

LEGISLATURE OF NEBRASKA  
 ONE HUNDRED THIRD LEGISLATURE  
 FIRST SESSION  
**LEGISLATIVE BILL 263**

Final Reading

Introduced by Nebraska Retirement Systems Committee: Nordquist, 7,  
 Chairperson; Conrad, 46; Davis, 43; Karpisek, 32;  
 Kolowski, 31; Mello, 5.

Read first time January 16, 2013

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to government benefits; to amend sections  
 2 16-1011, 23-2301, 23-2306, 23-2307, 23-2310.04, 23-2315,  
 3 23-2317, 23-2319, 23-2319.01, 79-917, 79-921, 79-962,  
 4 79-984, 79-991, 79-992, 79-996, 79-9,102, 80-401,  
 5 84-1308, and 84-1511.01, Reissue Revised Statutes of  
 6 Nebraska, and sections 24-701, 24-703, 24-710.13, 79-902,  
 7 79-904.01, 79-947.06, 79-956, 79-958, 79-987, 79-990,  
 8 79-9,117, 81-2014, 81-2016, 81-2017, 81-2027.08, 81-2041,  
 9 84-1301, 84-1307, 84-1314, 84-1317, 84-1319, 84-1321,  
 10 84-1321.01, 84-1503, and 84-1511, Revised Statutes  
 11 Cumulative Supplement, 2012; to change provisions  
 12 regarding police officer disability payments; to define  
 13 and redefine terms for certain retirement systems; to  
 14 change membership and contribution provisions for certain  
 15 retirement systems; to change provisions relating to

1           forfeited accounts, required distributions, interest, and  
2           compliance with federal law; to change provisions  
3           relating to annual benefit adjustments, repayment of  
4           benefits, application deadlines, termination of  
5           employment, and contract requirements; to change  
6           requirements for actuarial and auditing services; to  
7           change provisions relating to administering retirement  
8           system plans and fees for planning programs; to change  
9           provisions relating to the Nebraska Veterans' Aid Fund;  
10          to eliminate obsolete provisions; to harmonize  
11          provisions; to provide severability; to repeal the  
12          original sections; and to declare an emergency.

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

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

3           16-1011 (1) If any police officer becomes disabled, such  
4 police officer shall be placed upon the roll of pensioned police  
5 officers at the regular retirement pension of fifty percent of  
6 regular pay for the period of such disability. For purposes of this  
7 section, disability shall mean the complete inability of the police  
8 officer, for reasons of accident or other cause while in the line of  
9 duty, to perform the duties of a police officer.

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

1 medicine and surgery in this state, and who is chosen by the city.  
2 The expense of such examination shall be borne by the city.

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

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

1 disability pension.

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

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

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

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

24 The provisions of this subsection shall not apply to a  
25 police officer whose disability benefit payments are terminated

1 because of fraud on the part of the police officer.

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

4           23-2301 For purposes of the County Employees Retirement  
5 Act, unless the context otherwise requires:

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

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

23           (3) Annuity start date means the date upon which a  
24 member's annuity is first effective and shall be the first day of the  
25 month following the member's termination or following the date the

1 application is received by the board, whichever is later;

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

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

19 (b) Compensation in excess of the limitations set forth  
20 in section 401(a)(17) of the Internal Revenue Code shall be  
21 disregarded. For an employee who was a member of the retirement  
22 system before the first plan year beginning after December 31, 1995,  
23 the limitation on compensation shall not be less than the amount  
24 which was allowed to be taken into account under the retirement  
25 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 section  
10 23-2309 and, if vested, employer contributions and earnings pursuant  
11 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 system,  
20 persons employed as provided in section 2-1608, all elected officers  
21 of a county, and such other persons or officers as are classified  
22 from time to time as permanent employees by the county board of the  
23 county by which they are employed, except that employee does not  
24 include judges, employees or officers of any county having a  
25 population in excess of ~~one~~two hundred fifty thousand inhabitants,



1 as determined by the most recent federal decennial census, or, except  
2 as provided in section 23-2306, persons making contributions to the  
3 School Employees Retirement System of the State of Nebraska;

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

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

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

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

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

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

21 (17) Guaranteed investment contract means an investment  
22 contract or account offering a return of principal invested plus  
23 interest at a specified rate. For investments made after July 19,  
24 1996, guaranteed investment contract does not include direct  
25 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, or  
4 collateralized mortgage obligations and other derivative securities.  
5 This subdivision shall not be construed to require the liquidation of  
6 investment contracts or accounts entered into prior to July 19, 1996;

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

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

1 surviving spouse or beneficiary commences receipt of a distribution  
2 from the plan;

3 (20) Member cash balance account means an account equal  
4 to the sum of the employee cash balance account and, if vested, the  
5 employer cash balance account and dividend amounts credited in  
6 accordance with subdivision (4)(c) of section 23-2317;

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

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

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

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

18 (25) Prior service means service prior to the date of  
19 adoption of the retirement system;

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

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

1           (28) Retirement means qualifying for and accepting the  
2 retirement benefit granted under the act after terminating  
3 employment;

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

7           ~~(29)~~(30) Retirement board or board means the Public  
8 Employees Retirement Board;

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

16           ~~(30)~~(32) Retirement system means the Retirement System  
17 for Nebraska Counties;

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

1 received under section 23-2315;

2           ~~(32)~~(34) Surviving spouse means (a) the spouse married  
3 to the member on the date of the member's death or (b) the spouse or  
4 former spouse of the member if survivorship rights are provided under  
5 a qualified domestic relations order filed with the board pursuant to  
6 the Spousal Pension Rights Act. The spouse or former spouse shall  
7 supersede the spouse married to the member on the date of the  
8 member's death as provided under a qualified domestic relations  
9 order. If the benefits payable to the spouse or former spouse under a  
10 qualified domestic relations order are less than the value of  
11 benefits entitled to the surviving spouse, the spouse married to the  
12 member on the date of the member's death shall be the surviving  
13 spouse for the balance of the benefits;

14           ~~(33)~~(35) Termination of employment occurs on the date on  
15 which a county which is a member of the retirement system determines  
16 that its employer-employee relationship with an employee is  
17 dissolved. The county shall notify the board of the date on which  
18 such a termination has occurred. Termination of employment does not  
19 occur if an employee whose employer-employee relationship with a  
20 county is dissolved enters into an employer-employee relationship  
21 with the same or another county which participates in the Retirement  
22 System for Nebraska Counties and there are less than one hundred  
23 twenty days between the date when the employee's employer-employee  
24 relationship ceased with the county and the date when the employer-  
25 employee relationship commenced with the same or another county which

1 qualifies the employee for participation in the plan. It is the  
2 responsibility of the employer that is involved in the termination of  
3 employment to notify the board of such change in employment and  
4 provide the board with such information as the board deems necessary.

5 If the board determines that termination of employment has not  
6 occurred and a retirement benefit has been paid to a member of the  
7 retirement system pursuant to section 23-2319, the board shall  
8 require the member who has received such benefit to repay the benefit  
9 to the retirement system; and

10 ~~(34)~~—(36) Vesting credit means credit for years, or a  
11 fraction of a year, of participation in another Nebraska governmental  
12 plan for purposes of determining vesting of the employer account.

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

15 23-2306 (1) The membership of the retirement system shall  
16 be composed of all persons who are or were employed by member  
17 counties and who maintain an account balance with the retirement  
18 system.

19 (2) The following employees of member counties are  
20 authorized to participate in the retirement system: (a) All permanent  
21 full-time employees shall begin participation in the retirement  
22 system upon employment and full-time elected officials shall begin  
23 participation in the retirement system upon taking office, (b) all  
24 permanent part-time employees who have attained the age of eighteen  
25 years may exercise the option to begin participation in the

1 retirement system within the first thirty days of employment, and (c)  
2 all part-time elected officials may exercise the option to begin  
3 participation in the retirement system within thirty days after  
4 taking office. An employee who exercises the option to begin  
5 participation in the retirement system shall remain in the system  
6 until termination or retirement, regardless of any change of status  
7 as a permanent or temporary employee.

8 (3) On and after July 1, 2010, no employee of a member  
9 county shall be authorized to participate in the retirement system  
10 provided for in the County Employees Retirement Act unless the  
11 employee (a) is a United States citizen or (b) is a qualified alien  
12 under the federal Immigration and Nationality Act, 8 U.S.C. 1101 et  
13 seq., as such act existed on January 1, 2009, and is lawfully present  
14 in the United States.

15 (4) On and after July 1, 2013, the board may determine  
16 that a governmental entity currently participating in the retirement  
17 system no longer qualifies under section 414(d) of the Internal  
18 Revenue Code as a participating employer in a governmental plan. Upon  
19 such determination, affected plan members shall be considered fully  
20 vested. The board shall notify such entity within ten days after  
21 making a determination. Within ninety days after the board's notice  
22 to such entity, affected plan members shall become inactive. The  
23 board may adopt and promulgate rules and regulations to carry out  
24 this subsection.

25 ~~(4)~~ (5) Within the first one hundred eighty days of

1 employment, a full-time employee may apply to the board for vesting  
2 credit for years of participation in another Nebraska governmental  
3 plan, as defined by section 414(d) of the Internal Revenue Code.  
4 During the years of participation in the other Nebraska governmental  
5 plan, the employee must have been a full-time employee, as defined in  
6 the Nebraska governmental plan in which the credit was earned. The  
7 board may adopt and promulgate rules and regulations governing the  
8 assessment and granting of vesting credit.

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

18 ~~(6)~~ (7) A full-time or part-time employee of a city,  
19 village, or township who becomes a county employee pursuant to a  
20 merger of services shall receive vesting credit for his or her years  
21 of participation in a Nebraska governmental plan, as defined by  
22 section 414(d) of the Internal Revenue Code, of the city, village, or  
23 township.

24 ~~(7)~~ (8) A full-time or part-time employee of a city,  
25 village, fire protection district, or township who becomes a



1 municipal county employee shall receive credit for his or her years  
2 of employment with the city, village, fire protection district, or  
3 township for purposes of the vesting provisions of this section.

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

10 ~~(8)-(10)~~ Counties shall ensure that employees authorized  
11 to participate in the retirement system pursuant to this section  
12 shall enroll and make required contributions to the retirement system  
13 immediately upon becoming an employee. Information necessary to  
14 determine membership in the retirement system shall be provided by  
15 the employer.

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

18 23-2307 Each employee who is a member of the retirement  
19 system shall pay to the county or have picked up by the county a sum  
20 equal to four and one-half percent of his or her compensation for  
21 each pay period. The contributions, although designated as employee  
22 contributions, shall be paid by the county in lieu of employee  
23 contributions. The county shall pick up the employee contributions  
24 required by this section for all compensation paid on or after  
25 January 1, 1985, and the contributions so picked up shall be treated

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

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

18 23-2310.04 (1) The County Employees Defined Contribution  
19 Retirement Expense Fund is created. The fund shall be credited with  
20 money from the retirement system assets and income sufficient to pay  
21 the pro rata share of administrative expenses incurred as directed by  
22 the board for the proper administration of the County Employees  
23 Retirement Act and necessary in connection with the administration  
24 and operation of the retirement system, except as provided in  
25 sections 23-2308.01, 23-2309.01, and 23-2310.05. Any money in the

1 fund available for investment shall be invested by the state  
2 investment officer pursuant to the Nebraska Capital Expansion Act and  
3 the Nebraska State Funds Investment Act.

