

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 305

Introduced by Nordquist, 7.

Read first time January 17, 2013

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to the Nebraska State Patrol Retirement Act; to
2 amend sections 81-2014.01, 81-2017, 81-2026, 81-2027.08,
3 and 81-2041, Revised Statutes Cumulative Supplement,
4 2012; to change benefit calculations and provisions
5 related to retirement system funding; to harmonize
6 provisions; to provide an operative date; to repeal the
7 original sections; and to declare an emergency.
8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 81-2014.01, Revised Statutes
2 Cumulative Supplement, 2012, is amended to read:

3 81-2014.01 Sections 81-2014 to 81-2041 and section 5 of
4 this act shall be known and may be cited as the Nebraska State Patrol
5 Retirement Act.

6 Sec. 2. Section 81-2017, Revised Statutes Cumulative
7 Supplement, 2012, is amended to read:

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

25 (2) In addition, commencing July 1, 2010, and until July

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

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

1 actuarial assumptions, the asset valuation method, or actuarial gains
2 or losses shall be measured and amortized over a thirty-year period
3 beginning on the valuation date of such change. If the unfunded
4 actuarial accrued liability under the entry age actuarial cost method
5 is zero or less than zero on an actuarial valuation date, then all
6 prior unfunded actuarial accrued liabilities shall be considered
7 fully funded and the unfunded actuarial accrued liability shall be
8 reinitialized and amortized over a thirty-year period as of the
9 actuarial valuation date. If the actuarially required contribution
10 rate exceeds the rate of all contributions required pursuant to the
11 Nebraska State Patrol Retirement Act, there shall be a supplemental
12 appropriation sufficient to pay for the differences between the
13 actuarially required contribution rate and the rate of all
14 contributions required pursuant to the Nebraska State Patrol
15 Retirement Act. Such valuation shall be on the basis of actuarial
16 assumptions recommended by the actuary, approved by the board, and
17 kept on file with the board.

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

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

10 Sec. 3. Section 81-2026, Revised Statutes Cumulative
11 Supplement, 2012, is amended to read:

12 81-2026 (1)(a) Any officer qualified for an annuity as
13 provided in section 81-2025 for reasons other than disability shall
14 be entitled to receive a monthly annuity for the remainder of the
15 officer's life. The annuity payments shall continue until the end of
16 the calendar month in which the officer dies. The amount of the
17 annuity shall be a percentage of the officer's final average monthly
18 compensation. For retirement on or after the fifty-fifth birthday of
19 the member or on or after the fiftieth birthday of a member who has
20 been in the employ of the state for twenty-five years, as calculated
21 in section 81-2033, the percentage shall be three percent multiplied
22 by the number of years of creditable service, as calculated in
23 section 81-2033, except that the percentage shall never be greater
24 than seventy-five percent.

25 (b) For retirement pursuant to subsection (2) of section

1 81-2025 on or after the fiftieth birthday of the member but prior to
2 the fifty-fifth birthday of the member who has been in the employ of
3 the state for less than twenty-five years, as calculated in section
4 81-2033, the annuity which would apply if the member were age fifty-
5 five at the date of retirement shall be reduced by five-ninths of one
6 percent for each month by which the early retirement date precedes
7 age fifty-five or for each month by which the early retirement date
8 precedes the date upon which the member has served for twenty-five
9 years, whichever is earlier. Any officer who has completed thirty
10 years of creditable service with the Nebraska State Patrol shall have
11 retirement benefits computed as if the officer had reached age fifty-
12 five.

13 (c) For purposes of this computation: -

14 (i) Except as provided in subdivision (ii) of this
15 subdivision, final average monthly compensation shall mean the sum of
16 the officer's total compensation during the three twelve-month
17 periods of service as an officer in which compensation was the
18 greatest divided by thirty-six, and for any officer employed on or
19 before January 4, 1979, the officer's total compensation shall
20 include payments received for unused vacation and sick leave
21 accumulated during the final three years of service; and -

22 (ii) For an officer who becomes a member for the first
23 time on or after July 1, 2013, final average monthly compensation
24 shall mean the sum of the officer's total compensation during the
25 five twelve-month periods of service as an officer in which

1 compensation was the greatest divided by sixty.

2 (2) Any officer qualified for an annuity as provided in
3 section 81-2025 for reasons of disability shall be entitled to
4 receive a monthly annuity for the remainder of the period of
5 disablement as provided in sections 81-2028 to 81-2030. The amount of
6 the annuity shall be fifty percent of the officer's monthly
7 compensation at the date of disablement if the officer has completed
8 seventeen or fewer years of creditable service. If the officer has
9 completed more than seventeen years of creditable service, the amount
10 of the annuity shall be three percent of the final monthly
11 compensation at the date of disablement multiplied by the total years
12 of creditable service but not to exceed seventy-five percent of the
13 final average monthly compensation as defined in subsection (1) of
14 this section. The date of disablement shall be the date on which the
15 benefits as provided in section 81-2028 have been exhausted.

