

AMENDMENTS TO LB447

Introduced by Nebraska Retirement Systems.

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

3           Section 1. Section 13-2402, Revised Statutes Supplement, 2015, is  
4 amended to read:

5           13-2402 (1) On or before November 1, 2014, each political  
6 subdivision which offers a defined benefit plan pursuant to section  
7 401(a) of the Internal Revenue Code which was open to new members on  
8 January 1, 2004, shall submit written notification to the Nebraska  
9 Retirement Systems Committee of the Legislature that it offers such a  
10 plan.

11           (2) Each political subdivision which offers a defined benefit plan  
12 pursuant to section 401(a) of the Internal Revenue Code which was open to  
13 new members on January 1, 2004, shall conduct an experience study to  
14 review the actuarial assumptions used to determine funding needs for its  
15 defined benefit plan at least once every four years and, beginning  
16 October 15, 2016, and each October 15 thereafter, electronically file a  
17 copy of the most recent actuarial experience study with the Nebraska  
18 Retirement Systems Committee of the Legislature.

19           (3 2) Beginning November 15, 2014, and each October 15 thereafter,  
20 the governing entity of the retirement plan of each political subdivision  
21 that offers such a defined benefit retirement plan shall file with the  
22 committee a copy of the most recent annual actuarial valuation of the  
23 retirement plan. The valuation report shall be filed electronically.

24           (4)(a) (3)(a) Beginning November 15, 2014, and each October 15  
25 thereafter, the governing entity of the retirement plan of each political  
26 subdivision that offers such a defined benefit retirement plan shall file  
27 a report with the committee if either of the following conditions exists

1 as of the latest annual actuarial valuation of the retirement plan: (i)  
2 The contributions do not equal the actuarial requirement for funding; or  
3 (ii) the funded ratio is less than eighty percent.

4 (b) The report shall include, but not be limited to, an analysis of  
5 the conditions and a recommendation for the circumstances and timing of  
6 any future benefit changes, contribution changes, or other corrective  
7 action, or any combination of actions, to improve the conditions. The  
8 committee may require a governing entity to present its report to the  
9 committee at a public hearing. The report shall be submitted  
10 electronically.

11 (~~5~~ 4) If a governing entity does not file the reports required by  
12 subsection (2), ~~or~~ (3), or (4) of this section with the committee by  
13 October 15, the Auditor of Public Accounts may audit, or cause to be  
14 audited, the political subdivision offering the retirement plan. All  
15 costs of the audit shall be paid by the political subdivision.

16 (~~6~~ 5) For purposes of this section, political subdivision means any  
17 local governmental body formed and organized under state law and any  
18 joint entity or joint public agency created under state law to act on  
19 behalf of political subdivisions.

20 Sec. 2. Section 72-1237, Reissue Revised Statutes of Nebraska, is  
21 amended to read:

22 72-1237 The Nebraska Investment Council is created. For purposes of  
23 the Nebraska State Funds Investment Act, council means the Nebraska  
24 Investment Council. The council shall consist of five members, appointed  
25 by the Governor with the approval of the Legislature. The ~~and the~~ State  
26 Treasurer, ~~and~~ the director of the Nebraska Public Employees Retirement  
27 Systems, and beginning January 1, 2017, the administrator of each  
28 retirement system provided for under the Class V School Employees  
29 Retirement Act shall serve as nonvoting, ex officio members. One of the  
30 appointed members shall be designated chairperson by the Governor.

31 ~~Each~~ Prior to September 1, 2006, each of the appointed members of

1 ~~the council shall serve for a term of five years and may be removed by~~  
2 ~~the Governor for cause after notice and an opportunity to be heard. The~~  
3 ~~term of any appointed member shall be extended until the date on which~~  
4 ~~his or her successor's appointment is effective. Beginning September 1,~~  
5 ~~2006,~~ each of the appointed members of the council shall serve for a term  
6 of five years that begins on January 1 and may be removed by the Governor  
7 for cause after notice and an opportunity to be heard. A member may serve  
8 until ~~Such term shall be extended until the date on which~~ his or her  
9 successor's appointment is effective. ~~For members serving on September 1,~~  
10 ~~2006,~~ and whose terms would otherwise end on September 18, such terms  
11 shall be extended until the following December 31, or until the date on  
12 which his or her successor's appointment is effective. A member may be  
13 reappointed. A successor shall be appointed in the same manner as  
14 provided for the members first appointed, and in case of a vacancy caused  
15 by death, resignation, or otherwise, the Governor shall appoint a  
16 qualified person to fill the vacancy for the unexpired term.

17 No member of the council shall be personally liable, except in cases  
18 of willful dishonesty, gross negligence, or intentional violation of law,  
19 for actions relating to his or her duties as a member of the council.

20 Sec. 3. Section 72-1239, Reissue Revised Statutes of Nebraska, is  
21 amended to read:

22 72-1239 The purpose of the council is to formulate and establish  
23 such policies as it may deem necessary and proper which shall govern the  
24 methods, practices, and procedures followed by the state investment  
25 officer for the investment or reinvestment of state funds and funds  
26 described in section 83-133 and the purchase, sale, or exchange of  
27 securities as provided by the Nebraska State Funds Investment Act. The  
28 council shall meet from time to time as directed by the Governor or the  
29 chairperson or as requested by the state investment officer. The members  
30 of the council, except the State Treasurer, ~~and~~ the director of the  
31 Nebraska Public Employees Retirement Systems, and beginning January 1,

1 2017, each administrator of a retirement system provided for under the  
2 Class V School Employees Retirement Act, shall be paid seventy-five  
3 dollars per diem. The members shall be reimbursed for their actual and  
4 necessary expenses incurred in connection with the performance of their  
5 duties as members as provided in sections 81-1174 to 81-1177.

6 Sec. 4. Section 72-1239.01, Revised Statutes Supplement, 2015, is  
7 amended to read:

8 72-1239.01 (1)(a) The appointed members of the council Nebraska  
9 Investment Council shall have the responsibility for the investment  
10 management of the assets of the retirement systems administered by the  
11 Public Employees Retirement Board as provided in section 84-1503, the  
12 assets of the Nebraska educational savings plan trust created pursuant to  
13 sections 85-1801 to 85-1814, ~~and~~ the assets of the achieving a better  
14 life experience program pursuant to sections 77-1401 to 77-1409, and  
15 beginning January 1, 2017, the assets of each retirement system provided  
16 for under the Class V School Employees Retirement Act. Except as provided  
17 in subsection (4) of this section, the ~~The~~ appointed members shall be  
18 deemed fiduciaries with respect to the investment of the assets of the  
19 retirement systems, of the Nebraska educational savings plan trust, and  
20 of the achieving a better life experience program and shall be held to  
21 the standard of conduct of a fiduciary specified in subsection (3) of  
22 this section. The nonvoting, ex officio members of the council shall not  
23 be deemed fiduciaries.

24 (b) As fiduciaries, the appointed members of the council and the  
25 state investment officer shall discharge their duties with respect to the  
26 assets of the retirement systems, of the Nebraska educational savings  
27 plan trust, and of the achieving a better life experience program solely  
28 in the interests of the members and beneficiaries of the retirement  
29 systems or the interests of the participants and beneficiaries of the  
30 Nebraska educational savings plan trust and the achieving a better life  
31 experience program, as the case may be, for the exclusive purposes of

1 providing benefits to members, members' beneficiaries, participants, and  
2 participants' beneficiaries and defraying reasonable expenses incurred  
3 within the limitations and according to the powers, duties, and purposes  
4 prescribed by law.

5 (2)(a) The appointed members of the council ~~Nebraska Investment~~  
6 ~~Council~~ shall have the responsibility for the investment management of  
7 the assets of state funds. The appointed members shall be deemed  
8 fiduciaries with respect to the investment of the assets of state funds  
9 and shall be held to the standard of conduct of a fiduciary specified in  
10 subsection (3) of this section. The nonvoting, ex officio members of the  
11 council shall not be deemed fiduciaries.

12 (b) As fiduciaries, the appointed members of the council and the  
13 state investment officer shall discharge their duties with respect to the  
14 assets of state funds solely in the interests of the citizens of the  
15 state within the limitations and according to the powers, duties, and  
16 purposes prescribed by law.

17 (3) The appointed members of the council shall act with the care,  
18 skill, prudence, and diligence under the circumstances then prevailing  
19 that a prudent person acting in like capacity and familiar with such  
20 matters would use in the conduct of an enterprise of a like character and  
21 with like aims by diversifying the investments of the assets of the  
22 retirement systems, the Nebraska educational savings plan trust, the  
23 achieving a better life experience program, and state funds so as to  
24 minimize risk of large losses, unless in light of such circumstances it  
25 is clearly prudent not to do so. No assets of the retirement systems, the  
26 Nebraska educational savings plan trust, or the achieving a better life  
27 experience program shall be invested or reinvested if the sole or primary  
28 investment objective is for economic development or social purposes or  
29 objectives.

30 (4) Neither the appointed members of the council nor the state  
31 investment officer shall be deemed fiduciaries with respect to

1 investments of the assets of a retirement system provided for under the  
2 Class V School Employees Retirement Act made by or on behalf of the board  
3 of education as defined in section 79-978 or the board of trustees  
4 provided for in section 79-980. Neither the council nor any member  
5 thereof nor the state investment officer shall be liable for the action  
6 or inaction of the board of education or the board of trustees with  
7 respect to the investment of the assets of a retirement system provided  
8 for under the Class V School Employees Retirement Act, the consequences  
9 of any such action or inaction of the board of education or the board of  
10 trustees, and any claims, suits, losses, damages, fees, and costs related  
11 to such action or inaction or consequences thereof.

12       Sec. 5. Section 72-1243, Revised Statutes Cumulative Supplement,  
13 2014, is amended to read:

14       72-1243 (1) Except as otherwise specifically provided by law, the  
15 state investment officer shall direct the investment and reinvestment of  
16 money in all state funds not currently needed and all funds described in  
17 section 83-133 and order the purchase, sale, or exchange of securities  
18 for such funds. He or she shall notify the State Treasurer of any  
19 payment, receipt, or delivery that may be required as a result of any  
20 investment decision, which notification shall be the authorization and  
21 direction for the State Treasurer to make such disbursement, receipt, or  
22 delivery from the appropriate fund.

23       (2) The council shall have an analysis made of the investment  
24 returns that have been achieved on the assets of each retirement system  
25 administered by the Public Employees Retirement Board as provided in  
26 section 84-1503 and, beginning January 1, 2017, on the assets of each  
27 retirement system provided for under the Class V School Employees  
28 Retirement Act. By March 31 of each year, the analysis shall be presented  
29 to the board and the Nebraska Retirement Systems Committee of the  
30 Legislature. The analysis shall be prepared by an independent  
31 organization which has demonstrated expertise to perform this type of

1 analysis and for which there exists no conflict of interest in the  
2 analysis being provided. The analysis may be waived by the council for  
3 any retirement system with assets of less than one million dollars.

4 (3) By March 31 of each year, the council shall prepare a written  
5 plan of action and shall present such plan to the Nebraska Retirement  
6 Systems Committee of the Legislature at a public hearing. The plan shall  
7 include, but not be limited to, the council's investment portfolios,  
8 investment strategies, the duties and limitations of the state investment  
9 officer, and an organizational structure of the council's office.

10 Sec. 6. Section 72-1249, Reissue Revised Statutes of Nebraska, is  
11 amended to read:

12 72-1249 (1) Any expenses with respect to the purchase, sale, or  
13 exchange of any security shall be charged to the fund or funds on behalf  
14 of which such purchase, sale, or exchange was made. All other expenses of  
15 the state investment officer shall be paid out of appropriations for the  
16 office of the state investment officer.