4 (2) The County Employees Cash Balance Retirement Expense  
5 Fund is created. The fund shall be credited with money forfeited  
6 pursuant to section 23-2319.01 and with money from the retirement  
7 system assets and income sufficient to pay the pro rata share of  
8 administrative expenses incurred as directed by the board for the  
9 proper administration of the County Employees Retirement Act and  
10 necessary in connection with the administration and operation of the  
11 retirement system, except as provided in sections 23-2308.01,  
12 23-2309.01, and 23-2310.05. Any money in the fund available for  
13 investment shall be invested by the state investment officer pursuant  
14 to the Nebraska Capital Expansion Act and the Nebraska State Funds  
15 Investment Act.

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

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

24 23-2315 (1) Upon filing an application for benefits with  
25 the board, an employee may elect to retire at any time after

1 attaining the age of fifty-five or an employee may retire as a result  
2 of disability at any age.

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

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

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

25 (5) A participant or beneficiary who would have been

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

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

17           23-2317 (1) The future service retirement benefit shall  
18 be an annuity, payable monthly with the first payment made no earlier  
19 than the annuity start date, which shall be the actuarial equivalent  
20 of the retirement value as specified in section 23-2316 based on  
21 factors determined by the board, except that gender shall not be a  
22 factor when determining the amount of such payments pursuant to  
23 subsection (2) of this section.

24           Except as provided in section 42-1107, at any time before  
25 the annuity start date, the retiring employee may choose to receive

1 his or her annuity either in the form of an annuity as provided under  
2 subsection (4) of this section or any optional form that is  
3 determined by the board.

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

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

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

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

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

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

13 (3) Any amount, 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 County  
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, in  
20 the event of his or her death before sixty monthly payments have been  
21 made, the monthly payments will be continued to his or her estate or  
22 to the beneficiary he or she has designated until sixty monthly  
23 payments have been made in total. Such annuity shall be equal to the  
24 actuarial equivalent of the member cash balance account or the sum of  
25 the employee and employer accounts, whichever is applicable, as of

1 the date of final account value. As a part of the annuity, the normal  
2 form of payment may include a two and one-half percent cost-of-living  
3 adjustment purchased by the member, if the member elects such a  
4 payment option.

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

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

17           For an employee who is a member prior to January 1, 2003,  
18 who has elected not to participate in the cash balance benefit  
19 pursuant to section 23-2308.01, and who, at the time of retirement,  
20 chooses the annuity option rather than the lump-sum option, his or  
21 her employee and employer accounts as of the date of final account  
22 value shall be converted to an annuity using an interest rate that is  
23 equal to the lesser of (i) the Pension Benefit Guaranty Corporation  
24 initial interest rate for valuing annuities for terminating plans as  
25 of the beginning of the year during which payment begins plus three-



1 fourths of one percent or (ii) the interest rate used in the  
2 actuarial valuation as recommended by the actuary and approved by the  
3 board.

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

1 the rate of all contributions required pursuant to the County  
2 Employees Retirement Act, there shall be a supplemental appropriation  
3 sufficient to pay for the difference between the actuarially required  
4 contribution rate and the rate of all contributions required pursuant  
5 to the act.

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

22 (5) At the option of the retiring member, any lump sum or  
23 annuity provided under this section or section 23-2334 may be  
24 deferred to commence at any time, except that no benefit shall be  
25 deferred later than April 1 of the year following the year in which

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

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

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

25 23-2319 (1) Except as provided in section 42-1107, upon

1 termination of employment, except for retirement or disability, and  
2 after filing an application with the board, a member may receive:

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

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

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

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

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

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

1 fully vested in the retirement system.

2           (4) A participant or beneficiary who would have been  
3 required to receive required minimum distributions for 2009 but for  
4 the enactment of section 401(a)(9)(H) of the Internal Revenue Code,  
5 and who would have satisfied that requirement by receiving  
6 distributions that are either equal to the 2009 required minimum  
7 distributions or one or more payments in a series of substantially  
8 equal distributions, including the 2009 required minimum  
9 distribution, made at least annually and expected to last for the  
10 life or life expectancy of the participant, the joint lives or joint  
11 life expectancy of the participant and the participant's designated  
12 beneficiary, or for a period of at least ten years, shall receive  
13 those distributions for 2009 unless the participant or beneficiary  
14 chooses not to receive such distributions. Participants and  
15 beneficiaries shall be given the opportunity to elect to stop  
16 receiving the distributions described 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 or  
21 employer cash balance account shall be forfeited. The forfeited  
22 account shall be credited to the County Employees Retirement Fund and  
23 shall first be used to meet the expense charges incurred by the  
24 retirement board in connection with administering the retirement  
25 system, which charges shall be credited to the County Employees

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

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

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

24 (3) The County Employer Retirement Expense Fund is  
25 created. The fund shall be administered by the Public Employees

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

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

25 Sec. 10. Section 24-701, Revised Statutes Cumulative



1 Supplement, 2012, is amended to read:

2                   24-701 For purposes of the Judges Retirement Act, unless  
3 the context otherwise requires:

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

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

21                   (3) Prior service means all the periods of time any  
22 person has served as a (a) judge of the Supreme Court or judge of the  
23 district court prior to January 3, 1957, (b) judge of the county  
24 court prior to January 5, 1961, (c) judge of the Nebraska Workmen's  
25 Compensation Court prior to September 20, 1957, (d) judge of the

1 separate juvenile court, or (e) judge of the municipal court prior to  
2 October 23, 1967;

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

20 (b) Current service shall not be deemed to be interrupted  
21 by (i) temporary or seasonal suspension of service that does not  
22 terminate the employee's employment, (ii) leave of absence authorized  
23 by the employer for a period not exceeding twelve months, (iii) leave  
24 of absence because of disability, or (iv) military service, when  
25 properly authorized by the board. Current service does not include

1 any period of disability for which disability retirement benefits are  
2 received under section 24-709;

3 (5) Military service means active service of (a) any  
4 judge of the Supreme Court or judge of the district court in any of  
5 the armed forces of the United States during a war or national  
6 emergency prior or subsequent to September 18, 1955, if such service  
7 commenced while such judge was holding the office of judge, (b) any  
8 judge of the Nebraska Workmen's Compensation Court or the Nebraska  
9 Workers' Compensation Court in any of the armed forces of the United  
10 States during a war or national emergency prior or subsequent to  
11 September 20, 1957, if such service commenced while such judge was  
12 holding the office of judge, (c) any judge of the municipal court in  
13 any of the armed forces of the United States during a war or national  
14 emergency prior or subsequent to October 23, 1967, and prior to July  
15 1, 1985, if such service commenced while such judge was holding the  
16 office of judge, (d) any judge of the county court or associate  
17 county judge in any of the armed forces of the United States during a  
18 war or national emergency prior or subsequent to January 4, 1973, if  
19 such service commenced while such judge was holding the office of  
20 judge, (e) any clerk magistrate, who was an associate county judge  
21 and a member of the fund at the time of appointment as a clerk  
22 magistrate, in any of the armed forces of the United States during a  
23 war or national emergency on or after July 1, 1986, if such service  
24 commenced while such clerk magistrate was holding the office of clerk  
25 magistrate, and (f) any judge of the Court of Appeals in any of the

1 armed forces of the United States during a war or national emergency  
2 on or after September 6, 1991, if such service commenced while such  
3 judge was holding the office of judge. The board shall have the power  
4 to determine when a national emergency exists or has existed for the  
5 purpose of applying this definition and provision;

6 (6) Creditable service means the total number of years  
7 served as a judge, including prior service, military service, and  
8 current service, computed to the nearest one-twelfth year. For  
9 current service prior to the time that the member has contributed the  
10 required percentage of salary until the maximum benefit as limited by  
11 section 24-710 has been earned, creditable service does not include  
12 current service for which member contributions are not made or are  
13 withdrawn and not repaid;

14 (7)(a) Compensation means the statutory salary of a judge  
15 or the salary being received by such judge pursuant to law.  
16 Compensation does not include compensation for unused sick leave or  
17 unused vacation leave converted to cash payments, insurance premiums  
18 converted into cash payments, reimbursement for expenses incurred,  
19 fringe benefits, per diems, or bonuses for services not actually  
20 rendered, including, but not limited to, early retirement  
21 inducements, cash awards, and severance pay, except for retroactive  
22 salary payments paid pursuant to court order, arbitration, or  
23 litigation and grievance settlements. Compensation includes overtime  
24 pay, member retirement contributions, and amounts contributed by the  
25 member to plans under sections 125 and 457 of the Internal Revenue

1 Code as defined in section 49-801.01 or any other section of the code  
2 which defers or excludes such amounts from income.

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

10 (8) Beneficiary means a person so designated by a judge  
11 in the last designation of beneficiary on file with the board or, if  
12 no designated person survives or if no designation is on file, the  
13 estate of such judge;

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

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

25 (11) Member means a judge eligible to participate in the

1 retirement system established under the Judges Retirement Act;

2 (12) Original member means a judge who first served as a  
3 judge prior to December 25, 1969, who does not elect to become a  
4 future member pursuant to subsection (8) of section 24-703 or section  
5 24-710.01, and who was retired on or before December 31, 1992;

6 (13) Future member means a judge who first served as a  
7 judge on or after December 25, 1969, or means a judge who first  
8 served as a judge prior to December 25, 1969, who elects to become a  
9 future member on or before June 30, 1970, as provided in subsection  
10 (8) of section 24-703 or section 24-710.01;

11 (14) Final average compensation means the average monthly  
12 compensation for the three twelve-month periods of service as a judge  
13 in which compensation was the greatest or, in the event of a judge  
14 serving less than three twelve-month periods, the average monthly  
15 compensation for such judge's period of service;

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

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

24 (17) Actuarial equivalence means the equality in value of  
25 the aggregate amounts expected to be received under different forms

1 of payment. The determinations are to be based on the 1994 Group  
2 Annuity Mortality Table reflecting sex-distinct factors blended using  
3 seventy-five percent of the male table and twenty-five percent of the  
4 female table. An interest rate of eight percent per annum shall be  
5 reflected in making these determinations;

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

8 (19) Initial benefit means the retirement benefit  
9 calculated at the time of retirement;

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

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

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

22 ~~(21)~~(23) Retirement system or system means the Nebraska  
23 Judges Retirement System as provided in the Judges Retirement Act;

24 ~~(22)~~(24) Surviving spouse means (a) the spouse married  
25 to the member on the date of the member's death or (b) the spouse or

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

11 ~~(23)~~(25) Termination of employment occurs on the date on  
12 which the State Court Administrator's office determines that the  
13 judge's employer-employee relationship with the State of Nebraska is  
14 dissolved. The State Court Administrator's office shall notify the  
15 board of the date on which such a termination has occurred.  
16 Termination of employment does not include ceasing employment as a  
17 judge if the judge returns to regular employment as a judge or is  
18 employed on a regular basis by another agency of the State of  
19 Nebraska and there are less than one hundred twenty days between the  
20 date when the judge's employer-employee relationship ceased and the  
21 date when the employer-employee relationship recommences. It is the  
22 responsibility of the employer that is involved in the termination of  
23 employment to notify the board of such change in employment and  
24 provide the board with such information as the board deems necessary.  
25 If the board determines that termination of employment has not



1 occurred and a retirement benefit has been paid to a member of the  
2 retirement system pursuant to section 24-710, the board shall require  
3 the member who has received such benefit to repay the benefit to the  
4 retirement system.