16 (3) Upon the death of an officer after retirement for
17 reasons other than disability, benefits shall be provided as a
18 percentage of the amount of the officer's annuity, calculated as
19 follows:

20 (a) If there is a surviving spouse but no dependent child
21 or children of the officer under nineteen years of age, the surviving
22 spouse shall receive a benefit equal to seventy-five percent of the
23 amount of the officer's annuity for the remainder of the surviving
24 spouse's life;

25 (b) If there is a surviving spouse and the surviving

1 spouse has in his or her care a dependent child or children of the
2 officer under nineteen years of age and there is no other dependent
3 child or children of the officer not in the care of the surviving
4 spouse under nineteen years of age, the benefit shall be equal to one
5 hundred percent of the officer's annuity. When there is no remaining
6 dependent child of the officer under nineteen years of age, the
7 benefit shall be seventy-five percent of the amount of the officer's
8 annuity to the surviving spouse for the remainder of the surviving
9 spouse's life;

10 (c) If there is a surviving spouse and the surviving
11 spouse has in his or her care a dependent child or children of the
12 officer under nineteen years of age or there is another dependent
13 child or children of the officer under nineteen years of age not in
14 the care of the surviving spouse, the benefit shall be twenty-five
15 percent of the amount of the officer's annuity to the surviving
16 spouse and seventy-five percent of the amount of the officer's
17 annuity to the dependent children of the officer under nineteen years
18 of age to be divided equally among such dependent children but in no
19 case shall the benefit received by a surviving spouse and dependent
20 children residing with such spouse be less than fifty percent of the
21 amount of the officer's annuity. At such time as any dependent child
22 of the officer attains nineteen years of age, the benefit shall be
23 divided equally among the remaining dependent children of the officer
24 who have not yet attained nineteen years of age. When there is no
25 remaining dependent child of the officer under nineteen years of age,

1 the benefit shall be seventy-five percent of the amount of the
2 officer's annuity to the surviving spouse for the remainder of the
3 surviving spouse's life;

4 (d) If there is no surviving spouse and a dependent child
5 or children of the officer under nineteen years of age, the benefit
6 shall be equal to seventy-five percent of the officer's annuity to
7 the dependent children of the officer under nineteen years of age to
8 be divided equally among such dependent children. At such time as any
9 dependent child of the officer attains nineteen years of age, the
10 benefit shall be divided equally among the remaining dependent
11 children of the officer who have not yet attained nineteen years of
12 age; and

13 (e) If there is no surviving spouse or no dependent child
14 or children of the officer under nineteen years of age, the amount of
15 benefit such officer has received under the Nebraska State Patrol
16 Retirement Act shall be computed. If such amount is less than the
17 contributions to the State Patrol Retirement Fund made by such
18 officer, plus regular interest, the difference shall be paid to the
19 officer's designated beneficiary or estate.

20 (4) Upon the death of an officer after retirement for
21 reasons of disability, benefits shall be provided as if the officer
22 had retired for reasons other than disability.

23 (5) Upon the death of an officer before retirement,
24 benefits shall be provided as if the officer had retired for reasons
25 of disability on the date of such officer's death, calculated as

1 follows:

2 (a) If there is a surviving spouse but no dependent child
3 or children of the officer under nineteen years of age, the surviving
4 spouse shall receive a benefit equal to seventy-five percent of the
5 amount of the officer's annuity for the remainder of the surviving
6 spouse's life;

7 (b) If there is a surviving spouse and the surviving
8 spouse has in his or her care a dependent child or children of the
9 officer under nineteen years of age and there is no other dependent
10 child or children of the officer not in the care of the surviving
11 spouse under nineteen years of age, the benefit shall be equal to one
12 hundred percent of the officer's annuity. When there is no remaining
13 dependent child of the officer under nineteen years of age, the
14 benefit shall be seventy-five percent of the amount of the officer's
15 annuity to the surviving spouse for the remainder of the surviving
16 spouse's life;

17 (c) If there is a surviving spouse and the surviving
18 spouse has in his or her care a dependent child or children of the
19 officer under nineteen years of age or there is another dependent
20 child or children of the officer under nineteen years of age not in
21 the care of the surviving spouse, the benefit shall be twenty-five
22 percent of the amount of the officer's annuity to the surviving
23 spouse and seventy-five percent of the amount of the officer's
24 annuity to the dependent children of the officer under nineteen years
25 of age to be divided equally among such dependent children but in no

1 case shall the benefit received by a surviving spouse and dependent
2 children residing with such spouse be less than fifty percent of the
3 amount of the officer's annuity. At such time as any dependent child
4 of the officer attains nineteen years of age, the benefit shall be
5 divided equally among the remaining dependent children of the officer
6 who have not yet attained nineteen years of age. When there is no
7 remaining dependent child of the officer under nineteen years of age,
8 the benefit shall be seventy-five percent of the amount of the
9 officer's annuity to the surviving spouse for the remainder of the
10 surviving spouse's life;

11 (d) If there is no surviving spouse and a dependent child
12 or children of the officer under nineteen years of age, the benefit
13 shall be equal to seventy-five percent of the officer's annuity to
14 the dependent children of the officer under nineteen years of age to
15 be divided equally among such dependent children. At such time as any
16 dependent child of the officer attains nineteen years of age, the
17 benefit shall be divided equally among the remaining dependent
18 children of the officer who have not yet attained nineteen years of
19 age; and

20 (e) If no benefits are paid to a surviving spouse or
21 dependent child or children of the officer, benefits will be paid as
22 described in subsection (1) of section 81-2031.