17 (2) Beginning on the operative date of this section, any expenses  
18 with respect to the transfer to and assumption by the council and the  
19 state investment officer of the duty and authority to invest the assets  
20 of a retirement system provided for under the Class V School Employees  
21 Retirement Act shall be charged to the Class V School Employees  
22 Retirement Fund established in section 79-9,115. Such expenses shall be  
23 paid without the approval of the board of education as defined in section  
24 79-978 or the board of trustees provided for in section 79-980.

25 (3) The Class V School Employees Retirement Cash Fund is created.  
26 The fund shall be administered by the council. The fund shall consist of  
27 funds received for costs, fees, and expenses incurred by the council and  
28 the state investment officer for duties and authority related to the  
29 investment and reinvestment of the assets of a retirement system provided  
30 for under the Class V School Employees Retirement Act. Any money in the  
31 fund available for investment shall be invested by the state investment

1 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska  
2 State Funds Investment Act.

3 (4) Management, custodial, and service costs which are a direct  
4 expense of investing the assets of a retirement system provided for under  
5 the Class V School Employees Retirement Act may be paid from the income  
6 of such assets when it is not prohibited by statute or the Constitution  
7 of Nebraska. For purposes of this section, management, custodial, and  
8 service costs include investment counsel fees for managing assets, real  
9 estate mortgage loan service fees, real estate management fees, and  
10 custody fees for fund securities. All such fees shall be approved by the  
11 council and the state investment officer.

12 Sec. 7. Section 72-1249.02, Reissue Revised Statutes of Nebraska, is  
13 amended to read:

14 72-1249.02 The State Investment Officer's Cash Fund is created. A  
15 pro rata share of the budget appropriated for the council ~~Nebraska~~  
16 ~~Investment Council~~ shall be charged to the income of each fund managed,  
17 and such charges shall be transferred to the State Investment Officer's  
18 Cash Fund. The allocation of charges may be made by any method determined  
19 to be reasonably related to actual costs incurred by the council ~~Nebraska~~  
20 ~~Investment Council~~. Approval of the agencies and boards administering  
21 these funds shall not be required.

22 It is the intent of this section to have funds managed by the state  
23 investment officer pay a pro rata share of the investment management  
24 expense when this is not prohibited by statute or the constitution.

25 Management, custodial, and service costs which are a direct expense  
26 of state funds may be paid from the income of such funds when this is not  
27 prohibited by statute or the Constitution of Nebraska ~~constitution~~. For  
28 purposes of this section, management, custodial, and service costs shall  
29 include, but not be limited to, investment counsel fees for managing  
30 assets, real estate mortgage loan service fees, real estate management  
31 fees, and custody fees for fund securities. All such fees shall be

1 approved by the council ~~Nebraska Investment Council~~ and the state  
2 investment officer.

3 Beginning on the operative date of this section, a pro rata share of  
4 the budget appropriated for the council shall be charged to the income of  
5 the Class V School Employees Retirement Fund, and such charges shall be  
6 transferred to the State Investment Officer's Cash Fund. The allocation  
7 of charges among a retirement system provided for under the Class V  
8 School Employees Retirement Act and the other funds managed by the  
9 council may be made by any method determined to be reasonably related to  
10 actual costs incurred by the council. Approval of the board of education  
11 as defined in section 79-978 and the board of trustees provided for in  
12 section 79-980 shall not be required.

13 Sec. 8. Section 79-916, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

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

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

7 (b) At the time of retirement of any employee who is a member of the  
8 retirement system established pursuant to the Class V School Employees  
9 Retirement Act and who was hired prior to July 1, 2016, the retirement  
10 board shall, upon receipt of a certification of the administrator of such  
11 retirement system of the name, identification number, date of birth,  
12 retirement date, last date of employment, type of retirement, and number  
13 of years of service credited to such eligible employee at the date of  
14 retirement, transfer to such retirement system from the Service Annuity  
15 Fund the actuarial accrued liability of the service annuity to be paid by  
16 the state to the eligible employee for the years of service thus  
17 certified as provided for members of the School Employees Retirement  
18 System of the State of Nebraska under sections 79-933 and 79-952. Such  
19 transfer of the actuarial accrued liability to the retirement system  
20 established pursuant to the Class V School Employees Retirement Act shall  
21 be in lieu of the payment of the service annuity to which the employee  
22 would be entitled.

23 (c) The Service Annuity Fund is created. The fund shall consist of  
24 the amounts paid by the state and transferred from the School Retirement  
25 Fund pursuant to this section to pay the service annuity to be paid by  
26 the state to employees who are members of the retirement system  
27 established pursuant to the Class V School Employees Retirement Act. Any  
28 money in the Service Annuity Fund available for investment shall be  
29 invested by the state investment officer pursuant to the Nebraska Capital  
30 Expansion Act and the Nebraska State Funds Investment Act.

31 (2) In addition to the transfer of the actuarial accrued liability

1 of the service annuity to be paid by the state, the state shall also  
2 transfer to the funds of the Class V school district's retirement system  
3 an amount determined by multiplying the compensation of all members of  
4 such retirement system by the percent specified in subsection (2) of  
5 section 79-966 for determining the amount of the state's payment to the  
6 School Retirement Fund plus the amount determined under subdivision (1)  
7 (b) of section 79-966. The transfer shall be made annually on or before  
8 July 1 of each fiscal year.

9 Sec. 9. Section 79-931, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11 79-931 (1) A member hired prior to July 1, 2016, upon filing a  
12 retirement application with the retirement system may retire (a) at any  
13 age if the member has completed thirty-five years of creditable service,  
14 (b) if the member has completed at least five years of creditable service  
15 plus eligibility and vesting credit and is at least sixty years of age,  
16 (c) if the member is at least sixty-five years of age upon termination,  
17 or (d) if the member is at least fifty-five years of age, has acquired  
18 the equivalent of one-half year of service as a public school employee  
19 under the retirement system following July 1, 1997, was a school employee  
20 on or after March 4, 1998, and the sum of the member's attained age and  
21 creditable service totals eighty-five Upon filing a retirement  
22 application with the retirement system, a member who has completed  
23 thirty-five years of creditable service may retire at any age, a member  
24 who has completed at least five years of (a) creditable service plus (b)  
25 eligibility and vesting credit and is at least sixty years of age may  
26 retire, or a member who is at least sixty-five years of age upon  
27 termination may retire.

28 (2) A member rehired, or hired by a separate employer on or after  
29 July 1, 2016, upon filing a retirement application with the retirement  
30 system, may retire (a) at any age if the member has completed thirty-five  
31 years of creditable service, (b) if the member is at least fifty-five

~~1 years of age and the sum of the member's attained age and creditable  
2 service totals eighty-five, or (c) if the member is at least sixty years  
3 of age and has completed at least five years of creditable service Upon  
4 filing a retirement application with the retirement system, a member may  
5 retire upon termination if the member is at least fifty-five years of  
6 age, has acquired the equivalent of one-half year of service as a public  
7 school employee under the retirement system following July 1, 1997, and  
8 was a school employee on or after March 4, 1998, and the sum of the  
9 member's attained age and creditable service totals eighty-five.~~

10 Sec. 10. Section 79-934, Revised Statutes Supplement, 2015, is  
11 amended to read:

12 79-934 (1) In lieu of the school retirement allowance provided by  
13 section 79-933, any member who is not an employee of a Class V school  
14 district and who becomes eligible to make application for and receive a  
15 school retirement allowance under section 79-931 may receive a formula  
16 annuity retirement allowance if it is greater than the school retirement  
17 allowance provided by section 79-933.

18 (2) Subject to the other provisions of this section, the monthly  
19 formula annuity in the normal form shall be determined by multiplying the  
20 number of years of creditable service for which such member would  
21 otherwise receive the service annuity provided by section 79-933 by (a)  
22 one and one-quarter percent of his or her final average compensation for  
23 a member who has acquired the equivalent of one-half year of service or  
24 more as a public school employee under the retirement system following  
25 August 24, 1975, (b) one and one-half percent of his or her final average  
26 compensation for a member who has acquired the equivalent of one-half  
27 year of service or more as a public school employee under the retirement  
28 system following July 17, 1982, (c) one and sixty-five hundredths percent  
29 of his or her final average compensation for a member who has acquired  
30 the equivalent of one-half year of service or more as a public school  
31 employee under the retirement system following July 1, 1984, (d) one and

1 seventy-three hundredths percent of his or her final average compensation  
2 for a member actively employed as a ~~public~~ school employee under the  
3 retirement system or under contract with an employer on or after June 5,  
4 1993, (e) one and eight-tenths percent of his or her final average  
5 compensation for a member who has acquired the equivalent of one-half  
6 year of service or more as a ~~public~~ school employee under the retirement  
7 system following July 1, 1995, and was employed as a ~~public~~ school  
8 employee under the retirement system or under contract with an employer  
9 on or after April 10, 1996, (f) one and nine-tenths percent of his or her  
10 final average compensation for a member who has acquired the equivalent  
11 of one-half year of service or more as a ~~public~~ school employee under the  
12 retirement system following July 1, 1998, and was employed as a ~~public~~  
13 school employee under the retirement system or under contract with an  
14 employer on or after April 29, 1999, ~~or~~ (g) two percent of his or her  
15 final average compensation for a member who has acquired the equivalent  
16 of one-half year of service or more as a ~~public~~ school employee under the  
17 retirement system following July 1, 2000, who was employed as a ~~public~~  
18 school employee under the retirement system or under contract with an  
19 employer on or after May 2, 2001, and hired prior to July 1, 2016, and  
20 who has not retired prior to May 2, 2001, or (h) two percent of his or  
21 her final average compensation for a member who was hired, rehired, or  
22 hired by a separate employer on or after July 1, 2016, and has acquired  
23 the equivalent of five years of service or more as a school employee  
24 following July 1, 2016, under the retirement system or under contract  
25 with an employer. Subdivision (2)(f) of this section shall not apply to a  
26 member who is retired prior to April 29, 1999. Subdivision (2)(g) of this  
27 section shall not apply to a member who is retired prior to May 2, 2001.

28 (3) If the annuity begins on or after the sixty-fifth birthday of a  
29 member, the annuity shall not be reduced. If the annuity begins prior to  
30 the sixty-fifth birthday of the member and the member has completed  
31 thirty or more years of creditable service and is at least sixty years of

1 age, the annuity shall not be reduced. If the annuity begins prior to the  
2 sixtieth birthday of the member and the member has completed thirty-five  
3 or more years of creditable service, the annuity shall be actuarially  
4 reduced on the basis of age sixty-five. If the annuity begins on or after  
5 the sixtieth birthday of the member and the member has completed at least  
6 a total of five years of (a) creditable service plus (b) eligibility and  
7 vesting credit but less than thirty years of creditable service, the  
8 annuity shall be reduced by three percent for each year by which the  
9 member's age is less than the age at which the member's age plus years of  
10 creditable service would have totaled ninety or three percent for each  
11 year after the member's sixtieth birthday and prior to his or her sixty-  
12 fifth birthday, whichever provides the greater annuity.

13 (4)(a) For retirements on or after March 4, 1998, and for persons  
14 hired prior to July 1, 2016, if the annuity begins at a time when the sum  
15 of the member's attained age and creditable service totals eighty-five  
16 and the member is at least fifty-five years of age, the annuity shall not  
17 be reduced. This subdivision subsection shall only apply to a member who  
18 has acquired the equivalent of one-half year of service or more as a  
19 public school employee under the retirement system following July 1,  
20 1997, and who was a school employee on or after March 4, 1998. This  
21 subdivision subsection shall not apply to a member who is retired prior  
22 to March 4, 1998.