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

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

25           (2)(a) In addition to the contribution required under

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

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

1 future member shall contribute monthly four percent of his or her  
2 monthly compensation to the fund for the remainder of his or her  
3 active service.

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

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

23 (3) Except as otherwise provided in this subsection, a  
24 Nebraska Retirement Fund for Judges fee of five dollars shall be  
25 taxed as costs in each (a) civil cause of action, criminal cause of

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

1 county judge as provided in section 29-2709.

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

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

10 (6) Not later than January 1 of each year, the State  
11 Treasurer shall transfer to the fund the amount certified by the  
12 board as being necessary to pay the cost of any benefits accrued  
13 during the fiscal year ending the previous June 30 in excess of  
14 member contributions for that fiscal year and court fees as provided  
15 in subsection (3) of this section and fees pursuant to sections  
16 25-2804, 33-103, 33-103.01, 33-106, 33-106.02, 33-123, 33-125,  
17 33-126.02, 33-126.03, and 33-126.06 and directed to be remitted to  
18 the fund, if any, for that fiscal year plus any required  
19 contributions of the state as provided in subsection (9) of this  
20 section.

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

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

1 board.

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

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

17 (10) The state or county shall pick up the member  
18 contributions required by this section for all compensation paid on  
19 or after January 1, 1985, and the contributions so picked up shall be  
20 treated as employer contributions pursuant to section 414(h)(2) of  
21 the Internal Revenue Code in determining federal tax treatment under  
22 ~~the Internal Revenue Code as defined in section 49-801.01, except~~  
23 ~~that the state or county shall continue to withhold federal income~~  
24 ~~taxes based upon these contributions until the Internal Revenue~~  
25 ~~Service or the federal courts rule that, pursuant to section 414(h)~~

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

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

15           24-710.13 (1) Beginning July 1, 2011, and each July 1  
16 thereafter, the board shall determine the number of retired members  
17 or beneficiaries described in subdivision (4)(b) of this section in  
18 the retirement system and an annual benefit adjustment shall be made  
19 by the board for each retired member or beneficiary under one of the  
20 cost-of-living adjustment calculation methods found in subsection  
21 (2), (3), or (4) of this section. Each retired member or beneficiary,  
22 if eligible, shall receive an annual benefit adjustment under the  
23 cost-of-living adjustment calculation method that provides the  
24 retired member or beneficiary the greatest annual benefit adjustment  
25 increase. No retired member or beneficiary shall receive an annual



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

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

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

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

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

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

1 by this subsection.

2 (c) The monthly accrual rate under this subsection is the  
3 retired member's or beneficiary's total monthly benefit divided by  
4 the number of years of creditable service earned by the retired or  
5 deceased member.

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

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

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

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

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

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

25           (8) The state shall contribute to the Nebraska Retirement

1 Fund for Judges an annual level dollar payment certified by the  
2 board. For the 2011-12 fiscal year through the 2012-13 fiscal year,  
3 the annual level dollar payment certified by the board shall equal  
4 1.04778 percent of six million eight hundred ninety-five thousand  
5 dollars.

6 Sec. 13. Section 79-902, Revised Statutes Cumulative  
7 Supplement, 2012, is amended to read:

8 79-902 For purposes of the School Employees Retirement  
9 Act, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

1 wholly supported by public funds, except schools under the control  
2 and management of the Board of Trustees of the Nebraska State  
3 Colleges, the Board of Regents of the University of Nebraska, or the  
4 community college boards of governors for any community college  
5 areas;

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

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

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

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

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

20 (18) Service means employment as a school employee and  
21 shall not be deemed interrupted by (a) termination at the end of the  
22 school year of the contract of employment of an employee in a public  
23 school if the employee enters into a contract of employment in any  
24 public school, except a school in a Class V school district, for the  
25 following school year, (b) temporary or seasonal suspension of



1 service that does not terminate the employee's employment, (c) leave  
2 of absence authorized by the employer for a period not exceeding  
3 twelve months, (d) leave of absence because of disability, or (e)  
4 military service when properly authorized by the retirement board.  
5 Service does not include any period of disability for which  
6 disability retirement benefits are received under sections 79-951 to  
7 79-953;

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

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

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

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

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

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

19                   (25) Actuarial equivalent means the equality in value of  
20 the aggregate amounts expected to be received under different forms  
21 of payment. The determinations shall be based on the 1994 Group  
22 Annuity Mortality Table reflecting sex-distinct factors blended using  
23 twenty-five percent of the male table and seventy-five percent of the  
24 female table. An interest rate of eight percent per annum shall be  
25 reflected in making these determinations except when a lump-sum

1 settlement is made to an estate. If the lump-sum settlement is made  
2 to an estate, the interest rate will be determined by the Moody's  
3 Triple A Bond Index as of the prior June 30, rounded to the next  
4 lower quarter percent;

5 (26) Retirement date means (a) if the member has  
6 terminated employment, the first day of the month following the date  
7 upon which a member's request for retirement is received on a  
8 retirement application provided by the retirement system or (b) if  
9 the member has filed ~~an~~ a retirement application but has not yet  
10 terminated employment, the first day of the month following the date  
11 on which the member terminates employment. An application may be  
12 filed no more than ~~ninety-one hundred twenty~~ ninety-one hundred twenty days prior to the  
13 effective date of the member's initial benefit;

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

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

23 (29) Eligibility and vesting credit means credit for  
24 years, or a fraction of a year, of participation in a Nebraska  
25 government plan for purposes of determining eligibility for benefits

1 under the School Employees Retirement Act. Such credit shall not be  
2 included as years of creditable service in the benefit calculation;

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

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

11 (c) Payments under the Retirement Incentive Plan pursuant  
12 to section 79-855 and Staff Development Assistance pursuant to  
13 section 79-856 shall not be included in the determination of final  
14 average compensation;

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

17 (32) Current benefit means the initial benefit increased  
18 by all adjustments made pursuant to the School Employees Retirement  
19 Act;

20 (33) Initial benefit means the retirement benefit  
21 calculated at the time of retirement;

22 (34) Surviving spouse means (a) the spouse married to the  
23 member on the date of the member's death or (b) the spouse or former  
24 spouse of the member if survivorship rights are provided under a  
25 qualified domestic relations order filed with the board pursuant to

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

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

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

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

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

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

1 benefit change made by the employer for a category of school employee  
2 in accordance with subdivision (35)(a)(iv) of this section.

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

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

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

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

21 (e)(i) ~~In~~ For purposes of section 79-934, in the  
22 determination of compensation for members whose retirement date is on  
23 or after July 1, 2012, until July 1, 2013, that part of a member's  
24 compensation for the plan year which exceeds the member's  
25 compensation with the same employer for the preceding plan year by

1 more than nine percent of the compensation base during the sixty  
2 months preceding the member's retirement shall be excluded.

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

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

23 (ii) For purposes of subdivision (35)(f) of this section:  
24 (A) Category of school employee means either all  
25 employees of the employer who are administrators or certificated



1 teachers, or all employees of the employer who are not administrators  
2 or certificated teachers, or both; and

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

12 (f)(i) Notwithstanding any other provision of this  
13 section, for purposes of section 79-934, in the determination of  
14 compensation for members whose retirement date is on or after July 1,  
15 2013, that part of a member's compensation for the plan year which  
16 exceeds the member's compensation for the preceding plan year by more  
17 than eight percent during the capping period shall be excluded. Such  
18 member's compensation for the first plan year of the capping period  
19 shall be compared to the member's compensation received for the plan  
20 year immediately preceding the capping period.

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

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

25 (B) Final compensation date means the later of (I) the

1 date on which a retiring member's final compensation is actually paid  
2 or (II) if a retiring member's final compensation is paid in advance  
3 as a lump sum, the date on which such final compensation would have  
4 been paid to the member in the absence of such advance payment;

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

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

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

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

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

12 (37) 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 (38) Substitute employee means a person hired by a public  
17 school as a temporary employee to assume the duties of regular  
18 employees due to ~~the~~-a temporary absence of ~~the~~-any regular  
19 employees. Substitute employee does not mean a person hired as a  
20 regular employee on an ongoing basis to assume the duties of other  
21 regular employees who are temporarily absent;

22 (39) Participation means qualifying for and making  
23 required deposits to the retirement system during the course of a  
24 plan year;

25 (40) Regular employee means an employee hired by a public

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

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

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

19 79-904.01 (1) If the board determines that the retirement  
20 system has previously received contributions or distributed benefits  
21 which for any reason are not in accordance with the statutory  
22 provisions of the School Employees Retirement Act, the board ~~shall~~  
23 may refund contributions, require additional contributions, adjust  
24 benefits, or require repayment of benefits paid. In the event of an  
25 overpayment of a benefit, the board may, in addition to other

1 remedies, offset future benefit payments by the amount of the prior  
2 overpayment, together with regular interest thereon. In the event of  
3 ~~an a material~~ underpayment of a benefit, the board shall immediately  
4 make payment equal to the deficit amount plus regular interest.

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

9 ~~(2)-(3)~~ The board shall adopt and promulgate rules and  
10 regulations implementing this section, which shall include, but not  
11 be limited to, the following: (a) The procedures for refunding  
12 contributions, adjusting future contributions or benefit payments,  
13 and requiring additional contributions or repayment of benefits; (b)  
14 the process for a member, member's beneficiary, employee, or employer  
15 to dispute an adjustment of contributions or benefits; and (c) notice  
16 provided to all affected persons. All notices shall be sent at the  
17 time of or prior to an adjustment and shall describe the process for  
18 disputing an adjustment of contributions or benefits.

19 ~~(3)-(4)~~ The board shall not refund contributions made on  
20 compensation in excess of the limitations imposed by subdivision (35)  
21 of section 79-902.

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

24 79-917 Within the first ~~thirty one hundred eighty~~ days of  
25 employment, a school employee may apply to the board for eligibility

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

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

12 79-921 (1) The membership of any person in the retirement  
13 system shall cease only if he or she (a) withdraws his or her  
14 accumulated contributions under section 79-955, (b) retires on a  
15 school or formula or disability retirement allowance, or (c) dies.

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

21 ~~(2)~~—(3) The retirement board shall reinstate to  
22 membership, with the same status as when such membership ceased, a  
23 school employee who has withdrawn his or her accumulated  
24 contributions under the following conditions:

25 (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 amount  
5 he or she has withdrawn plus interest which would have accrued on  
6 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 service  
16 shall be fully restored only if the member has repaid all accumulated  
17 withdrawals in accordance with either subdivision ~~(2)(a) or (2)(b)~~  
18 (3)(a) or (3)(b) of this section, as applicable. Repayment may be  
19 made through direct payment, installment payments, or an irrevocable  
20 payroll deduction authorization. If the school employee chooses not  
21 to repay such withdrawals with interest, the school employee shall  
22 enter the system as a new member with no prior rights.

