other expenses incurred under  
15 such program.

16 Sec. 45. Section 84-1511.01, Reissue Revised Statutes of  
17 Nebraska, is amended to read:

18 84-1511.01 (1) The Public Employees Retirement Board  
19 shall establish a comprehensive retirement education and financial  
20 planning program for all members of the State Employees Retirement  
21 System of the State of Nebraska and for all members of the  
22 Retirement System for Nebraska Counties, who are under age fifty  
23 and not eligible to attend the preretirement planning program  
24 established in section 84-1511. The program may be provided to  
25 members in a single-day format, or may be provided in equivalent  
26 partial-day segments.

27 (2) The retirement education and financial planning

1 program shall include discussion on the retirement system,  
2 financial planning, and budgeting as well as any other planning  
3 information valuable to employees before they reach age fifty.

4 (3) The employer shall provide each eligible employee  
5 leave with pay to attend a retirement education and financial  
6 planning program twice prior to age fifty. For purposes of this  
7 subsection, leave with pay means time off paid by the employer  
8 and shall not mean vacation, sick, personal, or compensatory time.  
9 Leave with pay shall be provided to each eligible employee in order  
10 that the employee may attend the full retirement education and  
11 financial planning program, whether it is provided in a single-day  
12 program or in the equivalent partial-day segments. An employee may  
13 choose to attend a full program more than twice, but leave to  
14 attend any additional single-day programs or equivalent segments  
15 shall be at the expense of the employee and shall be at the  
16 discretion of the employer. An employee may not attend a full  
17 program more than once per fiscal year.

18 (4) Funding to cover the expense of the retirement  
19 education and financial planning program shall be charged  
20 proportionately to the State Employees Retirement Fund and the  
21 County Employees Retirement Fund.

22 (5) A nominal registration fee ~~shall~~ may be charged each  
23 person attending a retirement education and financial planning  
24 program to cover the costs for meals or meeting rooms or other  
25 expenses incurred for the program.

26 Sec. 46. If any section in this act or any part of any  
27 section is declared invalid or unconstitutional, the declaration

1 shall not affect the validity or constitutionality of the remaining  
2 portions.

3           Sec. 47. Original sections 16-1011, 23-2301, 23-2306,  
4 23-2307, 23-2310.04, 23-2315, 23-2317, 23-2319, 23-2319.01, 79-917,  
5 79-921, 79-962, 79-984, 79-991, 79-992, 79-996, 79-9,102, 80-401,  
6 84-1308, and 84-1511.01, Reissue Revised Statutes of Nebraska, and  
7 sections 24-701, 24-703, 24-710.13, 79-902, 79-904.01, 79-947.06,  
8 79-956, 79-958, 79-987, 79-990, 79-9,117, 81-2014, 81-2016,  
9 81-2017, 81-2027.08, 81-2041, 84-1301, 84-1307, 84-1314, 84-1317,  
10 84-1319, 84-1321, 84-1321.01, 84-1503, and 84-1511, Revised  
11 Statutes Cumulative Supplement, 2012, are repealed.

12           Sec. 48. Since an emergency exists, this act takes effect  
13 when passed and approved according to law.