23 (b) For retirements for persons rehired or hired by a separate  
24 employer on or after July 1, 2016, if the annuity begins at a time when  
25 the sum of the member's attained age and creditable service totals  
26 eighty-five and the member is at least fifty-five years of age, the  
27 annuity shall not be reduced. This subdivision shall only apply to a  
28 member who has acquired the equivalent of five years of service or more  
29 as a school employee under the retirement system.

30 (5) Except as provided in section 42-1107, the normal form of the  
31 formula annuity shall be an annuity payable monthly during the remainder

1 of the member's life with the provision that in the event of his or her  
2 death before sixty monthly payments have been made the monthly payments  
3 will be continued to his or her estate or to the beneficiary he or she  
4 has designated until sixty monthly payments have been made. Except as  
5 provided in section 42-1107, a member may elect to receive in lieu of the  
6 normal form of annuity an actuarially equivalent annuity in any optional  
7 form provided by section 79-938.

8 (6) All formula annuities shall be paid from the School Retirement  
9 Fund.

10 (7)(a)(i) For purposes of this section, in the determination of  
11 compensation for members on or after July 1, 2005, that part of a  
12 member's compensation for the plan year which exceeds the member's  
13 compensation with the same employer for the preceding plan year by more  
14 than seven percent of the compensation base during the sixty months  
15 preceding the member's retirement shall be excluded unless (A) the member  
16 experienced a substantial change in employment position, (B) as verified  
17 by the school board, the excess compensation above seven percent occurred  
18 as the result of a collective-bargaining agreement between the employer  
19 and a recognized collective-bargaining unit or category of school  
20 employee, and the percentage increase in compensation above seven percent  
21 shall not be excluded for employees outside of a collective-bargaining  
22 unit or within the same category of school employee, or (C) the excess  
23 compensation occurred as the result of a districtwide permanent benefit  
24 change made by the employer for a category of school employee in  
25 accordance with subdivision (35)(a)(iv) of section 79-902.

26 (ii) For purposes of subdivision (7)(a) of this section:

27 (A) Category of school employee means either all employees of the  
28 employer who are administrators or certificated teachers, or all  
29 employees of the employer who are not administrators or certificated  
30 teachers, or both;

31 (B) Compensation base means (I) for current members, employed with

1 the same employer, the member's compensation for the plan year ending  
2 June 30, 2005, or (II) for members newly hired or hired by a separate  
3 employer on or after July 1, 2005, the member's compensation for the  
4 first full plan year following the member's date of hiring. Thereafter,  
5 the member's compensation base shall be increased each plan year by the  
6 lesser of seven percent of the member's preceding plan year's  
7 compensation base or the member's actual annual compensation increase  
8 during the preceding plan year; and

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

12 (b)(i) In the determination of compensation for members whose  
13 retirement date is on or after July 1, 2012, through June 30, 2013, that  
14 part of a member's compensation for the plan year which exceeds the  
15 member's compensation with the same employer for the preceding plan year  
16 by more than nine percent of the compensation base shall be excluded.

17 (ii) For purposes of subdivision (7)(b) of this section,  
18 compensation base means (A) for current members employed with the same  
19 employer, the member's compensation for the plan year ending June 30,  
20 2012, or (B) for members newly hired or hired by a separate employer on  
21 or after July 1, 2012, the member's compensation for the first full plan  
22 year following the member's date of hiring.

23 (c)(i) In the determination of compensation for members whose  
24 retirement date is on or after July 1, 2013, that part of a member's  
25 compensation for the plan year which exceeds the member's compensation  
26 for the preceding plan year by more than eight percent during the capping  
27 period shall be excluded. Such member's compensation for the first plan  
28 year of the capping period shall be compared to the member's compensation  
29 received for the plan year immediately preceding the capping period.

30 (ii) For purposes of subdivision (7)(c) of this section:

31 (A) Capping period means the five plan years preceding the later of

1 (I) such member's retirement date or (II) such member's final  
2 compensation date; and

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

8 Sec. 11. Section 79-935, Reissue Revised Statutes of Nebraska, is  
9 amended to read:

10 79-935 No provision of section 79-916, 79-934, 79-958, 79-960, or  
11 79-966 which would result in an increase in benefits that would have been  
12 payable prior to July 1, 1984, shall apply to any person until that  
13 person has acquired the equivalent of one-half year of service or more as  
14 a school employee under the retirement system following July 1, 1984.

15 No provision of section 79-934, 79-957, 79-958, or 79-960 which  
16 would result in an increase in benefits that would have been payable  
17 prior to July 1, 1986, shall apply to any person until that person has  
18 acquired the equivalent of one-half year of service or more as a school  
19 employee under the retirement system following July 1, 1986.

20 No provision of section 79-934, 79-957, 79-958, or 79-960 which  
21 would result in an increase in benefits that would have been payable  
22 prior to April 1, 1988, shall apply to any person unless he or she is  
23 employed on such date and has acquired five hundred sixteen or more hours  
24 as a school employee under the retirement system during or after fiscal  
25 year 1987-88.

26 No provision of section 79-916, 79-934, 79-957, 79-958, 79-960, or  
27 79-966 which would result in an increase in benefits that would have been  
28 payable prior to July 1, 2016, shall apply to any person until that  
29 person has acquired the equivalent of five years of service or more as a  
30 school employee under the retirement system following July 1, 2016.

31 Sec. 12. Section 79-954, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 79-954 ~~If (1) Except as provided in subsection (2) of this section,~~  
3 ~~if a disability beneficiary under the age of sixty-five years is restored~~  
4 ~~to active service as a school employee or if the examining physician~~  
5 ~~certifies that the person is no longer disabled for service as a school~~  
6 ~~employee, the school or disability retirement allowance shall cease. If~~  
7 ~~the beneficiary again becomes a school employee, he or she shall become a~~  
8 ~~member of the retirement system. Any prior service certificate, on the~~  
9 ~~basis of which his or her creditable service was computed at the time of~~  
10 ~~his or her retirement for disability, shall be restored to full force and~~  
11 ~~effect upon his or her again becoming a member of such retirement system.~~

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

17 Sec. 13. Section 79-966, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

19 79-966 (1)(a) On the basis of all data in the possession of the  
20 retirement board, including such mortality and other tables as are  
21 recommended by the actuary engaged by the retirement board and adopted by  
22 the retirement board, the retirement board shall annually, on or before  
23 July 1, determine the state deposit to be made by the state in the School  
24 Retirement Fund for that fiscal year. The amount of such state deposit  
25 shall be determined pursuant to section 79-966.01. The retirement board  
26 shall thereupon certify the amount of such state deposit, and on the  
27 warrant of the Director of Administrative Services, the State Treasurer  
28 shall, as of July 1 of such year, transfer from funds appropriated by the  
29 state for that purpose to the School Retirement Fund the amount of such  
30 state deposit.

31 (b) Beginning July 1, 2016, the contingent state deposit described

1 in this subsection shall be calculated as a percent of compensation of  
2 all members of the retirement system. For any year in which a deposit is  
3 made to the School Retirement Fund under this subsection, if the actuary  
4 employed by the Class V school district's retirement system determines  
5 that the actuarially required contribution rate, for the fiscal year of  
6 the retirement system that begins before the state deposit, exceeds the  
7 rate of all contributions required pursuant to the Class V School  
8 Employees Retirement Act, using the thirty-year amortization period  
9 specified in section 79-966.01, the Class V district school board may  
10 request a public hearing of the Appropriations Committee of the  
11 Legislature to ask the state to transfer to the funds of the Class V  
12 school district's retirement system an amount determined by multiplying  
13 the compensation of all members of such retirement system by the lesser  
14 of the percent of compensation deposited into the School Retirement Fund  
15 under this subsection or the percent of compensation of the members of  
16 the Class V school district's retirement system needed to meet the  
17 actuarially required contribution rate for the Class V school district's  
18 retirement system, using the thirty-year amortization period specified in  
19 section 79-966.01. Any additional amount of transfer so calculated,  
20 recommended by the Appropriations Committee of the Legislature and  
21 approved by the Legislature, shall be added to the two percent specified  
22 in subsection (2) of this section for the amount required by subsection  
23 (2) of section 79-916 to be transferred to the funds of the Class V  
24 school district's retirement system.

25 ~~(2) For each fiscal year beginning July 1, 2009, until July 1, 2014,~~  
26 ~~in addition to the state deposits required by subsections (1) and (3) of~~  
27 ~~this section, the state shall deposit in the School Retirement Fund an~~  
28 ~~amount equal to one percent of the compensation of all members of the~~  
29 ~~retirement system. For each fiscal year beginning July 1, 2014, in~~  
30 ~~addition to the state deposits required by subsections (1) and (3) of~~  
31 ~~this section, the state shall deposit in the School Retirement Fund an~~

1 amount equal to two percent of the compensation of all members of the  
2 retirement system.

3 (3) In addition to the state deposits required by subsections (1)  
4 and (2) of this section, beginning on July 1, 2005, and each fiscal year  
5 thereafter for employees who become members prior to July 1, 2016, the  
6 state shall deposit in the Service Annuity Fund such amounts as may be  
7 necessary to pay the normal cost and amortize the unfunded actuarial  
8 accrued liability of the service annuity benefit established pursuant to  
9 sections 79-933 and 79-952 as accrued through the end of the previous  
10 fiscal year of the school employees who are members of the retirement  
11 system established pursuant to the Class V School Employees Retirement  
12 Act.

13 Sec. 14. Section 79-978, Revised Statutes Supplement, 2015, is  
14 amended to read:

15 79-978 For purposes of the Class V School Employees Retirement Act,  
16 unless the context otherwise requires:

17 (1) Retirement system or system means the School Employees'  
18 Retirement System of (corporate name of the school district as described  
19 in section 79-405) as provided for by the act;

20 (2) Board of education means the board of education of the school  
21 district;

22 (3) Trustee means a trustee provided for in section 79-980;

23 (4) Employee means the following enumerated persons receiving  
24 compensation from the school district: (a) Regular teachers and  
25 administrators employed on a written contract basis; and (b) regular  
26 employees, not included in subdivision (4)(a) of this section, hired upon  
27 a full-time basis, which basis shall contemplate a workweek of not less  
28 than thirty hours;

29 (5) Member means any employee included in the membership of the  
30 retirement system or any former employee who has made contributions to  
31 the system and has not received a refund;

1 (6) Annuitant means any member receiving an allowance;

2 (7) Beneficiary means any person entitled to receive or receiving a  
3 benefit by reason of the death of a member;

4 (8) Membership service means service on or after September 1, 1951,  
5 as an employee of the school district and a member of the system for  
6 which compensation is paid by the school district. Credit for more than  
7 one year of membership service shall not be allowed for service rendered  
8 in any fiscal year. Beginning September 1, 2005, a member shall be  
9 credited with a year of membership service for each fiscal year in which  
10 the member performs one thousand or more hours of compensated service as  
11 an employee of the school district. An hour of compensated service shall  
12 include any hour for which the member is compensated by the school  
13 district during periods where no service is performed due to vacation or  
14 approved leave. If a member performs less than one thousand hours of  
15 compensated service during a fiscal year, one-tenth of a year of  
16 membership service shall be credited for each one hundred hours of  
17 compensated service by the member in such fiscal year. In determining a  
18 member's total membership service, all periods of membership service,  
19 including fractional years of membership service in one-tenth-year  
20 increments, shall be aggregated;

21 (9) Prior service means service rendered prior to September 1, 1951,  
22 for which credit is allowed under section 79-999, service rendered by  
23 retired employees receiving benefits under preexisting systems, and  
24 service for which credit is allowed under sections 79-990, 79-991,  
25 79-994, 79-995, and 79-997;

26 (10) Creditable service means the sum of the membership service and  
27 the prior service, measured in one-tenth-year increments;

28 (11)(a) Compensation means gross wages or salaries payable to the  
29 member during a fiscal year and includes (i) overtime pay, (ii) member  
30 contributions to the retirement system that are picked up under section  
31 414(h) of the Internal Revenue Code, as defined in section 49-801.01,

1 (iii) retroactive salary payments paid pursuant to court order,  
2 arbitration, or litigation and grievance settlements, and (iv) amounts  
3 contributed by the member to plans under sections 125, 403(b), and 457 of  
4 the Internal Revenue Code, as defined in section 49-801.01, or any other  
5 section of the code which defers or excludes such amounts from income.