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

25 79-947.06 (1) Beginning July 1, 2011, and each July 1

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

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



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

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

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

25           (b) In order for a retired member or beneficiary to

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

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

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

23 ~~(e) The minimum accrual rate under this subsection is~~  
24 ~~twenty three dollars and thirty two cents until adjusted pursuant to~~  
25 ~~this subsection. Beginning July 1, 2011, Beginning July 1, 2010, the~~

1 minimum accrual rate under this subsection was twenty-four dollars  
2 and eleven cents. Beginning July 1, 2011, the minimum accrual rate  
3 under this subsection was twenty-five dollars and nine cents.  
4 Beginning July 1, 2012, the minimum accrual rate under this  
5 subsection was twenty-five dollars and forty-nine cents. Beginning  
6 July 1, 2013, the board shall annually adjust the minimum accrual  
7 rate to reflect the cumulative percentage change in the Consumer  
8 Price Index for Urban Wage Earners and Clerical Workers from the last  
9 adjustment of the minimum accrual rate.

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

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

24 (7) The board shall adjust the annual benefit adjustment  
25 provided in this section so that the cost-of-living adjustment

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

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

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

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

1 contributions shall be distributed in accordance with the Uniform  
2 Disposition of Unclaimed Property Act.

3           (2) When the deceased member has twenty years or more of  
4 creditable service regardless of age or dies on or after his or her  
5 sixty-fifth birthday and leaves a surviving spouse who has been  
6 designated as beneficiary and who, as of the date of the member's  
7 death, is the sole surviving primary beneficiary, such beneficiary  
8 may elect, within twelve months after the death of the member, to  
9 receive (a) a refund of the member's contribution account balance,  
10 including interest, plus an additional one hundred one percent of the  
11 member's contribution account balance, including interest, or (b) an  
12 annuity which shall be equal to the amount that would have accrued to  
13 the member had he or she elected to have the retirement annuity paid  
14 as a one-hundred-percent joint and survivor annuity payable as long  
15 as either the member or the member's spouse should survive and had  
16 the member retired (i) on the date of death if his or her age at  
17 death is sixty-five years or more or (ii) at age sixty-five years if  
18 his or her age at death is less than sixty-five years.

19           (3) When the deceased member who was a school employee on  
20 or after May 1, 2001, has not less than five years of creditable  
21 service and less than twenty years of creditable service and dies  
22 before his or her sixty-fifth birthday and leaves a surviving spouse  
23 who has been designated in writing as beneficiary and who, as of the  
24 date of the member's death, is the sole surviving primary  
25 beneficiary, such beneficiary may elect, within twelve months after

1 the death of the member, to receive (a) a refund of the member's  
2 contribution account balance with interest plus an additional one  
3 hundred one percent of the member's contribution account balance with  
4 interest or (b) an annuity payable monthly for the surviving spouse's  
5 lifetime which shall be equal to the benefit amount that had accrued  
6 to the member at the date of the member's death, commencing when the  
7 member would have reached age sixty, or the member's age at death if  
8 greater, reduced by three percent for each year payments commence  
9 before the member would have reached age sixty-five, and adjusted for  
10 payment in the form of a one-hundred-percent joint and survivor  
11 annuity.

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

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

24 (6) A lump-sum death benefit paid to the member's  
25 beneficiary, other than the member's estate, that is an eligible

1 distribution may be distributed in the form of a direct transfer to a  
2 retirement plan eligible to receive such transfer under the  
3 provisions of the Internal Revenue Code.

4 (7) For any member whose death occurs on or after January  
5 1, 2007, while performing qualified military service as defined in  
6 section 414(u) of the Internal Revenue Code, the member's beneficiary  
7 shall be entitled to any additional death benefit that would have  
8 been provided, other than the accrual of any benefit relating to the  
9 period of qualified military service. The additional death benefit  
10 shall be determined as if the member had returned to employment with  
11 the employer and such employment had terminated on the date of the  
12 member's death.

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

15 79-958 (1) Beginning on September 1, 2009, and ending  
16 August 31, 2011, for the purpose of providing the funds to pay for  
17 formula annuities, every employee shall be required to deposit in the  
18 School Retirement Fund eight and twenty-eight hundredths percent of  
19 compensation. Beginning on September 1, 2011, and ending August 31,  
20 2012, for the purpose of providing the funds to pay for formula  
21 annuities, every employee shall be required to deposit in the School  
22 Retirement Fund eight and eighty-eight hundredths percent of  
23 compensation. Beginning on September 1, 2012, and ending August 31,  
24 2017, for the purpose of providing the funds to pay for formula  
25 annuities, every employee shall be required to deposit in the School

1 Retirement Fund nine and seventy-eight hundredths percent of  
2 compensation. Beginning on September 1, 2017, for the purpose of  
3 providing the funds to pay for formula annuities, every employee  
4 shall be required to deposit in the School Retirement Fund seven and  
5 twenty-eight hundredths percent of compensation. Such deposits shall  
6 be transmitted at the same time and in the same manner as required  
7 employer contributions.

8 (2) For the purpose of providing the funds to pay for  
9 formula annuities, every employer shall be required to deposit in the  
10 School Retirement Fund one hundred one percent of the required  
11 contributions of the school employees of each employer. Such deposits  
12 shall be transmitted to the retirement board at the same time and in  
13 the same manner as such required employee contributions.

14 (3) The employer shall pick up the member contributions  
15 required by this section for all compensation paid on or after  
16 January 1, 1986, and the contributions so picked up shall be treated  
17 as employer contributions pursuant to section 414(h)(2) of the  
18 Internal Revenue Code in determining federal tax treatment under the  
19 ~~Internal Revenue Code as defined in section 49-801.01, except that~~  
20 ~~the employer shall continue to withhold federal income taxes based~~  
21 ~~upon these contributions until the Internal Revenue Service or the~~  
22 ~~federal courts rule that, pursuant to section 414(h) of the code,~~  
23 ~~these contributions code and~~ shall not be included as gross income of  
24 the member until such time as they are distributed or made available.  
25 The contributions, although designated as member contributions, shall



1 be paid by the employer in lieu of member contributions. The employer  
2 shall pay these member contributions from the same source of funds  
3 which is used in paying earnings to the member. The employer shall  
4 pick up these contributions by a compensation deduction through a  
5 reduction in the cash compensation of the member. Member  
6 contributions picked up shall be treated for all purposes of the  
7 School Employees Retirement Act in the same manner and to the same  
8 extent as member contributions made prior to the date picked up.

9 (4) The employer shall pick up the member contributions  
10 made through irrevocable payroll deduction authorizations pursuant to  
11 sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and the  
12 contributions so picked up shall be treated as employer contributions  
13 in the same manner as contributions picked up under subsection (3) of  
14 this section.

15 Sec. 20. Section 79-962, Reissue Revised Statutes of  
16 Nebraska, is amended to read:

17 79-962 Every contract of employment with a school  
18 employee shall specify (1) the contractual period of employment,  
19 including the starting and ending dates of the contract, and (2) that  
20 it is subject to the provisions of the School Employees Retirement  
21 Act.

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

24 79-984 The board of education or Class V Retirement  
25 System Board shall contract for the services of an actuary who shall

1 be the technical advisor of the board and the trustees on matters  
2 regarding the operation of the retirement system. The actuary shall  
3 (1) make a general investigation of the operation of the retirement  
4 system ~~at least once in every three years,~~ annually, which  
5 investigation shall cover mortality, retirement, disability,  
6 employment, turnover, interest, and earnable compensation, and (2)  
7 recommend tables to be used for all required actuarial calculations.  
8 The actuary shall perform such other duties as may be assigned by the  
9 board.

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

12           79-987 (1) An annual audit of the affairs of the  
13 retirement system shall be conducted. At the option of the board,  
14 such audit may be conducted by a certified public accountant or the  
15 Auditor of Public Accounts. The costs of such audit shall be paid  
16 from funds of the retirement system. A copy of such audit shall be  
17 filed with the Auditor of Public Accounts.

18           (2) Beginning March 31, 2012, and each March 31  
19 thereafter, if such retirement plan is a defined benefit plan, the  
20 trustees of a retirement system established pursuant to section  
21 79-979 shall cause to be prepared an annual report and the  
22 administrator shall file the same with the Public Employees  
23 Retirement Board and submit to the members of the Nebraska Retirement  
24 Systems Committee of the Legislature a copy of such report. The  
25 report submitted to the committee shall be submitted electronically.

1 The report shall consist of a full actuarial analysis of each such  
2 retirement plan established pursuant to section 79-979. The analysis  
3 shall be prepared by an independent private organization or public  
4 entity employing actuaries who are members ~~in good standing~~ of the  
5 American Academy of Actuaries and meet the academy's qualification  
6 standards to render a statement of actuarial opinion, and which  
7 organization or entity has demonstrated expertise to perform this  
8 type of analysis and is unrelated to any organization offering  
9 investment advice or which provides investment management services to  
10 the retirement plan.

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

13 79-990 (1) Any member who is eligible for reemployment on  
14 or after December 12, 1994, pursuant to 38 U.S.C. 4301 et seq., as  
15 adopted under section 55-161, or who is eligible for reemployment  
16 under section 55-160 may pay to the retirement system after the date  
17 of his or her return from active military service, and within the  
18 period required by law, not to exceed five years, an amount equal to  
19 the sum of all deductions which would have been made from the salary  
20 which he or she would have received during the period of military  
21 service for which creditable service is desired. If such payment is  
22 made, the member shall be entitled to credit for membership service  
23 in determining his or her annuity for the period for which  
24 contributions have been made and the board shall be responsible for  
25 any funding necessary to provide for the benefit which is

1 attributable to this increase in the member's creditable service. The  
2 member's payments shall be paid as the trustees may direct, through  
3 direct payments to the retirement system or on an installment basis  
4 pursuant to a binding irrevocable payroll deduction authorization  
5 between the member and the school district. Creditable service may be  
6 purchased only in one-tenth-year increments, starting with the most  
7 recent years' salary.

8           (2) Under such rules and regulations as the board may  
9 prescribe, any member who was away from his or her position while on  
10 a leave of absence from such position authorized by the board of  
11 education of the school district by which he or she was employed at  
12 the time of such leave of absence or pursuant to any contractual  
13 agreement entered into by such school district may receive credit for  
14 any or all time he or she was on leave of absence. Such time shall be  
15 included in creditable service when determining eligibility for  
16 death, disability, termination, and retirement benefits. The member  
17 who receives the credit shall earn benefits during the leave based on  
18 salary at the level received immediately prior to the leave of  
19 absence. Such credit shall be received if such member pays into the  
20 retirement system (a) an amount equal to the sum of the deductions  
21 from his or her salary for the portion of the leave for which  
22 creditable service is desired, (b) any contribution which the school  
23 district would have been required to make for the portion of the  
24 leave for which creditable service is desired had he or she continued  
25 to receive salary at the level received immediately prior to the

1 leave of absence, and (c) ~~regular~~ interest on these combined payments  
2 from the date such deductions would have been made to the date of  
3 repayment determined by using the rate of interest established by the  
4 board for interest on such purchases of service credit. Such amounts  
5 shall be paid as the trustees may direct, through direct payments to  
6 the retirement system or on an installment basis pursuant to a  
7 binding irrevocable payroll deduction authorization between the  
8 member and the school district over a period not to exceed five years  
9 from the date of the termination of his or her leave of absence.  
10 Interest on any delayed payment shall be at the rate of ~~regular~~  
11 interest established by the board for determining interest on delayed  
12 payments by members to the retirement system. Creditable service may  
13 be purchased only in one-tenth-year increments, starting with the  
14 most recent years' salary, and if payments are made on an installment  
15 basis, creditable service will be credited only as payment has been  
16 made to the retirement system to purchase each additional one-tenth-  
17 year increment. Leave of absence shall be construed to include, but  
18 not be limited to, sabbaticals, maternity leave, exchange teaching  
19 programs, full-time leave as an elected official of a professional  
20 association or collective-bargaining unit, or leave of absence to  
21 pursue further education or study. A leave of absence granted  
22 pursuant to this section shall not exceed four years in length, and  
23 in order to receive credit for the leave of absence, the member must  
24 have returned to employment with the school district within one year  
25 after termination of the leave of absence.