23 (6) A lump-sum death benefit paid to the member's
24 beneficiary, other than the member's estate, that is an eligible
25 distribution may be distributed in the form of a direct transfer to a

1 retirement plan eligible to receive such transfer under the
2 provisions of the Internal Revenue Code.

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

12 (8) Any changes made to this section by Laws 2004, LB
13 1097, shall apply only to retirements, disabilities, and deaths
14 occurring on or after July 16, 2004.

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

17 81-2027.08 Except as provided in section 5 of this act:

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

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

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

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

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

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

1 pursuant to section 81-2025, or (iii) a beneficiary who has been
2 receiving a death benefit pursuant to section 81-2026 for at least
3 five years, if the member's or beneficiary's monthly accrual rate is
4 less than or equal to the minimum accrual rate as determined by this
5 ~~subsection.~~ subdivision.

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

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

18 (e) The minimum accrual rate under this ~~subsection~~
19 subdivision is thirty-eight dollars and eighty-four cents until
20 adjusted pursuant to this ~~subsection.~~ subdivision. Beginning July 1,
21 2011, 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; and -

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 State Patrol~~

1 ~~Retirement Fund 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 ~~3.04888 percent of six million eight hundred ninety five thousand~~
5 ~~dollars.~~

6 Sec. 5. Beginning July 1, 2013, and each July 1
7 thereafter, for an officer who becomes a member for the first time on
8 or after July 1, 2013:

9 (1) The board shall determine the number of retired
10 members or beneficiaries described in subdivision (3) of this section
11 in the retirement system and an annual benefit adjustment shall be
12 made by the board for each retired member or beneficiary;

13 (2) The benefit paid to a retired member or beneficiary
14 under this section shall be increased annually by the lesser of (a)
15 the percentage change in the Consumer Price Index for Urban Wage
16 Earners and Clerical Workers for the period between June 30 of the
17 prior year to June 30 of the present year or (b) one percent;

18 (3) In order for a retired member or beneficiary to
19 receive the cost-of-living adjustment calculation method in this
20 section, the retired member or beneficiary shall be (a) a retired
21 member or beneficiary who has been receiving a retirement benefit for
22 at least five years if the member had at least twenty-five years of
23 creditable service, (b) a member who has been receiving a disability
24 retirement benefit for at least five years pursuant to section
25 81-2025, or (c) a beneficiary who has been receiving a death benefit

1 pursuant to section 81-2026 for at least five years, if the member's
2 or beneficiary's monthly accrual rate is less than or equal to the
3 minimum accrual rate as determined by this section;

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

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

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

1 be a reasonable representative measurement of the cost-of-living for
2 retired employees.

3 Sec. 6. Section 81-2041, Revised Statutes Cumulative
4 Supplement, 2012, is amended to read:

5 81-2041 (1) Any member who meets the participation
6 requirements of subsection (2) of this section may participate in
7 DROP. DROP provides that subsequent to attaining normal age and
8 service retirement eligibility, a member may voluntarily choose to
9 participate in DROP upon its adoption which, for purposes of this
10 section, shall be the earlier of September 1, 2008, or the first of
11 the month following a favorable letter determination by the Internal
12 Revenue Service. If the member chooses to participate in DROP, the
13 member shall be deemed to have retired but shall not be deemed to be
14 terminated, and the member may continue in active employment for up
15 to a five-year period. During the DROP period, the member's
16 retirement benefit payments shall be deposited into the DROP account
17 for the benefit of the member until the member actually retires from
18 active employment at or before the expiration of the DROP period.
19 Thereafter, future retirement benefit payments shall be made directly
20 to the member, and the member shall have access to all funds in the
21 DROP account designated for the benefit of the member.

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

24 (a) A member shall be eligible to enter DROP at any time
25 subsequent to the date when the member has (i) attained normal

1 retirement age and (ii) completed twenty-five years of service.
2 Members having attained normal retirement age and completed twenty-
3 five years of service on or before the date of adoption of DROP shall
4 be eligible to enter DROP at any future date;

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

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

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

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

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

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

1 account shall consist of accrued retirement benefits and interest on
2 such benefits;

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

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

23 (i) Cost-of-living adjustments as provided for in section
24 81-2027.08 and section 5 of this act shall not be applied to
25 retirement benefits during the DROP period.

1 Sec. 7. This act becomes operative on July 1, 2013.

2 Sec. 8. Original sections 81-2014.01, 81-2017, 81-2026,
3 81-2027.08, and 81-2041, Revised Statutes Cumulative Supplement,
4 2012, are repealed.

5 Sec. 9. Since an emergency exists, this act takes effect
6 when passed and approved according to law.