6 (b) Compensation does not include (i) fraudulently obtained amounts  
7 as determined by the board, (ii) amounts for unused sick leave or unused  
8 vacation leave converted to cash payments, (iii) insurance premiums  
9 converted into cash payments, (iv) reimbursement for expenses incurred,  
10 (v) fringe benefits, (vi) per diems paid as expenses, (vii) bonuses for  
11 services not actually rendered, including, but not limited to, early  
12 retirement inducements, cash awards, and severance pay, or (viii)  
13 employer contributions made for the purposes of separation payments made  
14 at retirement and early retirement inducements as provided for in section  
15 79-514.

16 (c) Compensation in excess of the limitations set forth in section  
17 401(a)(17) of the Internal Revenue Code, as defined in section 49-801.01,  
18 shall be disregarded;

19 (12) Military service means service in the uniformed services as  
20 defined in 38 U.S.C. 4301 et seq., as such provision existed on March 27,  
21 1997;

22 (13) Accumulated contributions means the sum of amounts contributed  
23 by a member of the system together with regular interest credited  
24 thereon;

25 (14) Regular interest means interest (a) on the total contributions  
26 of the member prior to the close of the last preceding fiscal year, (b)  
27 compounded annually, and (c) (i) beginning September 1, 2016, at a rate  
28 equal to the daily treasury yield curve for one-year treasury securities,  
29 as published by the Secretary of Treasury of the United States, that  
30 applies on September 1 of each year and (ii) prior to September 1, 2016,  
31 at rates to be determined annually by the board, which shall have the

1 sole, absolute, and final discretionary authority to make such  
2 determination, except that the rate for any given year in no event shall  
3 exceed the actual percentage of net earnings of the system during the  
4 last preceding fiscal year;

5 (15) Interest means, for the purchase of service credit, the  
6 purchase of prior service credit, restored refunds, and delay payments,  
7 the investment return assumption used in the most recent actuarial  
8 valuation;

9 (16 15) Retirement date means the date of retirement of a member for  
10 service or disability as fixed by the board of trustees;

11 (17 16) Normal retirement date means the end of the month during  
12 which the member attains age sixty-five and has completed at least five  
13 years of membership service;

14 (18 17) Early retirement date means, for members hired prior to July  
15 1, 2016, who have attained age fifty-five, that month and year selected  
16 by a member having at least ten years of creditable service which  
17 includes a minimum of five years of membership service. Early retirement  
18 date means, for members hired on or after July 1, 2016, that month and  
19 year selected by a member having at least five years of creditable  
20 service and who has attained age sixty and who has attained age fifty-  
21 five;

22 (19 18) Retirement allowance means the total annual retirement  
23 benefit payable to a member for service or disability;

24 (20 19) Annuity means annual payments, for both prior service and  
25 membership service, for life as provided in the Class V School Employees  
26 Retirement Act;

27 (21 20) Actuarial tables means:

28 (a) For determining the actuarial equivalent of any annuities other  
29 than joint and survivorship annuities, a unisex mortality table using  
30 twenty-five percent of the male mortality and seventy-five percent of the  
31 female mortality from the 1994 Group Annuity Mortality Table with a One

1 Year Setback and using an interest rate of eight percent compounded  
2 annually; and

3 (b) For joint and survivorship annuities, a unisex retiree mortality  
4 table using sixty-five percent of the male mortality and thirty-five  
5 percent of the female mortality from the 1994 Group Annuity Mortality  
6 Table with a One Year Setback and using an interest rate of eight percent  
7 compounded annually and a unisex joint annuitant mortality table using  
8 thirty-five percent of the male mortality and sixty-five percent of the  
9 female mortality from the 1994 Group Annuity Mortality Table with a One  
10 Year Setback and using an interest rate of eight percent compounded  
11 annually;

12 (22 ~~21~~) Actuarial equivalent means the equality in value of the  
13 retirement allowance for early retirement or the retirement allowance for  
14 an optional form of annuity, or both, with the normal form of the annuity  
15 to be paid, as determined by the application of the appropriate actuarial  
16 table, except that use of such actuarial tables shall not effect a  
17 reduction in benefits accrued prior to September 1, 1985, as determined  
18 by the actuarial tables in use prior to such date;

19 (23 ~~22~~) Fiscal year means the period beginning September 1 in any  
20 year and ending on August 31 of the next succeeding year;

21 (24) Audit year means the period beginning January 1 in any year and  
22 ending on December 31 of that same year except for the initial audit year  
23 which will begin September 1, 2016, and end on December 31, 2016.  
24 Beginning September 1, 2016, the audit year will be the period of time  
25 used in the preparation of the annual actuarial analysis and valuation  
26 and a financial audit of the investments of the retirement system;

27 (25 ~~23~~) Primary beneficiary means the person or persons entitled to  
28 receive or receiving a benefit by reason of the death of a member; ~~and~~

29 (26 ~~24~~) Secondary beneficiary means the person or persons entitled  
30 to receive or receiving a benefit by reason of the death of all primary  
31 beneficiaries prior to the death of the member. If no primary beneficiary

1 survives the member, secondary beneficiaries shall be treated in the same  
2 manner as primary beneficiaries.

3 (27) Nebraska Investment Council means the council created and  
4 acting pursuant to section 72-1237; and

5 (28) State investment officer means the state investment officer  
6 appointed pursuant to section 72-1240 and acting pursuant to the Nebraska  
7 State Funds Investment Act.

8 Sec. 15. Section 79-978.01, Reissue Revised Statutes of Nebraska, is  
9 amended to read:

10 79-978.01 Sections 79-978 to 79-9,118 and sections 20, 21, 34, and  
11 46 of this act shall be known and may be cited as the Class V School  
12 Employees Retirement Act.

13 Sec. 16. Section 79-979, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

15 79-979 (1) Prior to September 13, 1997, in each Class V school  
16 district in the State of Nebraska there is hereby established a separate  
17 retirement system for all regular employees of such school district. Such  
18 system shall be for the purpose of providing retirement benefits for all  
19 regular employees of the school district as provided in the Class V  
20 School Employees Retirement Act. The system shall be known as School  
21 Employees' Retirement System of (corporate name of the school district as  
22 described in section 79-405). All of its business shall be transacted,  
23 all of its funds shall be invested, and all of its cash and securities  
24 and other property shall be held in trust on behalf of the retirement  
25 system ~~by such name~~ for the purposes set forth in the act. Such funds  
26 shall be kept separate from all other funds of the school district and  
27 shall be used for no other purpose.

28 (2) Except as provided in subsection (3) of this section, if any new  
29 Class V school districts are formed after September 13, 1997, such new  
30 Class V school district shall elect to become or remain a part of the  
31 retirement system established pursuant to the School Employees Retirement

1 Act.

2 (3) Any new Class V school districts formed pursuant to the Learning  
3 Community Reorganization Act shall continue to participate in the  
4 retirement system established pursuant to the Class V School Employees  
5 Retirement Act if such new Class V school district was formed at least in  
6 part by territory that had been in a Class V school district that  
7 participated in the retirement system established pursuant to the Class V  
8 School Employees Retirement Act.

9 Sec. 17. Section 79-980, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11 79-980 (1) At any time that the retirement system consists of only  
12 one Class V school district, the general administration of the retirement  
13 system is hereby vested in the board of trustees. Beginning July 1, 2016,  
14 the board of trustees shall consist of the following individuals: (a) Two  
15 members of the retirement system who are certificated staff elected by  
16 the members of the retirement system who are certificated staff; (b) one  
17 member of the retirement system who is classified staff elected by the  
18 members of the retirement system who are classified staff; (d) one member  
19 of the retirement system who is an annuitant elected by the members of  
20 the retirement system who are annuitants; (e) the superintendent of  
21 schools or his or her designee to serve as an ex officio, voting trustee;  
22 and (f) two business persons approved by the board of education qualified  
23 in financial affairs who are not members of the retirement system. The  
24 business person trustees shall be recommended to four-year terms by the  
25 trustees who are not business persons, and the appointments shall be  
26 approved by the board of education. The elections of the trustees who are  
27 members of the retirement system shall be arranged for, managed, and  
28 conducted by the board of trustees and, after the initial terms as  
29 otherwise designated, shall be for terms of four years. One certificated  
30 staff trustee serving on the operative date of this section will continue  
31 serving until an elected certificated staff trustee will take position

1 effective July 1, 2017; the second certificated staff trustee serving on  
2 the operative date of this section will continue serving until a second  
3 elected certificated staff trustee will take position July 1, 2018; the  
4 classified staff trustee serving on the operative date of this section  
5 will continue serving until an elected classified staff trustee will take  
6 position July 1, 2019; the annuitant member trustee serving on the  
7 operative date of this section will continue serving until an elected  
8 annuitant member trustee will take position July 1, 2020; one business  
9 member trustee serving on the operative date of this section will  
10 continue serving until a new term of office begins effective July 1,  
11 2018; and the second business member trustee serving on the operative  
12 date of this section will continue serving until a new term of office  
13 begins effective July 1, 2020. The terms of the elected trustees shall be  
14 fixed so that one member trustee election shall be held each year. The  
15 board of trustees shall appoint a qualified individual to fill any  
16 vacancy on the board of trustees for the remainder of the unexpired term.  
17 No vacancy or vacancies on the board of trustees shall impair the power  
18 of the remaining trustees to administer the retirement system pending the  
19 filling of such vacancy or vacancies. The trustees shall serve without  
20 compensation, but shall be reimbursed from the funds of the retirement  
21 system for expenses that they may incur through service on the board of  
22 trustees as provided in sections 81-1174 to 81-1177. A trustee shall  
23 serve until a successor qualifies, except that trustees who are members  
24 of the retirement system shall be disqualified as trustees immediately  
25 upon ceasing to be a member of the retirement system. Each trustee shall  
26 be entitled to one vote on the board of trustees, and four trustees shall  
27 constitute a quorum for the transaction of any business. The board of  
28 trustees and the administrator of the retirement system shall administer  
29 the retirement system in compliance with the tax-qualification  
30 requirements applicable to government retirement plans under section  
31 401(a) of the Internal Revenue Code, as defined in section 49-801.01,