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

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

18                   79-991 (1) An employee who becomes a member without prior  
19 service credit may purchase prior service credit, not to exceed the  
20 lesser of ten years or the member's years of membership service, for  
21 the period of service the member was employed by a school district or  
22 by an educational service unit and which is not used in the  
23 calculation of any retirement or disability benefit having been paid,  
24 being paid, or payable in the future to such member under any defined  
25 benefit retirement system or program maintained by such other school

1 district or educational service unit. The purchase of prior service  
2 credit shall be made in accordance with and subject to the following  
3 requirements:

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

24 (b) The member shall pay to the retirement system the  
25 total amount he or she would have contributed to the retirement

1 system had he or she been a member of the retirement system during  
2 the period for which prior service is being purchased, together with  
3 ~~regular~~ interest thereon as determined using the rate of interest  
4 established by the board for interest on such purchases of prior  
5 service credit. Such payment shall be based on the most recent years'  
6 salary the member earned in another school district or educational  
7 service unit if the salary is verified by the other school district  
8 or educational service unit or, if not, the payment shall be based on  
9 the member's annual salary at the time he or she became a member;

10 (c) Payments by the member for the purchase of the prior  
11 service credit shall be paid as the trustees may direct through  
12 direct payments to the retirement system or on an installment basis  
13 pursuant to a binding irrevocable payroll deduction authorization  
14 between the member and the school district over a period not to  
15 exceed five years from the date of membership. Interest on delayed  
16 payments shall be at the rate of ~~regular~~ interest established by the  
17 board for determining interest on delayed payments by members to the  
18 retirement system. In the event the member terminates employment with  
19 the school district for any reason before full payment for the prior  
20 service has been made, the remaining installments shall be  
21 immediately due and payable to the retirement system. Prior service  
22 credit may be purchased only in one-tenth-year increments, and if  
23 payments are made on an installment basis, the prior service will be  
24 credited only as payment has been made to the retirement system. If  
25 the prior service to be purchased by the member exceeds the member's



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

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

17 (2) Any member having five or more years of creditable  
18 service, excluding years of prior service acquired pursuant to  
19 section 79-990, 79-994, 79-995, or 79-997, or subsection (1) of this  
20 section, may elect to purchase up to a total of five years of  
21 additional creditable service under the retirement system, and upon  
22 such purchase the member shall be given the same status as though he  
23 or she had been a member of the retirement system for such additional  
24 number of years, except as otherwise specifically provided in the  
25 Class V School Employees Retirement Act. Creditable service may be

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

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

25           79-992 (1) A member who has five years or more of

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

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

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

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

1 five years or more of creditable service after his or her return to  
2 employment, excluding years of prior service acquired pursuant to  
3 section 79-990, 79-991, 79-994, 79-995, or 79-997, a retirement  
4 annuity as provided in section 79-999 or 79-9,100, as applicable,  
5 calculated solely on the basis of creditable service and final  
6 average compensation accrued and earned after the member's return to  
7 employment after his or her original retirement, and as adjusted to  
8 reflect any payment in other than the normal form or (b) if the  
9 member has not accrued five years or more of creditable service after  
10 his or her return to employment, a refund equal to the member's  
11 accumulated contributions which were credited to the member after the  
12 member's return to employment. In no event shall the member's  
13 creditable service which accrued prior to a previous retirement be  
14 considered as part of the member's creditable service after his or  
15 her return to employment for any purpose of the Class V School  
16 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) of  
19 this section in an amount greater than one thousand dollars, if the  
20 member does not elect to have the refund paid directly to himself or  
21 herself or transferred to an eligible retirement plan designated by  
22 the member as a direct rollover pursuant to section 79-998, then the  
23 refund of contributions shall be paid in a direct rollover to an  
24 individual retirement plan designated by the trustees.

25 Sec. 26. Section 79-996, Reissue Revised Statutes of

1 Nebraska, is amended to read:

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

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

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

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

25           79-9,102 (1) Notwithstanding any other provision of the

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

24           ~~(2) The limitation provided in this section shall be~~  
25 ~~adjusted as follows:~~

1           ~~(a) If the annuity begins prior to the sixty-second~~  
2 ~~birthday of the member, the dollar limitation shall be equal to an~~  
3 ~~annual annuity benefit which is equal to the actuarial equivalent of~~  
4 ~~an annuity benefit commencing on the sixty-second birthday of the~~  
5 ~~member, but not less than seventy five thousand dollars if the~~  
6 ~~member's annuity benefit begins at or after age fifty five and not~~  
7 ~~less than the actuarial equivalent of seventy five thousand dollars~~  
8 ~~if the annuity benefit begins before age fifty five;~~

9           ~~(b) If the annuity begins after the sixty fifth birthday~~  
10 ~~of the member, the dollar limitation shall be equal to an annual~~  
11 ~~annuity benefit which is equal to the actuarial equivalent of an~~  
12 ~~annuity benefit commencing on the sixty fifth birthday of the member;~~

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

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

22           ~~(3) For purposes of the limitations provided in this~~  
23 ~~section, the actuarial equivalent shall be determined from the~~  
24 ~~actuarial tables used for the retirement allowance for early~~  
25 ~~retirement, except that in the case of the adjustment for an annuity~~



1 ~~which begins (a) before the sixty-second birthday of a member, the~~  
2 ~~rate to be used in determining actuarial equivalency shall not be~~  
3 ~~less than five percent, and (b) after the sixty-fifth birthday of a~~  
4 ~~member, the interest rate to be used in determining the actuarial~~  
5 ~~equivalency shall not be greater than five percent. The value of the~~  
6 ~~joint and survivorship feature of an annuity shall not be taken into~~  
7 ~~account in applying the limitations provided in this section.~~

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

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

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

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

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

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

19           (4) The board shall work with any governmental agency,  
20 including political subdivisions or bodies whose services or  
21 expertise may enhance the development or implementation of the  
22 preretirement planning program.

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

25           (6) The employer shall provide each eligible employee

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

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

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

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

24 (2) Such fund shall be managed as follows: ~~(1)-(a)~~ When  
25 necessary to pay a premium for bonds for such fund, the amount of the

1 premium shall be amortized over the term of the bonds from the  
2 interest received on such bonds; and ~~(2)-(b)~~ when bonds for such fund  
3 are purchased at a discount, the amount of the discount shall be used  
4 to purchase additional bonds, it being contemplated that the face  
5 amount of the bonds in such fund may in this manner aggregate in  
6 excess of twelve million dollars at some future time.

7 (3) The interest on the Nebraska Veterans' Aid Fund,  
8 except so much as may be required for amortization of premium bond  
9 purchases as authorized in this section and so much as may be  
10 required to pay a pro rata share of the budget appropriated for the  
11 Nebraska Investment Council pursuant to section 72-1249.02, shall be  
12 paid to the Veterans' Aid Income Fund, which fund is hereby created.  
13 The Veterans' Aid Income Fund, when appropriated by the Legislature,  
14 shall be available to the ~~director~~ Director of Veterans' Affairs for  
15 aid to needy veterans as authorized by law. ~~The Board of Educational~~  
16 ~~Lands and Funds~~

17 (4) The Nebraska Investment Council shall manage the  
18 Nebraska Veterans' Aid Fund, ~~except that the investment and~~  
19 ~~reinvestment of such fund shall be the duty of the state investment~~  
20 ~~officer,~~ with investment and reinvestment to be made in the same type  
21 securities authorized for investment of funds by the Nebraska Capital  
22 Expansion Act and the Nebraska State Funds Investment Act.

23 (5) The director shall advise the ~~council~~ Nebraska  
24 Investment Council when amounts in the Veterans' Aid Income Fund are  
25 not immediately required for aid to needy veterans. The state

1 investment officer shall invest such amounts available from the  
2 Veterans' Aid Income Fund in the same manner as investments of the  
3 Nebraska Veterans' Aid Fund, and the interest thereon shall also  
4 become a part of the Veterans' Aid Income Fund.

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

7 81-2014 For purposes of the Nebraska State Patrol  
8 Retirement Act:

9 (1) Actuarial equivalent means the equality in value of  
10 the aggregate amounts expected to be received under different forms  
11 of payment or to be received at an earlier retirement age than the  
12 normal retirement age. The determinations shall be based on the 1994  
13 Group Annuity Mortality Table reflecting sex-distinct factors blended  
14 using seventy-five percent of the male table and twenty-five percent  
15 of the female table. An interest rate of eight percent per annum  
16 shall be reflected in making the determinations until such percent is  
17 amended by the Legislature;

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

19 (3)(a) Compensation means gross wages or salaries payable  
20 to the member for personal services performed during the plan year.  
21 Compensation does not include insurance premiums converted into cash  
22 payments, reimbursement for expenses incurred, fringe benefits, per  
23 diems, or bonuses for services not actually rendered, including, but  
24 not limited to, early retirement inducements, cash awards, and  
25 severance pay, except for retroactive salary payments paid pursuant

1 to court order, arbitration, or litigation and grievance settlements.  
2 For any officer employed after January 4, 1979, compensation does not  
3 include compensation for unused sick leave or unused vacation leave  
4 converted to cash payments. Compensation includes overtime pay,  
5 member retirement contributions, and amounts contributed by the  
6 member to plans under sections 125 and 457 of the Internal Revenue  
7 Code as defined in section 49-801.01 or any other section of the code  
8 which defers or excludes such amounts from income.