1 including: Section 401(a)(9) of the Internal Revenue Code relating to the  
2 time and manner in which benefits are required to be distributed,  
3 including the incidental death benefit distribution requirement of  
4 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(25) of  
5 the Internal Revenue Code relating to the specification of actuarial  
6 assumptions; section 401(a)(31) of the Internal Revenue Code relating to  
7 direct rollover distributions from eligible retirement plans; and section  
8 401(a)(37) of the Internal Revenue Code relating to the death benefit of  
9 a member whose death occurs while performing qualified military service.  
10 No member of the board of education or board of trustees shall be  
11 personally liable, except in cases of willful dishonesty, gross  
12 negligence, or intentional violations of law, for actions relating to his  
13 or her retirement system duties. Beginning July 1, 2016, the board of  
14 education shall not have any duty or responsibility for the general  
15 administration of the retirement system, including the determination and  
16 calculation of the benefits of any member or beneficiary, except as may  
17 specifically be provided in the Class V School Employees Retirement Act  
18 ~~At any time that the retirement system consists of only one Class V~~  
19 ~~school district, the general administration of the retirement system is~~  
20 ~~hereby vested in the board of education. The board shall appoint, by a~~  
21 ~~majority of all its members, ten trustees to serve as executive officers~~  
22 ~~to administer the Class V School Employees Retirement Act. Such trustees~~  
23 ~~shall consist of (a) the superintendent of schools, as ex officio~~  
24 ~~trustee, (b) four members of the retirement system, two from the~~  
25 ~~certificated staff, one from the classified staff, and one from the~~  
26 ~~annuitants, (c) three members of the board of education, and (d) two~~  
27 ~~trustees who are business persons qualified in financial affairs and who~~  
28 ~~are not members of the retirement system. The trustees shall serve~~  
29 ~~without compensation, but they shall be reimbursed from the funds of the~~  
30 ~~retirement system for expenses that they may incur through service on the~~  
31 ~~board of trustees as provided in sections 81-1174 to 81-1177. A trustee~~

1 ~~shall serve until a successor qualifies, except that trustees who are~~  
2 ~~members of the retirement system or members of the board of education~~  
3 ~~shall be disqualified as trustees immediately upon ceasing to be a member~~  
4 ~~of the retirement system or of the board of education. Each trustee shall~~  
5 ~~be entitled to one vote on the board of trustees, and six trustees shall~~  
6 ~~constitute a quorum for the transaction of any business. The trustees who~~  
7 ~~are appointed from the board of education and the membership shall be~~  
8 ~~appointed for each fiscal year. The two trustees who are not members of~~  
9 ~~the board of education or of the retirement system shall be appointed for~~  
10 ~~three fiscal years each. The trustees and the administrator of the~~  
11 ~~retirement system shall administer the retirement system in compliance~~  
12 ~~with the tax-qualification requirements applicable to government~~  
13 ~~retirement plans under section 401(a) of the Internal Revenue Code, as~~  
14 ~~defined in section 49-801.01, including: Section 401(a)(9) of the~~  
15 ~~Internal Revenue Code relating to the time and manner in which benefits~~  
16 ~~are required to be distributed, including the incidental death benefit~~  
17 ~~distribution requirement of section 401(a)(9)(G) of the Internal Revenue~~  
18 ~~Code; section 401(a)(25) of the Internal Revenue Code relating to the~~  
19 ~~specification of actuarial assumptions; section 401(a)(31) of the~~  
20 ~~Internal Revenue Code relating to direct rollover distributions from~~  
21 ~~eligible retirement plans; and section 401(a)(37) of the Internal Revenue~~  
22 ~~Code relating to the death benefit of a member whose death occurs while~~  
23 ~~performing qualified military service. No member of the board of~~  
24 ~~education or trustee shall be personally liable, except in cases of~~  
25 ~~willful dishonesty, gross negligence, or intentional violations of law,~~  
26 ~~for actions relating to his or her retirement system duties.~~

27 (2) At any time that the retirement system consists of more than one  
28 Class V school district, the general administration of the retirement  
29 system is hereby vested in the board of trustees. The board of trustees  
30 shall consist of the following individuals: (a) Two members of the  
31 retirement system who are certificated staff elected by the members of

1 the retirement system who are certificated staff; (b) one member of the  
2 retirement system who is classified staff elected by the members of the  
3 retirement system who are classified staff; (c) one member of the  
4 retirement system who is an annuitant elected by the members of the  
5 retirement system who are annuitants; (d) the superintendent of each of  
6 the school districts represented in the retirement system or his or her  
7 designee to serve as an ex officio, voting trustee; and (e) two business  
8 persons approved by the board of education qualified in financial affairs  
9 who are not members of the retirement system. The elections of the  
10 trustees who are members of the retirement system shall be arranged for,  
11 managed, and conducted by the board of trustees and, after the initial  
12 terms as otherwise designated, shall be for terms of four years. The  
13 business person trustees shall be recommended to four-year terms by the  
14 trustees who are not business persons, and the appointments shall be  
15 approved by the board of education. The board of trustees shall appoint a  
16 qualified individual to fill any vacancy on the board of trustees for the  
17 remainder of the unexpired term. No vacancy or vacancies on the board of  
18 trustees shall impair the power of the remaining trustees to administer  
19 the retirement system pending the filling of such vacancy or vacancies.  
20 The trustees shall serve without compensation, but shall be reimbursed  
21 from the funds of the retirement system for expenses that they may incur  
22 through service on the board of trustees as provided in sections 81-1174  
23 to 81-1177. A trustee shall serve until a successor qualifies, except  
24 that trustees who are members of the retirement system shall be  
25 disqualified as trustees immediately upon ceasing to be a member of the  
26 retirement system. Each trustee shall be entitled to one vote on the  
27 board of trustees, and four trustees shall constitute a quorum for the  
28 transaction of any business. The board of trustees and the administrator  
29 of the retirement system shall administer the retirement system in  
30 compliance with the tax-qualification requirements applicable to  
31 government retirement plans under section 401(a) of the Internal Revenue

1 Code, as defined in section 49-801.01, including: Section 401(a)(9) of  
2 the Internal Revenue Code relating to the time and manner in which  
3 benefits are required to be distributed, including the incidental death  
4 benefit distribution requirement of section 401(a)(9)(G) of the Internal  
5 Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to  
6 the specification of actuarial assumptions; section 401(a)(31) of the  
7 Internal Revenue Code relating to direct rollover distributions from  
8 eligible retirement plans; and section 401(a)(37) of the Internal Revenue  
9 Code relating to the death benefit of a member whose death occurs while  
10 performing qualified military service. No member of the board of  
11 education or board of trustees shall be personally liable, except in  
12 cases of willful dishonesty, gross negligence, or intentional violations  
13 of law, for actions relating to his or her retirement system duties. The  
14 board of education shall not have any duty or responsibility for the  
15 general administration of the retirement system, including the  
16 determination and calculation of the benefits of any member or  
17 beneficiary, except as may specifically be provided in the Class V School  
18 Employees Retirement Act ~~At any time that the retirement system consists~~  
19 ~~of more than one Class V school district, the general administration of~~  
20 ~~the retirement system is hereby vested in a Class V Retirement System~~  
21 ~~Board composed of three members of the school board for each~~  
22 ~~participating Class V school district. The board shall appoint, by a~~  
23 ~~majority of all its members, trustees to serve as executive officers to~~  
24 ~~administer the Class V School Employees Retirement Act. Such trustees~~  
25 ~~shall consist of (a) the superintendent of each participating Class V~~  
26 ~~school district, as ex officio trustees, (b) four members of the~~  
27 ~~retirement system, two from the certificated staff, one from the~~  
28 ~~classified staff, and one from the annuitants, (c) three members of the~~  
29 ~~board, and (d) two trustees who are business persons qualified in~~  
30 ~~financial affairs and who are not members of the retirement system. The~~  
31 ~~trustees who are appointed from the board and the membership shall, to~~

1 ~~the extent feasible, be appointed equally from each participating Class V~~  
2 ~~school district. The trustees shall serve without compensation, but they~~  
3 ~~shall be reimbursed from the funds of the retirement system for expenses~~  
4 ~~that they may incur through service on the board of trustees as provided~~  
5 ~~in sections 81-1174 to 81-1177. A trustee shall serve until a successor~~  
6 ~~qualifies, except that trustees who are members of the retirement system~~  
7 ~~or members of the board shall be disqualified as trustees immediately~~  
8 ~~upon ceasing to be a member of the retirement system or of the board.~~  
9 ~~Each trustee shall be entitled to one vote on the board of trustees, and~~  
10 ~~six trustees shall constitute a quorum for the transaction of any~~  
11 ~~business. The trustees who are appointed from the board and the~~  
12 ~~membership shall be appointed for each fiscal year. The two trustees who~~  
13 ~~are not members of the board or of the retirement system shall be~~  
14 ~~appointed for three fiscal years each. The trustees and the administrator~~  
15 ~~of the retirement system shall administer the retirement system in~~  
16 ~~compliance with the tax-qualification requirements applicable to~~  
17 ~~government retirement plans under section 401(a) of the Internal Revenue~~  
18 ~~Code, as defined in section 49-801.01, including: Section 401(a)(9) of~~  
19 ~~the Internal Revenue Code relating to the time and manner in which~~  
20 ~~benefits are required to be distributed, including the incidental death~~  
21 ~~benefit distribution requirement of section 401(a)(9)(G) of the Internal~~  
22 ~~Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to~~  
23 ~~the specification of actuarial assumptions; section 401(a)(31) of the~~  
24 ~~Internal Revenue Code relating to direct rollover distributions from~~  
25 ~~eligible retirement plans; and section 401(a)(37) of the Internal Revenue~~  
26 ~~Code relating to the death benefit of a member whose death occurs while~~  
27 ~~performing qualified military service. No member of the Class V~~  
28 ~~Retirement System Board or trustee shall be personally liable, except in~~  
29 ~~cases of willful dishonesty, gross negligence, or intentional violations~~  
30 ~~of law, for actions relating to his or her retirement system duties.~~

31 Sec. 18. Section 79-981, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 79-981 The board of trustees ~~education or Class V Retirement System~~  
3 ~~Board~~ shall from time to time establish rules and regulations for the  
4 administration of the retirement system and for the transaction of its  
5 business and shall appoint an administrator of the retirement system. The  
6 board of trustees may contract for such medical and other services as  
7 shall be required to transact the business of the retirement system.  
8 Beginning on the operative date of this section, neither the board of  
9 education nor the board of trustees shall establish any further rules or  
10 regulations related to the investment of the assets of the retirement  
11 system without first consulting with the state investment officer.  
12 Beginning January 1, 2017, all rules and regulations adopted and  
13 promulgated under this section related to the investment of assets of the  
14 retirement system terminate. Compensation for all persons employed by the  
15 board of trustees and all other expenses of the board of trustees  
16 necessary for the proper and efficient operation of the retirement system  
17 shall be paid in such amounts as the board of trustees determines and  
18 approves. Beginning January 1, 2017, all expenses related to the  
19 investment of the assets of the retirement system shall be paid in such  
20 amounts as the state investment officer determines and approves.

21 In addition to such duties and other duties arising out of the Class  
22 V School Employees Retirement Act not specifically reserved or assigned  
23 to others, the board of education shall maintain a separate account of  
24 each member's retirement account information as indicated in section  
25 79-989 contribution, the record of which shall be available in a timely  
26 manner to the member and the board of trustees upon request. The board of  
27 trustees shall , compile such data as may be necessary for the required  
28 actuarial valuation, consider and pass on all applications for annuities  
29 or other benefits and have examinations made when advisable of persons  
30 receiving disability benefits, and direct and determine all policies  
31 necessary in the administration of the act.

1           Sec. 19. Section 79-982, Reissue Revised Statutes of Nebraska, is  
2 amended to read:

3           79-982 The board of trustees shall (1) hold regular meetings  
4 annually and such special meetings at such times as may be deemed  
5 necessary, which ~~and all~~ meetings ~~of the trustees~~ shall be open to the  
6 public, (2) keep a record of all the proceedings of such meetings, (3)  
7 prior to January 1, 2017, and subject to the approval of the board of  
8 education, invest all cash income not required for current payments in  
9 securities of the type provided in section 79-9,107 and so reinvest the  
10 proceeds from the sale or redemption of investments, and (4) supervise  
11 the ~~financial~~ affairs of the retirement system related to the  
12 administration of benefits and approve ~~recommend to the board of~~  
13 ~~education~~ any changes in the administration of the retirement system  
14 essential to the actuarial requirements of the retirement system fund.

15           Sec. 20. (1) The members of the board of trustees shall have the  
16 responsibility for the administration of the retirement system pursuant  
17 to section 79-982, shall be deemed fiduciaries with respect to the  
18 administration of the retirement system, and shall be held to the  
19 standard of conduct of a fiduciary specified in subsection (2) of this  
20 section.

21           (2) As fiduciaries, the members of the board of trustees shall  
22 discharge their duties with respect to the retirement system solely in  
23 the interests of the members and beneficiaries of the retirement system  
24 for the exclusive purposes of providing benefits to members and members'  
25 beneficiaries and defraying reasonable expenses incurred within the  
26 limitations and according to the powers, duties, and purposes prescribed  
27 by law at the time such duties are discharged. The members of the board  
28 of trustees shall not have a duty in their official capacity to seek the  
29 enhancement of plan benefits through the legislative process if such  
30 benefits are not already contained within the plan documents. The members  
31 of the board of trustees shall act with the care, skill, prudence, and

1 diligence under the circumstances then prevailing that a prudent person  
2 acting in like capacity and familiar with such matters would use in the  
3 conduct of an enterprise of a like character and with like aims.

4       Sec. 21. (1) Beginning January 1, 2017, the board of trustees and  
5 the board of education shall not have the duty or authority to invest the  
6 assets of the retirement system, and the council and the state investment  
7 officer shall have the duty and authority to invest such assets in  
8 accordance with the Nebraska State Funds Investment Act. The board of  
9 trustees shall be responsible for administering the non-investment  
10 affairs of the retirement system, including the payment of plan benefits  
11 and management of the actuarial requirements of the retirement system.

12       (2) On or before July 1, 2016, the board of trustees, or its  
13 designee, and the state investment officer shall enter into a plan for  
14 the transition of the investment authority from the board of trustees to  
15 the council. The plan shall include, but not be limited to, the following  
16 items:

17       (a) The board of trustees shall provide to the state investment  
18 officer by July 1, 2016, an accounting of the assets in the retirement  
19 system and a detailed description of the investments;

20       (b) The board of trustees shall provide to the state investment  
21 officer by July 1, 2016, a list containing the name, mailing address,  
22 telephone number, and email address of all managers, advisers, and  
23 custodians who are providing services related to the assets of the  
24 retirement system;

25       (c) The board of trustees shall provide to the state investment  
26 officer by July 1, 2016, a copy of all agreements and instruments related  
27 to the investment, management, and custody of the assets;

28       (d) The board of trustees shall assign investment authority and  
29 responsibility for investment-related agreements and instruments to the  
30 council by January 1, 2017, as determined by the state investment officer  
31 in his or her sole discretion;

1       (e) The board of trustees shall provide to the state investment  
2 officer by July 1, 2016, a copy of the most recent asset liability study,  
3 and in its sole discretion, the council may require the preparation of an  
4 updated asset liability study;

5       (f) The board of trustees shall provide to the state investment  
6 officer by July 1, 2016, a copy of the most recent actuarial valuation  
7 and audited certified annual financial report of the plan; and

8       (g) The state investment officer and the board of trustees shall  
9 identify items that will need to be addressed prior to the transition of  
10 investment authority on January 1, 2017.

11       (3) All costs, fees, and expenses incurred after the operative date  
12 of this section related to the transition of the investment authority  
13 from the board of trustees and the board of education to the council and  
14 the state investment officer shall be paid from the assets of a  
15 retirement system provided for under the Class V School Employees  
16 Retirement Act and to the extent such costs, fees, and expenses are  
17 incurred by the council or the state investment officer, they shall be  
18 paid in accordance with sections 72-1249 and 72-1249.02. The state  
19 investment officer shall provide a quarterly report to the board of  
20 trustees regarding the assets of the retirement system and related costs,  
21 fees, and expenses.

22       Sec. 22. Section 79-983, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24       79-983 The administrator of the retirement system shall be appointed  
25 by the board of trustees and approved by the board of education. The  
26 administrator of the retirement system shall serve at the pleasure of the  
27 board of trustees. The administrator shall hire, dismiss, and otherwise  
28 supervise the other staff of the retirement system, shall keep the  
29 minutes and records of the retirement system, shall be the executive  
30 officer in charge of the administration of the detailed affairs of the  
31 retirement system, and shall perform such other duties as may be assigned

1 by the board of education, ~~the Class V Retirement System Board, or the~~  
2 trustees. The administrator and retirement system staff shall be  
3 employees of the Class V school district, with compensation and the  
4 benefits as available to school district employees determined by the  
5 board of trustees. The retirement system shall reimburse the Class V  
6 school district for all employee costs of salary, employment taxes, and  
7 benefits provided to the administrator and retirement system staff. The  
8 administrator shall serve as an ex officio, nonvoting member of the  
9 council and shall not be deemed a fiduciary of the council.

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

12 79-984 The board of trustees ~~education or Class V Retirement System~~  
13 ~~Board~~ shall contract for the services of an actuary who shall be the  
14 technical advisor of the board of ~~and the~~ trustees on matters regarding  
15 the operation of the retirement system. The selection of the actuary  
16 shall be approved by the board of education. The actuary shall (1) make a  
17 general investigation of the operation of the retirement system annually,  
18 which investigation shall cover mortality, retirement, disability,  
19 employment, turnover, interest, and earnable compensation, and (2)  
20 recommend tables to be used for all required actuarial calculations. The  
21 actuary shall perform such other duties as may be assigned by the board  
22 of trustees.

23 Sec. 24. Section 79-985, Reissue Revised Statutes of Nebraska, is  
24 amended to read:

25 79-985 The board of trustees may contract for the services of a  
26 legal advisor to the board of attorney for the board of education or  
27 ~~Class V Retirement System Board shall be the legal advisor to the~~  
28 trustees.

29 Sec. 25. Section 79-986, Reissue Revised Statutes of Nebraska, is  
30 amended to read:

31 79-986 Prior to January 1, 2017, the ~~The~~ school district, if there

1 is only one Class V school district in the retirement system, or the  
2 Class V school district designated by the Class V Retirement System  
3 Board, if there is more than one Class V school district in the  
4 retirement system, shall act as the treasurer of the system and the  
5 official custodian of the cash and securities belonging to the retirement  
6 system, shall provide adequate safe deposit facilities for the  
7 preservation of such securities, and shall hold such cash and securities  
8 subject to the order of the board of education or Class V Retirement  
9 System Board.

10 Beginning January 1, 2017, the State Treasurer shall act as  
11 treasurer of the retirement system and the official custodian of the cash  
12 and securities belonging to the system, shall provide adequate safe  
13 deposit facilities for the preservation of such securities, and shall  
14 hold such cash and securities subject to the order of the Nebraska  
15 Investment Council.

16 The school district or designated school district shall receive all  
17 items of taxes or cash belonging to the retirement system and shall  
18 deposit in banks approved by the board of education or Class V Retirement  
19 System Board and, beginning January 1, 2017, banks approved by the State  
20 Treasurer, all such amounts in trust or custodial accounts.  
21 Notwithstanding any limitations elsewhere imposed by statute on the  
22 location of the retirement system's depository bank, such limitations  
23 shall not apply to the use of depository banks for the custody of the  
24 system's cash, securities, and other investments.

25 Prior to January 1, 2017, the ~~The~~ school district or designated  
26 school district, as treasurer of the system, shall make payments for  
27 purposes specified in the Class V School Employees Retirement Act.

28 Beginning January 1, 2017, the State Treasurer as treasurer of the  
29 retirement system shall make payments to the school district upon request  
30 of the administrator of a retirement system provided for under the Class  
31 V School Employees Retirement Act and as directed by the Nebraska Public

1 Employees Retirement Systems. The school district shall use payments  
2 received from the State Treasurer to make payments for purposes specified  
3 in the Class V School Employees Retirement Act. All banks and custodians  
4 which receive and hold securities and investments for the retirement  
5 system may hold and evidence such securities by book entry account rather  
6 than obtaining and retaining the original certificate, indenture, or  
7 governing instrument for such security.

8       Sec. 26. Section 79-987, Reissue Revised Statutes of Nebraska, is  
9 amended to read:

10       79-987 (1) An annual audit of the affairs of the retirement system  
11 shall be conducted in each fiscal year. At the option of the board of  
12 trustees, such audit may be conducted by a certified public accountant or  
13 the Auditor of Public Accounts. The costs of such audit shall be paid  
14 from funds of the retirement system. A copy of such audit shall be filed  
15 with the Auditor of Public Accounts.

16       (2) Each audit year an annual financial audit of the investments of  
17 the retirement system shall be conducted. At the option of the council,  
18 such audit may be conducted by a certified public accountant or the  
19 Auditor of Public Accounts. The costs of such audit shall be paid from  
20 funds of the retirement system. A copy of such audit shall be filed with  
21 the board of trustees and the Auditor of Public Accounts.

22       (3) Beginning May 1, 2017, and each May 1 ~~(2) Beginning March 1,~~  
23 ~~2015, and each March 1~~ thereafter, if such retirement plan is a defined  
24 benefit plan, the board of trustees ~~education~~ shall cause to be prepared  
25 an annual report and the administrator shall file the same with the  
26 Public Employees Retirement Board and submit to the members of the  
27 Nebraska Retirement Systems Committee of the Legislature a copy of such  
28 report. The report submitted to the committee shall be submitted  
29 electronically. The report shall consist of a full actuarial analysis of  
30 each such retirement plan established pursuant to section 79-979. The  
31 analysis shall be prepared by an independent private organization or

1 public entity employing actuaries who are members of the American Academy  
2 of Actuaries and meet the academy's qualification standards to render a  
3 statement of actuarial opinion, and which organization or entity has  
4 demonstrated expertise to perform this type of analysis and is unrelated  
5 to any organization offering investment advice or which provides  
6 investment management services to the retirement plan. The report shall  
7 be presented to the Nebraska Retirement Systems Committee of the  
8 Legislature at a public hearing.

9 Sec. 27. Section 79-989, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11 79-989 The board of education shall have available records showing  
12 the name, address, title, social security number, beneficiary records,  
13 annual compensation, sex, date of birth, and length of creditable and  
14 noncreditable service in hours, standard hours, contract days, bargaining  
15 unit, and annual contributions of each employee entitled to membership in  
16 the retirement system and such other information as may be reasonably  
17 requested by the board of trustees regarding such member as may be  
18 necessary for actuarial study and valuation and the administration of the  
19 retirement system. This information shall be available in a timely manner  
20 to the board of trustees upon request.