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

16 (4) Creditable service means service granted pursuant to  
17 section 81-2034 and all service rendered while a contributing member  
18 of the retirement system. Creditable service includes working days,  
19 sick days, vacation days, holidays, and any other leave days for  
20 which the officer is paid regular wages. Creditable service does not  
21 include eligibility and vesting credit nor service years for which  
22 member contributions are withdrawn and not repaid;

23 (5) Current benefit means the initial benefit increased  
24 by all adjustments made pursuant to the Nebraska State Patrol  
25 Retirement Act;

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

3           ~~(7)~~ DROP account means an individual DROP participant's  
4 defined contribution account under section 414(k) of the Internal  
5 Revenue Code;

6           ~~(7)~~~~(8)~~ DROP period means the amount of time the member  
7 elects to participate in DROP which shall be for a period not to  
8 exceed five years from and after the date of the member's DROP  
9 election;

10           ~~(8)~~~~(9)~~ Eligibility and vesting credit means credit for  
11 years, or a fraction of a year, of participation in a Nebraska  
12 government plan for purposes of determining eligibility for benefits  
13 under the Nebraska State Patrol Retirement Act. Such credit shall be  
14 used toward the vesting percentage pursuant to subsection (2) of  
15 section 81-2031 but shall not be included as years of service in the  
16 benefit calculation;

17           ~~(9)~~~~(10)~~ Initial benefit means the retirement benefit  
18 calculated at the time of retirement;

19           ~~(10)~~~~(11)~~ Officer means an officer provided for in  
20 sections 81-2001 to 81-2009;

21           ~~(11)~~~~(12)~~ Plan year means the twelve-month period  
22 beginning on July 1 and ending on June 30 of the following year;

23           ~~(12)~~~~(13)~~ Regular interest means interest fixed at a rate  
24 equal to the daily treasury yield curve for one-year treasury  
25 securities, as published by the Secretary of the Treasury of the

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

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

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

14 ~~(13)~~(16) Retirement system or system means the Nebraska  
15 State Patrol Retirement System as provided in the act;

16 ~~(14)~~(17) Service means employment as a member of the  
17 Nebraska State Patrol and shall not be deemed to be interrupted by  
18 (a) temporary or seasonal suspension of service that does not  
19 terminate the employee's employment, (b) leave of absence authorized  
20 by the employer for a period not exceeding twelve months, (c) leave  
21 of absence because of disability, or (d) military service, when  
22 properly authorized by the board. Service does not include any period  
23 of disability for which disability retirement benefits are received  
24 under subsection (1) of section 81-2025;

25 ~~(15)~~(18) Surviving spouse means (a) the spouse married



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

14 ~~(16)~~(19) Termination of employment occurs on the date on  
15 which the Nebraska State Patrol determines that the officer's  
16 employer-employee relationship with the patrol is dissolved. The  
17 Nebraska State Patrol shall notify the board of the date on which  
18 such a termination has occurred. Termination of employment does not  
19 include ceasing employment with the Nebraska State Patrol if the  
20 officer returns to regular employment with the Nebraska State Patrol  
21 or another agency of the State of Nebraska and there are less than  
22 one hundred twenty days between the date when the employee's  
23 employer-employee relationship ceased and the date when the employer-  
24 employee relationship commenced with the Nebraska State Patrol or  
25 another state agency. Termination of employment does not occur upon

1 an officer's participation in DROP pursuant to section 81-2041. It is  
2 the responsibility of the employer that is involved in the  
3 termination of employment to notify the board of such change in  
4 employment and provide the board with such information as the board  
5 deems necessary. If the board determines that termination of  
6 employment has not occurred and a retirement benefit has been paid to  
7 a member of the retirement system pursuant to section 81-2026, the  
8 board shall require the member who has received such benefit to repay  
9 the benefit to the retirement system.

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

12 81-2016 (1) Every member of the Nebraska State Patrol who  
13 was employed by the State of Nebraska as such, on September 7, 1947,  
14 and every person employed as a member of such patrol thereafter,  
15 shall be a member of the system, except for those members of the  
16 Nebraska State Patrol who elected pursuant to section 60-1304 to  
17 remain members of the State Employees Retirement System of the State  
18 of Nebraska. On and after July 1, 2010, no employee shall be  
19 authorized to participate in the retirement system provided for in  
20 the Nebraska State Patrol Retirement Act unless the employee (a) is a  
21 United States citizen or (b) is a qualified alien under the federal  
22 Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act  
23 existed on January 1, 2009, and is lawfully present in the United  
24 States.

25 (2) Within the first ~~thirty~~one hundred eighty days of

1 employment, a member may apply to the board for eligibility and  
2 vesting credit for years of participation in another Nebraska  
3 governmental plan, as defined by section 414(d) of the Internal  
4 Revenue Code. During the years of participation in the other Nebraska  
5 governmental plan, the employee must have been a full-time employee,  
6 as defined in the Nebraska governmental plan in which the credit was  
7 earned.

8           (3) Any officer who qualifies for membership pursuant to  
9 subsection (1) of this section may not be disqualified from  
10 membership in the retirement system solely because such officer also  
11 maintains separate employment which qualifies the officer for  
12 membership in another public retirement system, nor may membership in  
13 this retirement system disqualify such an officer from membership in  
14 another public retirement system solely by reason of separate  
15 employment which qualifies such officer for membership in this  
16 retirement system.

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

19           (5) The board may adopt and promulgate rules and  
20 regulations governing the assessment and granting of eligibility and  
21 vesting credit.

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

24           81-2017 (1) Commencing July 1, 2010, and until July 1,  
25 2011, each officer while in the service of the Nebraska State Patrol

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

16 (2) In addition, commencing July 1, 2010, and until July  
17 1, 2011, there shall be assessed against the appropriation of the  
18 Nebraska State Patrol a sum equal to the amount of sixteen percent of  
19 each officer's monthly compensation which shall be credited to the  
20 State Patrol Retirement Fund. Commencing July 1, 2011, and until July  
21 1, 2013, there shall be assessed against the appropriation of the  
22 Nebraska State Patrol a sum equal to the amount of nineteen percent  
23 of each officer's monthly compensation which shall be credited to the  
24 State Patrol Retirement Fund. Commencing July 1, 2013, there shall be  
25 assessed against the appropriation of the Nebraska State Patrol a sum

1 equal to the amount of sixteen percent of each officer's monthly  
2 compensation which shall be credited to the State Patrol Retirement  
3 Fund.

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

1 of all contributions required pursuant to the Nebraska State Patrol  
2 Retirement Act, there shall be a supplemental appropriation  
3 sufficient to pay for the differences between the actuarially  
4 required contribution rate and the rate of all contributions required  
5 pursuant to the Nebraska State Patrol Retirement Act. Such valuation  
6 shall be on the basis of actuarial assumptions recommended by the  
7 actuary, approved by the board, and kept on file with the board.

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

1 Act in the same manner and to the extent as member contributions made  
2 prior to the date picked up.

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

5 81-2027.08 (1) Beginning July 1, 2011, and each July 1  
6 thereafter, the board shall determine the number of retired members  
7 or beneficiaries described in subdivision (4)(b) of this section in  
8 the retirement system and an annual benefit adjustment shall be made  
9 by the board for each retired member or beneficiary under one of the  
10 cost-of-living adjustment calculation methods found in subsection  
11 (2), (3), or (4) of this section. Each retired member or beneficiary,  
12 if eligible, shall receive an annual benefit adjustment under the  
13 cost-of-living adjustment calculation method that provides the  
14 retired member or beneficiary the greatest annual benefit adjustment  
15 increase. No retired member or beneficiary shall receive an annual  
16 benefit adjustment under more than one of the cost-of-living  
17 adjustment calculation methods provided in this section.

18 (2) The current benefit paid to a retired member or  
19 beneficiary under this subsection shall be adjusted so that the  
20 purchasing power of the benefit being paid is not less than sixty  
21 percent of the purchasing power of the initial benefit. The  
22 purchasing power of the initial benefit in any year following the  
23 year in which the initial benefit commenced shall be calculated by  
24 dividing the United States Department of Labor, Bureau of Labor  
25 Statistics, Consumer Price Index for Urban Wage Earners and Clerical

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

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

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



1 annum compounded for the period from the last adjustment of the total  
2 monthly benefit of each retired member or beneficiary through June 30  
3 of the year for which the annual benefit adjustment is being  
4 calculated.

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

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

20 (d) The total monthly benefit under this subsection is  
21 the total benefit received by a retired member or beneficiary  
22 pursuant to the Nebraska State Patrol Retirement Act and previous  
23 adjustments made pursuant to this section or any other provision of  
24 the act that grants a benefit or cost-of-living increase, but the  
25 total monthly benefit shall not include sums received by an eligible

1 retired member or eligible beneficiary from federal sources.

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

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

23 (6) The annual benefit adjustment pursuant to this  
24 section shall not cause a current benefit to be reduced, and a  
25 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 the  
6 annual benefit adjustment does not exceed the change in the Consumer  
7 Price Index for Urban Wage Earners and Clerical Workers for the  
8 period between June 30 of the prior year to June 30 of the present  
9 year. If the consumer price index used in this section is  
10 discontinued or replaced, a substitute index published by the United  
11 States Department of Labor shall be selected by the board which shall  
12 be a reasonable representative measurement of the cost-of-living for  
13 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 in  
24 DROP. DROP provides that subsequent to attaining normal age and  
25 service retirement eligibility, a member may voluntarily choose to

1 participate in DROP upon its adoption which, for purposes of this  
2 section, shall be the earlier of September 1, 2008, or the first of  
3 the month following a favorable letter determination by the Internal  
4 Revenue Service. If the member chooses to participate in DROP, the  
5 member shall be deemed to have retired but shall not be deemed to be  
6 terminated, and the member may continue in active employment for up  
7 to a five-year period. During the DROP period, the member's  
8 retirement benefit payments shall be deposited into the DROP account  
9 for the benefit of the member until the member actually retires from  
10 active employment at or before the expiration of the DROP period.  
11 Thereafter, future retirement benefit payments shall be made directly  
12 to the member, and the member shall have access to all funds in the  
13 DROP account designated for the benefit of the member. DROP funds  
14 shall be held and invested in a defined contribution account under  
15 section 414(k) of the Internal Revenue Code and shall meet the  
16 limitations in section 415 of the code.

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

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

25 (b) A member who elects to enter DROP shall be entitled

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

12 (c) A member electing to enter DROP shall choose an  
13 annuity payment option. After the option is chosen, the member shall  
14 not be entitled to any retirement benefit changes, for reasons  
15 including, but not limited to, wage increases, promotions, and  
16 demotions, except that the restriction on retirement benefit changes  
17 shall not apply in the event of duty-related death or duty-related  
18 disability. The benefit amount shall be fixed as of the date of  
19 election and shall be payable as if the employee retired on that date  
20 and separated from active employment. Upon the death of a member  
21 during the DROP period, monthly benefits shall be provided as a  
22 percentage of the amount of the member's annuity as set forth in  
23 subsection (3) of section 81-2026 based upon the annuity benefit  
24 calculation made at commencement of the DROP period. In addition, the  
25 balance of the DROP account, if any, shall be provided to the

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

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

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

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

23 (g) Any member that is enrolled in DROP shall be  
24 responsible for directing the DROP account designated for the benefit  
25 of the member by investing the account in any DROP investment

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

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

18 (i) Cost-of-living adjustments as provided for in section  
19 81-2027.08 shall not be applied to retirement benefits during the  
20 DROP period.