21 Sec. 28. Section 79-990, Reissue Revised Statutes of Nebraska, is  
22 amended to read:

23 79-990 (1) Any member who is eligible for reemployment on or after  
24 December 12, 1994, pursuant to 38 U.S.C. 4301 et seq., as adopted under  
25 section 55-161, or who is eligible for reemployment under section 55-160  
26 may pay to the retirement system after the date of his or her return from  
27 active military service, and within the period required by law, not to  
28 exceed five years, an amount equal to the sum of all deductions which  
29 would have been made from the salary which he or she would have received  
30 during the period of military service for which creditable service is  
31 desired. If such payment is made, the member shall be entitled to credit

1 for membership service in determining his or her annuity for the period  
2 for which contributions have been made and the board of education shall  
3 be responsible for any funding necessary to provide for the benefit which  
4 is attributable to this increase in the member's creditable service. The  
5 member's payments shall be paid as the board of trustees may direct,  
6 through direct payments to the retirement system or on an installment  
7 basis pursuant to a binding irrevocable payroll deduction authorization  
8 between the member and the school district. Creditable service may be  
9 purchased only in one-tenth-year increments, starting with the most  
10 recent years' salary.

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

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

21 (3) Until one year after May 2, 2001, any member currently employed  
22 by the school district who resigned from full-time employment with the  
23 school district for maternity purposes prior to September 1, 1979, and  
24 was reemployed as a full-time employee by the school district before the  
25 end of the school year following the school year of such member's  
26 resignation may have such absence treated as though the absence was a  
27 leave of absence described in subsection (2) of this section. The period  
28 of such absence for maternity purposes shall be included in creditable  
29 service when determining the member's eligibility for death, disability,  
30 termination, and retirement benefits if the member submits satisfactory  
31 proof to the board of education that the prior resignation was for

1 maternity purposes and the member complies with the payment provisions of  
2 subsection (2) of this section before the one-year anniversary of May 2,  
3 2001.

4 Sec. 29. Section 79-991, Reissue Revised Statutes of Nebraska, is  
5 amended to read:

6 79-991 (1) An employee who becomes a member without prior service  
7 credit may purchase prior service credit, not to exceed the lesser of ten  
8 years or the member's years of membership service, for the period of  
9 service the member was employed by a school district or by an educational  
10 service unit and which is not used in the calculation of any retirement  
11 or disability benefit having been paid, being paid, or payable in the  
12 future to such member under any defined benefit retirement system or  
13 program maintained by such other school district or educational service  
14 unit. The purchase of prior service credit shall be made in accordance  
15 with and subject to the following requirements:

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

1 before the fifth anniversary of the member's membership in the retirement  
2 system or, if earlier, the member's termination of employment with the  
3 school district;

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

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

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

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

14 (2) Any employee who became a member before July 1, 2014, and who  
15 has five or more years of creditable service and any employee who became  
16 a member for the first time on or after July 1, 2014, and who has ten or  
17 more years of creditable service, excluding in either case years of prior  
18 service acquired pursuant to section 79-990, 79-994, 79-995, or 79-997,  
19 or subsection (1) of this section, may elect to purchase up to a total of  
20 five years of additional creditable service under the retirement system,  
21 and upon such purchase the member shall be given the same status as  
22 though he or she had been a member of the retirement system for such  
23 additional number of years, except as otherwise specifically provided in  
24 the Class V School Employees Retirement Act. Creditable service may be  
25 purchased only in one-tenth-year increments. The amount to be paid to the  
26 retirement system for such creditable service shall be equal to the  
27 actuarial cost to the retirement system of the increased benefits  
28 attributable to such additional creditable service as determined by the  
29 retirement system's actuary at the time of the purchase pursuant to  
30 actuarial assumptions and methods adopted by the board of trustees for  
31 this purpose. The election to purchase additional creditable service may

1 be made at any time before the member's termination of employment, and  
2 all payments for the purchase of such creditable service must be  
3 completed within five years after the election or before the member's  
4 termination or retirement, whichever event occurs first. Payment shall be  
5 made as the board of trustees may direct through a single payment to the  
6 retirement system, on an installment basis, including payments pursuant  
7 to a binding irrevocable payroll deduction authorization between the  
8 member and the school district, or by such other method approved by the  
9 board of trustees and permitted by law. If payments are made on an  
10 installment basis, creditable service will be credited only as payment  
11 has been made to the retirement system to purchase each additional one-  
12 tenth-year increment. Interest shall be charged on installment payments  
13 at the rate of interest ~~established by the board~~ for determining interest  
14 on delayed payments by members to the retirement system.

15 Sec. 30. Section 79-992, Reissue Revised Statutes of Nebraska, is  
16 amended to read:

17 79-992 (1) A member who has five years or more of creditable  
18 service, excluding years of prior service acquired pursuant to section  
19 79-990, 79-991, 79-994, 79-995, or 79-997, and who severs his or her  
20 employment may elect to leave his or her contributions in the retirement  
21 system, in which event he or she shall receive a retirement allowance at  
22 normal retirement age based on the annuity earned to the date of such  
23 severance. Such member may elect to receive a retirement allowance at  
24 early retirement age if such member retires at an early retirement date.  
25 Such annuity shall be adjusted in accordance with section 79-9,100. Upon  
26 the severance of employment, except on account of retirement, a member  
27 shall be entitled to receive refunds as follows: (a) An amount equal to  
28 the accumulated contributions to the retirement system by the member; and  
29 (b) any contributions made to a previously existing system which were  
30 refundable under the terms of that system. Any member receiving a refund  
31 of contributions shall thereby forfeit and relinquish all accrued rights

1 in the retirement system including all accumulated creditable service,  
2 except that if any member who has withdrawn his or her contributions as  
3 provided in this section reenters the service of the district and again  
4 becomes a member of the retirement system, he or she may restore any or  
5 all money previously received by him or her as a refund, including the  
6 interest on the amount of the restored refund for the period of his or  
7 her absence from the district's service as determined using the interest  
8 rate ~~established by the board~~ for interest on such restored refunds, and  
9 he or she shall then again receive credit for that portion of service  
10 which the restored money represents. Such restoration may be made as the  
11 board of trustees may direct through direct payments to the system or on  
12 an installment basis pursuant to a binding irrevocable payroll deduction  
13 authorized between the member and the school district over a period of  
14 not to exceed five years from the date of reemployment. Interest on  
15 delayed payments shall be at the rate of interest ~~established by the~~  
16 ~~board~~ for determining interest on delayed payments by members to the  
17 retirement system. Creditable service may be purchased only in one-tenth-  
18 year increments, starting with the most recent years' salary.

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

30 (3) Upon termination of the reemployed member, the member shall  
31 receive in addition to the retirement annuity which commenced at the time

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

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

25 Sec. 31. Section 79-996, Reissue Revised Statutes of Nebraska, is  
26 amended to read:

27 79-996 ~~(1)~~—The payments provided for by sections 79-993, 79-994,  
28 and 79-997 may be made in equal installments over a period of not to  
29 exceed two years from the date of the election to make such payments. The  
30 payments provided for by section 79-995 may be made in equal installments  
31 over a period of not to exceed three years from the date of election to

1 make such payments. Any person who elects to make payments on an  
2 installment basis shall be credited with prior service only in six-month  
3 increments and only after payment has been made to the retirement system  
4 to purchase each additional six-month increment.

5 ~~(2) The rate of interest for the purchase of additional service~~  
6 ~~credit pursuant to sections 79-990 and 79-991 and for determining the~~  
7 ~~interest on a restored refund pursuant to section 79-992 or on delayed~~  
8 ~~payments by members to the retirement system shall be determined by the~~  
9 ~~board from time to time, and such rate of interest shall be used to~~  
10 ~~determine applicable interest for a member's purchase of additional~~  
11 ~~service credit, restored refund, or delayed payments that are made while~~  
12 ~~such rate of interest is in effect.~~

13 Sec. 32. Section 79-998, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

15 79-998 (1) The retirement system may accept as payment for  
16 additional service credit that is purchased pursuant to sections 79-990  
17 to 79-992 an eligible rollover distribution from or on behalf of the  
18 member who is making payments for such service credit if the eligible  
19 rollover distribution does not exceed the amount of payment required for  
20 the service credit being purchased by the member. The eligible rollover  
21 distribution may be contributed to the retirement system by the member or  
22 directly transferred from the plan that is making the eligible rollover  
23 distribution on behalf of the member. Contribution by a member pursuant  
24 to this section may only be made in the form of a cash contribution. For  
25 purposes of this section, an eligible rollover distribution means all or  
26 any portion of an amount that qualifies as an eligible rollover  
27 distribution under the Internal Revenue Code from:

28 (a) A plan of another employer which is qualified under section  
29 401(a) or 403(a) of the Internal Revenue Code;

30 (b) An annuity contract or custodial account described in section  
31 403(b) of the Internal Revenue Code;

1 (c) An eligible deferred compensation plan under section 457(b) of  
2 the Internal Revenue Code which is maintained by a governmental employer  
3 described in section 457(e)(1)(A) of the Internal Revenue Code; or

4 (d) An individual retirement account or annuity described in section  
5 408(a) or section 408(b) of the Internal Revenue Code that is eligible to  
6 be rolled over to an employer plan under the Internal Revenue Code.

7 (2) The retirement system may accept as payment for service credit  
8 that is purchased pursuant to sections 79-990 to 79-992 a direct trustee-  
9 to-trustee transfer from an eligible deferred compensation plan as  
10 described in section 457(e)(17) of the Internal Revenue Code on behalf of  
11 a member who is making payments for such service credit if the amount  
12 transferred from the eligible deferred compensation plan does not exceed  
13 the amount of payment required for the service credit being purchased and  
14 the purchase of such service credit qualifies as the purchase of  
15 permissive service credit by the member as defined in section 415(n)(3)  
16 of the Internal Revenue Code.

17 (3) The board of trustees may establish rules, regulations, and  
18 limitations on the eligible rollover distributions and direct trustee-to-  
19 trustee transfers that may be accepted by the retirement system pursuant  
20 to this section, including restrictions on the type of assets that may be  
21 transferred to the retirement system.

22 (4) Cash and other properties contributed or transferred to the  
23 system pursuant to this section shall be deposited and held as a  
24 commingled asset of the system and shall not be separately accounted for  
25 or invested for the member's benefit. Contributions or direct transfers  
26 made by or on behalf of any member pursuant to this section shall be  
27 treated as qualifying payments under sections 79-990 to 79-992 and as  
28 employee contributions for all other purposes of the Class V School  
29 Employees Retirement Act except in determining federal and state tax  
30 treatment of distributions from the system.

31 (5) The system, the board of education, the board of trustees, and

1 their respective members, officers, and employees shall have no  
2 responsibility or liability with respect to the federal and state income  
3 tax consequences of any contribution or transfer to the system pursuant  
4 to this section, and the board of trustees may require as a condition to  
5 the system's acceptance of any rollover contribution or transfer  
6 satisfactory evidence that the proposed contribution or transfer is a  
7 qualifying rollover contribution or trustee-to-trustee transfer under the  
8 Internal Revenue Code and reasonable releases or indemnifications from  
9 the member against any and all liabilities which may in any way be  
10 connected with such contribution or transfer.

11 (6) Effective January 1, 1993, any member who is to receive an  
12 eligible rollover distribution, as defined in the Internal Revenue Code,  
13 from the system may, in accordance with such rules, regulations, and  
14 limitations as may be established by the board of trustees, elect to have  
15 such distribution made in the form of a direct transfer to a retirement  
16 plan eligible to receive such transfer under the provisions of the  
17 Internal Revenue Code. Any such election shall be made in the form and  
18 within the time periods established by the board of trustees.

19 (7) A member's surviving spouse or former spouse who is an alternate  
20 payee under a qualified domestic relations order and, on or after  
21 September 1, 2010, any designated beneficiary of a member who is not a  
22 surviving spouse or former spouse who is entitled to receive an eligible  
23 rollover distribution from the system may, in accordance with such rules,  
24 regulations, and limitations as may be established by the board of  
25 trustees, elect to have such distribution made in the form of a direct  
26 transfer to a retirement plan eligible to receive such transfer under the  
27 provisions of the Internal Revenue Code.