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

23 84-1301 For purposes of the State Employees Retirement  
24 Act, unless the context otherwise requires:

25 (1) Actuarial equivalent means the equality in value of

1 the aggregate amounts expected to be received under different forms  
2 of an annuity payment. The mortality assumption used for purposes of  
3 converting the member cash balance account shall be the 1994 Group  
4 Annuity Mortality Table using a unisex rate that is fifty percent  
5 male and fifty percent female. For purposes of converting the member  
6 cash balance account attributable to contributions made prior to  
7 January 1, 1984, that were transferred pursuant to the act, the 1994  
8 Group Annuity Mortality Table for males shall be used;

9 (2) Annuity means equal monthly payments provided by the  
10 retirement system to a member or beneficiary under forms determined  
11 by the board beginning the first day of the month after an annuity  
12 election is received in the office of the Nebraska Public Employees  
13 Retirement Systems or the first day of the month after the employee's  
14 termination of employment, whichever is later. The last payment shall  
15 be at the end of the calendar month in which the member dies or in  
16 accordance with the payment option chosen by the member;

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

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



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

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

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

22           (7) Defined contribution benefit means a member's  
23 retirement benefit from a money purchase plan in which member  
24 benefits equal annual contributions and earnings pursuant to section  
25 84-1310 and, if vested, employer contributions and earnings pursuant

1 to section 84-1311;

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

6 (9) Employee means any employee of the State Board of  
7 Agriculture who is a member of the state retirement system on July 1,  
8 1982, and any person or officer employed by the State of Nebraska  
9 whose compensation is paid out of state funds or funds controlled or  
10 administered by a state department through any of its executive or  
11 administrative officers when acting exclusively in their respective  
12 official, executive, or administrative capacities. Employee does not  
13 include (a) judges as defined in section 24-701, (b) members of the  
14 Nebraska State Patrol, except for those members of the Nebraska State  
15 Patrol who elected pursuant to section 60-1304 to remain members of  
16 the State Employees Retirement System of the State of Nebraska, (c)  
17 employees of the University of Nebraska, (d) employees of the state  
18 colleges, (e) employees of community colleges, (f) employees of the  
19 Department of Labor employed prior to July 1, 1984, and paid from  
20 funds provided pursuant to Title III of the federal Social Security  
21 Act or funds from other federal sources, except that if the  
22 contributory retirement plan or contract let pursuant to section  
23 48-609 is terminated, such employees shall become employees for  
24 purposes of the State Employees Retirement Act on the first day of  
25 the first pay period following the termination of such contributory

1 retirement plan or contract, (g) employees of the State Board of  
2 Agriculture who are not members of the state retirement system on  
3 July 1, 1982, (h) the Nebraska National Guard air and army  
4 technicians, (i) persons eligible for membership under the School  
5 Employees Retirement System of the State of Nebraska who have not  
6 elected to become members of the retirement system pursuant to  
7 section 79-920 or been made members of the system pursuant to such  
8 section, except that those persons so eligible and who as of  
9 September 2, 1973, are contributing to the State Employees Retirement  
10 System of the State of Nebraska shall continue as members of such  
11 system, or (j) employees of the Coordinating Commission for  
12 Postsecondary Education who are eligible for and have elected to  
13 become members of a qualified retirement program approved by the  
14 commission which is commensurate with retirement programs at the  
15 University of Nebraska. Any individual appointed by the Governor may  
16 elect not to become a member of the State Employees Retirement System  
17 of the State of Nebraska;

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

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

22 (12) Final account value means the value of a member's  
23 account on the date the account is either distributed to the member  
24 or used to purchase an annuity from the plan, which date shall occur  
25 as soon as administratively practicable after receipt of a valid

1 application for benefits, but no sooner than forty-five days after  
2 the member's termination;

3 (13) Five-year break in service means five consecutive  
4 one-year breaks in service;

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

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

10 (16) Guaranteed investment contract means an investment  
11 contract or account offering a return of principal invested plus  
12 interest at a specified rate. For investments made after July 19,  
13 1996, guaranteed investment contract does not include direct  
14 obligations of the United States or its instrumentalities, bonds,  
15 participation certificates or other obligations of the Federal  
16 National Mortgage Association, the Federal Home Loan Mortgage  
17 Corporation, or the Government National Mortgage Association, or  
18 collateralized mortgage obligations and other derivative securities.  
19 This subdivision shall not be construed to require the liquidation of  
20 investment contracts or accounts entered into prior to July 19, 1996;

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

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

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

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

24           (21) Participation means qualifying for and making the  
25 required deposits to the retirement system during the course of a

1 plan year;

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

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

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

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

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

14 (27) Retirement means qualifying for and accepting the  
15 retirement benefit granted under the State Employees Retirement Act  
16 after terminating employment;

17 (28) 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 ~~(28)~~ (29) Retirement board or board means the Public  
21 Employees Retirement Board;

22 (30) Retirement date means (a) the first day of the month  
23 following the date upon which a member's request for retirement is  
24 received on a retirement application if the member is eligible for  
25 retirement and has terminated employment or (b) the first day of the

1 month following termination of employment if the member is eligible  
2 for retirement and has filed an application but has not yet  
3 terminated employment;

4 ~~(29)~~—(31) Retirement system means the State Employees  
5 Retirement System of the State of Nebraska;

6 ~~(30)~~—(32) Service means the actual total length of  
7 employment as an employee and shall not be deemed to be interrupted  
8 by (a) temporary or seasonal suspension of service that does not  
9 terminate the employee's employment, (b) leave of absence authorized  
10 by the employer for a period not exceeding twelve months, (c) leave  
11 of absence because of disability, or (d) military service, when  
12 properly authorized by the retirement board. Service does not include  
13 any period of disability for which disability retirement benefits are  
14 received under section 84-1317;

15 ~~(31)~~—(33) State department means any department, bureau,  
16 commission, or other division of state government not otherwise  
17 specifically defined or exempted in the act, the employees and  
18 officers of which are not already covered by a retirement plan;

19 ~~(32)~~—(34) Surviving spouse means (a) the spouse married  
20 to the member on the date of the member's death or (b) the spouse or  
21 former spouse of the member if survivorship rights are provided under  
22 a qualified domestic relations order filed with the board pursuant to  
23 the Spousal Pension Rights Act. The spouse or former spouse shall  
24 supersede the spouse married to the member on the date of the  
25 member's death as provided under a qualified domestic relations

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

6 ~~(33)~~(35) Termination of employment occurs on the date on  
7 which the agency which employs the member determines that the  
8 member's employer-employee relationship with the State of Nebraska is  
9 dissolved. The agency which employs the member shall notify the board  
10 of the date on which such a termination has occurred. Termination of  
11 employment does not occur if an employee whose employer-employee  
12 relationship with the State of Nebraska is dissolved enters into an  
13 employer-employee relationship with the same or another agency of the  
14 State of Nebraska and there are less than one hundred twenty days  
15 between the date when the employee's employer-employee relationship  
16 ceased with the state and the date when the employer-employee  
17 relationship commenced with the same or another agency. It is the  
18 responsibility of the employer that is involved in the termination of  
19 employment to notify the board of such change in employment and  
20 provide the board with such information as the board deems necessary.  
21 If the board determines that termination of employment has not  
22 occurred and a retirement benefit has been paid to a member of the  
23 retirement system pursuant to section 84-1321, the board shall  
24 require the member who has received such benefit to repay the benefit  
25 to the retirement system; and



1           ~~(34)~~(36) Vesting credit means credit for years, or a  
2 fraction of a year, of participation in another Nebraska governmental  
3 plan for purposes of determining vesting of the employer account.

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

6           84-1307 (1) The membership of the retirement system shall  
7 be composed of all persons who are or were employed by the State of  
8 Nebraska and who maintain an account balance with the retirement  
9 system.

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

21           (3) On and after July 1, 2010, no employee shall be  
22 authorized to participate in the retirement system provided for in  
23 the State Employees Retirement Act unless the employee (a) is a  
24 United States citizen or (b) is a qualified alien under the federal  
25 Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act

1 existed on January 1, 2009, and is lawfully present in the United  
2 States.

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

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

19 (b) If the contributory retirement plan or contract let  
20 pursuant to section 48-609 is terminated, employees of the Department  
21 of Labor who are active participants in such contributory retirement  
22 plan or contract on the date of termination of such plan or contract  
23 shall be granted vesting credit for their years of participation in  
24 such plan or contract.

25 (6) Any employee who qualifies for membership in the

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

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

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

17 84-1308 (1) Each employee who is a member of the  
18 retirement system shall pay or have paid on his or her behalf a sum  
19 equal to four and eight-tenths percent of his or her monthly  
20 compensation. The contributions, although designated as employee  
21 contributions, shall be paid by the employer in lieu of employee  
22 contributions. Such amounts shall be deducted monthly pursuant to  
23 subsection (2) of this section by the Director of Administrative  
24 Services. All money received shall be set aside by the State  
25 Treasurer and credited to the State Employees Retirement Fund.

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

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

22                   84-1314 (1) The State Employees Defined Contribution  
23 Retirement Expense Fund is created. The fund shall be credited with  
24 money from the retirement system assets and income sufficient to pay  
25 the pro rata share of administrative expenses incurred as directed by

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

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

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

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

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

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

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

21           (4) The board shall make reasonable efforts to locate the  
22 member or the member's beneficiary and distribute benefits by the  
23 required beginning date as specified by section 401(a)(9) of the  
24 Internal Revenue Code and the regulations issued thereunder. If the  
25 board is unable to make such a distribution, the benefit shall be

1 distributed pursuant to the Uniform Disposition of Unclaimed Property  
2 Act and no amounts may be applied to increase the benefits any member  
3 would otherwise receive under the State Employees Retirement Act.

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

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

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

1 factor when determining the amount of such payments except as  
2 provided in this section.

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

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

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

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

25           (2) Except as provided in subsection (4) of this section,



1 the monthly annuity income payable to a member retiring on or after  
2 January 1, 1984, shall be as follows:

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

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

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

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

21 (4)(a) The normal form of payment shall be a single life  
22 annuity with five-year certain, which is an annuity payable monthly  
23 during the remainder of the member's life with the provision that, in  
24 the event of his or her death before sixty monthly payments have been  
25 made, the monthly payments will be continued to his or her estate or

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

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

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

21           For an employee who is a member prior to January 1, 2003,  
22 who has elected not to participate in the cash balance benefit  
23 pursuant to section 84-1309.02, and who, at the time of retirement,  
24 chooses the annuity option rather than the lump-sum option, his or  
25 her employee and employer accounts as of the date of final account

1 value shall be converted to an annuity using an interest rate that is  
2 equal to the lesser of (i) the Pension Benefit Guaranty Corporation  
3 initial interest rate for valuing annuities for terminating plans as  
4 of the beginning of the year during which payment begins plus three-  
5 fourths of one percent or (ii) the interest rate used in the  
6 actuarial valuation as recommended by the actuary and approved by the  
7 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 age  
11 actuarial cost method. Under this method, the actuarially required  
12 funding rate is equal to the normal cost rate plus the contribution  
13 rate necessary to amortize the unfunded actuarial accrued liability  
14 on a level-payment basis. The normal cost under this method shall be  
15 determined for each individual member on a level percentage of salary  
16 basis. The normal cost amount is then summed for all members. The  
17 initial unfunded actual accrued liability as of January 1, 2003, if  
18 any, shall be amortized over a twenty-five-year period. During each  
19 subsequent actuarial valuation, changes in the unfunded actuarial  
20 accrued liability due to changes in benefits, actuarial assumptions,  
21 the asset valuation method, or actuarial gains or losses shall be  
22 measured and amortized over a twenty-five-year period beginning on  
23 the valuation date of such change. If the unfunded actuarial accrued  
24 liability under the entry age actuarial cost method is zero or less  
25 than zero on an actuarial valuation date, then all prior unfunded

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

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

1           (5) At the option of the retiring member, any lump sum or  
2 annuity provided under this section or section 84-1320 may be  
3 deferred to commence at any time, except that no benefit shall be  
4 deferred later than April 1 of the year following the year in which  
5 the employee has both attained at least seventy and one-half years of  
6 age and has terminated his or her employment with the state. ~~, except~~  
7 ~~that for members participating in the defined contribution benefit,~~  
8 ~~no distribution is required to be made for the plan year commencing~~  
9 ~~January 1, 2009, through December 31, 2009.~~ Such election by the  
10 retiring member may be made at any time prior to the commencement of  
11 the lump-sum or annuity payments.

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

1 receiving the distributions described in this subsection.

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

4           84-1321 (1) Except as provided in section 42-1107, upon  
5 termination of employment before becoming eligible for retirement  
6 under section 84-1317, a member may, upon application to the board,  
7 receive:

8           (a) If not vested, a termination benefit equal to the  
9 amount in his or her employee account or member cash balance account  
10 as of the date of final account value payable in a lump sum or an  
11 annuity with the lump-sum or first annuity payment made at any time  
12 after 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 , except that for members participating in the defined~~  
15 ~~contribution benefit, no distribution is required to be made for the~~  
16 ~~plan year commencing January 1, 2009, through December 31, 2009; or~~

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

1 April 1 of the year following the year in which the member attains  
2 the age of seventy and one-half years plus (B) the amount of his or  
3 her employer account as of the date of final account value payable in  
4 a lump sum or an annuity with the lump-sum or first annuity payment  
5 made at any time after termination but no later than April 1 of the  
6 year following the year in which the member attains the age of  
7 seventy and one-half years. ~~For purposes of subdivision (1)(b) of~~  
8 ~~this section, for members participating in the defined contribution~~  
9 ~~benefit, no distribution is required to be made for the plan year~~  
10 ~~commencing January 1, 2009, through December 31, 2009.~~

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

15 (2) At the option of the terminating member, any lump sum  
16 of the vested portion of the employer account or member cash balance  
17 account or any annuity provided under subsection (1) of this section  
18 shall commence as of the first of the month at any time after such  
19 member has terminated his or her employment with the state or may be  
20 deferred, except that no benefit shall be deferred later than April 1  
21 of the year following the year in which the employee has both  
22 attained at least seventy and one-half years of age and has  
23 terminated his or her employment with the state. ~~except that for~~  
24 ~~members participating in the defined contribution benefit, no~~  
25 ~~distribution is required to be made for the plan year commencing~~

1 ~~January 1, 2009, through December 31, 2009.~~ Such election by the  
2 terminating member shall be made at any time prior to the  
3 commencement of the lump-sum or annuity payments.

4 (3) Members of the retirement system shall be vested  
5 after a total of three years of participation in the system as a  
6 member pursuant to section 84-1307, including vesting credit. If an  
7 employee retires pursuant to section 84-1317, such an employee shall  
8 be fully vested in the retirement system.

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

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



1                   84-1321.01 (1) For a member who has terminated employment  
2 and is not vested, the balance of the member's employer account or  
3 employer cash balance account shall be forfeited. The forfeited  
4 account shall be credited to the State Employees Retirement Fund and  
5 shall first be used to meet the expense charges incurred by the  
6 retirement board in connection with administering the retirement  
7 system, which charges shall be credited to the State Employees  
8 Defined Contribution Retirement Expense Fund, if the member  
9 participated in the defined contribution option, or to the State  
10 Employees Cash Balance Retirement Expense Fund, if the member  
11 participated in the cash balance option, and the remainder, if any,  
12 shall then be used to restore employer accounts or employer cash  
13 balance accounts. Except as provided in subsection (3) of section  
14 84-1314 and subdivision (4)(c) of section 84-1319, no forfeited  
15 amounts shall be applied to increase the benefits any member would  
16 otherwise receive under the State Employees Retirement Act.

17                   (2)(a) If a member ceases to be an employee due to the  
18 termination of his or her employment by the state and a grievance or  
19 other appeal of the termination is filed, transactions involving  
20 forfeiture of his or her employer account or employer cash balance  
21 account and, except as provided in subdivision (b) of this  
22 subsection, transactions for payment of benefits under sections  
23 84-1317 and 84-1321 shall be suspended pending the final outcome of  
24 the grievance or other appeal.

25                   (b) If a member elects to receive benefits payable under

1 sections 84-1317 and 84-1321 after a grievance or appeal is filed,  
2 the member may receive an amount up to the balance of his or her  
3 employee account or member cash balance account or twenty-five  
4 thousand dollars payable from the employee account or member cash  
5 balance account, whichever is less.

6 (3) The State Employer Retirement Expense Fund is  
7 created. The fund shall be administered by the Public Employees  
8 Retirement Board. Prior to July 1, 2012, the fund shall be used to  
9 meet expenses of the State Employees Retirement System of the State  
10 of Nebraska whether such expenses are incurred in administering the  
11 member's employer account or in administering the member's employer  
12 cash balance account when the funds available in the State Employees  
13 Defined Contribution Retirement Expense Fund or State Employees Cash  
14 Balance Retirement Expense Fund make such use reasonably necessary.  
15 On July 1, 2012, or as soon as practicable thereafter, any money in  
16 the State Employer Retirement Expense Fund shall be transferred by  
17 the State Treasurer to the State Employees Retirement Fund and  
18 credited to the cash balance benefit established in section  
19 84-1309.02.

20 (4) Prior to July 1, 2012, the director of the Nebraska  
21 Public Employees Retirement Systems shall certify to the Accounting  
22 Administrator of the Department of Administrative Services when  
23 accumulated employer account forfeiture funds are available to reduce  
24 the state contribution which would otherwise be required to fund  
25 future service retirement benefits or to restore employer accounts or

1 employer cash balance accounts referred to in subsection (1) of this  
2 section. Following such certification, the Accounting Administrator  
3 shall transfer the amount reduced from the state contribution from  
4 the Imprest Payroll Distributive Fund to the State Employer  
5 Retirement Expense Fund. Expenses incurred as a result of the state  
6 depositing amounts into the State Employer Retirement Expense Fund  
7 shall be deducted prior to any additional expenses being allocated.  
8 Any remaining amount shall be allocated in accordance with subsection  
9 (3) of this section. Any money in the State Employer Retirement  
10 Expense Fund available for investment shall be invested by the state  
11 investment officer pursuant to the Nebraska Capital Expansion Act and  
12 the Nebraska State Funds Investment Act.

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

15 84-1503 (1) It shall be the duty of the Public Employees  
16 Retirement Board:

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

24 (b) To appoint a director to administer the systems under  
25 the direction of the board. The appointment shall be subject to the

1 approval of the Governor and a majority of the Legislature. The  
2 director shall be qualified by training and have at least five years  
3 of experience in the administration of a qualified public or private  
4 employee retirement plan. The director shall not be a member of the  
5 board. The salary of the director shall be set by the board. The  
6 director shall serve without term and may be removed by the board;

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

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

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

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

20 (g) To adopt and implement procedures for reporting  
21 information by employers, as well as testing and monitoring  
22 procedures in order to verify the accuracy of such information. The  
23 information necessary to determine membership shall be provided by  
24 the employer. The board shall adopt and promulgate rules and  
25 regulations and prescribe such forms necessary to carry out this

1 subdivision. Nothing in this subdivision shall be construed to  
2 require the board to conduct onsite audits of political subdivisions  
3 for compliance with statutes, rules, and regulations governing the  
4 retirement systems listed in subdivision (1)(a) of this section  
5 regarding membership and contributions; and

6 (h) To prescribe and furnish forms for the public  
7 retirement system plan reports required to be filed pursuant to  
8 sections 2-3228, 12-101, 14-567, 14-1805.01, 14-2111, 15-1017,  
9 16-1017, 16-1037, 19-3501, 23-1118, 23-3526, 71-1631.02, and 79-987.

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

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

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

21 (c) To adopt and promulgate rules and regulations for the  
22 management of the board;

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

25 (e) To obtain, by a competitive, formal, and sealed

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

24 (f) To direct the State Treasurer to transfer funds, as  
25 an expense of the retirement systems, to the Legislative Council

1 Retirement Study Fund. Such transfer shall occur beginning on or  
2 after July 1, 2005, and at intervals of not less than five years and  
3 not more than fifteen years and shall be in such amounts as the  
4 Legislature shall direct;

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

10 (h) To obtain, by a competitive, formal, and sealed  
11 bidding process through the materiel division of the Department of  
12 Administrative Services, auditing services for a separate compliance  
13 audit of the retirement systems to be completed by December 31, ~~2012,~~  
14 2020, and from time to time thereafter at the request of the Nebraska  
15 Retirement Systems Committee of the Legislature, to be completed not  
16 more than every four years but not less than every ten years. The  
17 compliance audit shall be in addition to the annual audit conducted  
18 by the Auditor of Public Accounts. The compliance audit shall  
19 include, but not be limited to, an examination of records, files, and  
20 other documents and an evaluation of all policies and procedures to  
21 determine compliance with all state and federal laws. A copy of the  
22 compliance audit shall be given to the Governor, the board, and the  
23 Nebraska Retirement Systems Committee of the Legislature and shall be  
24 presented to the committee at a public hearing;

25 (i) To adopt and promulgate rules and regulations for the

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

12 (j) To administer all retirement system plans in a manner  
13 which will maintain each plan's status as a qualified plan pursuant  
14 to the Internal Revenue Code, as defined in section 49-801.01,  
15 including: Section 401(a)(9) of the Internal Revenue Code relating to  
16 the time and manner in which benefits are required to be distributed,  
17 including the incidental death benefit distribution requirement of  
18 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(16)  
19 of the Internal Revenue Code relating to the specification of  
20 actuarial assumptions; section 401(a)(31) of the Internal Revenue  
21 Code relating to direct rollover distributions from eligible  
22 retirement plans; ~~and~~ section 401(a)(37) of the Internal Revenue Code  
23 relating to the death benefit of a member whose death occurs while  
24 performing qualified military service; and section 414(d) of the  
25 Internal Revenue Code relating to the establishment of retirement



1 plans for employees of a state or political subdivision thereof. The  
2 board shall adopt and promulgate rules and regulations necessary or  
3 appropriate to maintain such status including, but not limited to,  
4 rules or regulations which restrict discretionary or optional  
5 contributions to a plan or which limit distributions from a plan.

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

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

18 84-1511 (1) The Public Employees Retirement Board shall  
19 establish a comprehensive preretirement planning program for state  
20 patrol officers, state employees, judges, county employees, and  
21 school employees who are members of the retirement systems  
22 established pursuant to the County Employees Retirement Act, the  
23 Judges Retirement Act, the School Employees Retirement Act, the  
24 Nebraska State Patrol Retirement Act, and the State Employees  
25 Retirement Act. The program shall provide information and advice

1 regarding the many changes employees face upon retirement, including,  
2 but not limited to, changes in physical and mental health, housing,  
3 family life, leisure activity, and retirement income.

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

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

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

22 (5) Funding to cover the expense of the preretirement  
23 planning program shall be charged back to each retirement fund on a  
24 pro rata share based on the number of employees in each plan.

25 (6) The employer shall provide each eligible employee

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

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

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

15 84-1511.01 (1) The Public Employees Retirement Board  
16 shall establish a comprehensive retirement education and financial  
17 planning program for all members of the State Employees Retirement  
18 System of the State of Nebraska and for all members of the Retirement  
19 System for Nebraska Counties, who are under age fifty and not  
20 eligible to attend the preretirement planning program established in  
21 section 84-1511. The program may be provided to members in a single-  
22 day format, or may be provided in equivalent partial-day segments.

23 (2) The retirement education and financial planning  
24 program shall include discussion on the retirement system, financial  
25 planning, and budgeting as well as any other planning information

1 valuable to employees before they reach age fifty.

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

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

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

24 Sec. 46. If any section in this act or any part of any  
25 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, 81-2017,  
9 81-2027.08, 81-2041, 84-1301, 84-1307, 84-1314, 84-1317, 84-1319,  
10 84-1321, 84-1321.01, 84-1503, and 84-1511, Revised Statutes  
11 Cumulative Supplement, 2012, are repealed.

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