28 (8) An eligible rollover distribution on behalf of a designated  
29 beneficiary of a member who is not a surviving spouse or former spouse of  
30 the member may be transferred to an individual retirement account or  
31 annuity described in section 408(a) or section 408(b) of the Internal

1 Revenue Code that is established for the purpose of receiving the  
2 distribution on behalf of the designated beneficiary and that will be  
3 treated as an inherited individual retirement account or individual  
4 retirement annuity described in section 408(d)(3)(C) of the Internal  
5 Revenue Code.

6 (9) All distributions from the system shall be subject to all  
7 withholdings required by federal or state tax laws.

8 Sec. 33. Section 79-9,100, Revised Statutes Supplement, 2015, is  
9 amended to read:

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

21 (2) The monthly formula retirement annuity based on final average  
22 compensation shall be determined by multiplying the number of years of  
23 creditable service for which such member would otherwise receive the  
24 retirement annuity provided by section 79-999 or 79-9,113 by one and one-  
25 half percent of his or her final average compensation. For retirements  
26 after June 15, 1989, and before April 18, 1992, the applicable percentage  
27 shall be one and sixty-five hundredths percent of his or her final  
28 average compensation. For retirements on or after April 18, 1992, and  
29 before June 7, 1995, the applicable percentage shall be one and seventy-  
30 hundredths percent of his or her final average compensation. For  
31 retirements on or after June 7, 1995, and before March 4, 1998, the

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

7 (3) Final average compensation shall be determined:

8 (a) Except as provided in subdivision (3)(b) of this section, by  
9 dividing the member's total compensation for the three fiscal years in  
10 which such compensation was the highest by thirty-six; and

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

14 (4)(a) In the determination of compensation for members whose  
15 retirement date is on or after July 1, 2016, that part of a member's  
16 compensation for the plan year which exceeds the member's compensation  
17 for the preceding plan year by more than eight percent during the capping  
18 period shall be excluded. If the compensation for the preceding plan year  
19 was reduced as a result of unpaid absence from work, the compensation  
20 used in the capping calculation will be the greater of (i) the annualized  
21 compensation for the preceding year as if it had been fully received or  
22 (ii) the most recent preceding plan year in which the member had no  
23 unpaid absence from work. Such member's compensation for the first plan  
24 year of the capping period shall be compared to the member's compensation  
25 received for the plan year immediately preceding the capping period. If  
26 the first plan year of the capping period is the member's first year of  
27 membership service, these capping provisions shall not be applied to that  
28 first plan year.

29 (b) For purposes of this subsection:

30 (i) Capping period means the five plan years preceding the later of  
31 (A) such member's retirement date or (B) such member's final compensation

1 date; and

2 (ii) Final compensation date means the later of (A) the date on  
3 which a retiring member's final compensation is actually paid or (B) if a  
4 retiring member's final compensation is paid in advance as a lump sum,  
5 the date on which such final compensation would have been paid to the  
6 member in the absence of such advance payment.

7 (5) ~~This subsection does not apply to employees who become members~~  
8 ~~on or after July 1, 2016 For retirements before June 7, 1995, if the~~  
9 ~~annuity begins prior to the sixty-second birthday of the member and the~~  
10 ~~member has not completed thirty-five or more years of creditable service,~~  
11 ~~the annuity at the date it begins shall be the actuarial equivalent of~~  
12 ~~the annuity deferred to the sixty-second birthday of the member. If the~~  
13 annuity begins prior to the sixty-second birthday of the member and the  
14 member has completed thirty-five or more years of creditable service, the  
15 annuity shall not be reduced. For retirements on or after June 7, 1995,  
16 any retirement annuity which begins prior to the sixty-second birthday of  
17 the member shall be reduced by twenty-five hundredths percent for each  
18 month or partial month between the date the annuity begins and the  
19 member's sixty-second birthday. If the annuity begins at a time when:

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

22 (b) The sum of the member's attained age and creditable service  
23 totals eighty-four, the annuity shall not be reduced by an amount greater  
24 than three percent of the unreduced annuity;

25 (c) The sum of the member's attained age and creditable service  
26 totals eighty-three, the annuity shall not be reduced by an amount  
27 greater than six percent of the unreduced annuity; and

28 (d) The sum of the member's attained age and creditable service  
29 totals eighty-two, the annuity shall not be reduced by an amount greater  
30 than nine percent of the unreduced annuity.

31 (6) For purposes of this section, a member's creditable service and

1 attained age shall be measured in one-half-year increments.

2 (7) The normal form of the formula retirement annuity based on final  
3 average compensation shall be an annuity payable monthly during the  
4 remainder of the member's life with the provision that in the event of  
5 his or her death before sixty monthly payments have been made the monthly  
6 payments will be continued to his or her estate or to the beneficiary he  
7 or she has designated until a total of sixty monthly payments have been  
8 made. A member may elect to receive, in lieu of the normal form of  
9 annuity, an actuarially equivalent annuity in any optional form provided  
10 by section 79-9,101.

11 (8) Any member receiving a formula retirement annuity based on final  
12 average compensation who is a member prior to July 1, 2016, shall also  
13 receive the service annuity to be paid by the State of Nebraska as  
14 provided in sections 79-933 to 79-935 and 79-951.

15 Sec. 34. For employees who become members on or after July 1, 2016:

16 (1) If the annuity begins at a time when the sum of the member's  
17 attained age and creditable service totals eighty-five and the member is  
18 at least fifty-five years of age, the annuity shall not be reduced;

19 (2) If the annuity begins on or after the sixtieth birthday of the  
20 member and the member has completed at least a total of five years of  
21 creditable service, the annuity shall be reduced by twenty-five  
22 hundredths percent for each month or partial month between the member's  
23 sixtieth birthday and his or her sixty-fifth birthday;

24 (3) A member's attained age shall be measured in one-half-year  
25 increments;

26 (4) Except as provided in section 42-1107, the normal form of the  
27 formula retirement annuity based on final average compensation shall be  
28 an annuity payable monthly during the remainder of the member's life with  
29 the provision that in the event of his or her death before sixty monthly  
30 payments have been made the monthly payments will be continued to his or  
31 her estate or to the beneficiary he or she has designated until a total

1 of sixty monthly payments have been made. A member may elect to receive,  
2 in lieu of the normal form of annuity, an actuarially equivalent annuity  
3 in any optional form provided by section 79-9,101; and

4 (5) All formula annuities shall be paid from the Class V School  
5 Employees Retirement Fund.

6 Sec. 35. Section 79-9,102, Reissue Revised Statutes of Nebraska, is  
7 amended to read:

8 79-9,102 (1) Notwithstanding any other provision of the Class V  
9 School Employees Retirement Act, no member or beneficiary of the  
10 retirement system shall receive in any calendar year an annuity or other  
11 benefit which would exceed the maximum benefit permitted under section  
12 415 of the Internal Revenue Code, or any successor provision and the  
13 regulations issued thereunder, as they may be amended from time to time,  
14 and as adjusted as of January 1 of each calendar year to the dollar  
15 limitation as determined for such year by the Commissioner of Internal  
16 Revenue pursuant to section 415(d) of the Internal Revenue Code to  
17 reflect cost-of-living adjustments, and the amount of benefit to be paid  
18 to any member or beneficiary by the retirement system shall be adjusted  
19 each calendar year, if necessary, to conform with the maximum benefit  
20 permitted under section 415 of the Internal Revenue Code. The cost-of-  
21 living adjustment to the maximum benefit permitted under section 415 of  
22 the Internal Revenue Code shall apply to determining the maximum benefit  
23 of a member who severed employment or commenced receiving benefits prior  
24 to the effective date of the adjustment.

25 (2) Any payments provided for by sections 79-990, 79-991, and 79-992  
26 for the purchase or restoration of creditable service shall be subject to  
27 the limitations of section 415 of the Internal Revenue Code on annual  
28 additions to the system, and the board of trustees may suspend payments,  
29 alter installment periods, or, if such suspension or alteration is not  
30 possible, deny the purchase of all or a portion of the creditable service  
31 desired to be purchased, as necessary to comply with the requirements of

1 section 415 of the Internal Revenue Code.

2 (3) This section is intended to meet and incorporate the  
3 requirements of section 415 of the Internal Revenue Code and regulations  
4 under that section that are applicable to governmental plans and shall be  
5 construed in accordance with section 415 of the Internal Revenue Code and  
6 the regulations issued thereunder and shall, by this reference,  
7 incorporate any subsequent changes made to such section as the same may  
8 apply to the retirement system.

9 Sec. 36. Section 79-9,103, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11 79-9,103 (1) Any annuity paid on or after September 1, 1983, to a  
12 member who retired prior to February 21, 1982, pursuant to the Class V  
13 School Employees Retirement Act, or to such member's beneficiary, or to a  
14 person who retired under the provisions of the retirement system  
15 established by statute for employees of Class V school districts in  
16 effect prior to September 1, 1951, or to such person's beneficiary, shall  
17 be adjusted by the increase in the cost of living or wage levels between  
18 the effective date of retirement and June 30, 1983, except that such  
19 increase shall not exceed the sum of one dollar and fifty cents per month  
20 for each year of creditable service and one dollar per month for each  
21 completed year of retirement as measured from the effective date of  
22 retirement to June 30, 1983. No separate adjustment in such annuity shall  
23 be made as a result of the changes made in section 79-9,113 pursuant to  
24 Laws 1983, LB 488. If a joint and survivor annuity was elected, the  
25 increase shall be actuarially adjusted so that the joint and survivor  
26 annuity remains the actuarial equivalent of the life annuity otherwise  
27 payable.

28 (2) In addition to the cost-of-living adjustment provided in  
29 subsection (1) of this section, any annuity paid on or after September 1,  
30 1986, pursuant to the act or pursuant to the provisions of the retirement  
31 system established by statute for employees of Class V school districts

1 in effect prior to September 1, 1951, and on which the first payment was  
2 dated on or before September 1, 1985, shall be adjusted by the increase  
3 in the cost of living or wage levels between the effective date of  
4 retirement and June 30, 1986, except that such increase shall not exceed  
5 (a) three and one-half percent for annuities first paid on or after  
6 September 1, 1984, (b) seven percent for annuities first paid on or after  
7 September 1, 1983, but before September 1, 1984, or (c) ten and one-half  
8 percent for all other annuities.

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

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

1 annuities.

2 (5) In addition to the cost-of-living adjustment provided in  
3 subsections (1), (2), (3), and (4) of this section, any annuity paid on  
4 or after September 1, 1995, pursuant to the act or pursuant to the  
5 provisions of the retirement system established by statute for employees  
6 of Class V school districts in effect prior to September 1, 1951, and on  
7 which the first payment was dated on or before October 1, 1994, shall be  
8 adjusted by the increase in the cost of living or wage levels between the  
9 effective date of retirement and June 30, 1995, except that such increase  
10 shall not exceed (a) three percent for annuities first paid after October  
11 1, 1993, (b) six percent for annuities first paid after October 1, 1992,  
12 but on or before October 1, 1993, or (c) nine percent for all other  
13 annuities.

14 (6) In addition to the cost-of-living adjustment provided in  
15 subsections (1), (2), (3), (4), and (5) of this section, any annuity paid  
16 pursuant to the act or pursuant to the provisions of the retirement  
17 system established by statute for employees of Class V school districts  
18 in effect prior to September 1, 1951, and on which the first payment was  
19 dated on or before October 1, 1994, shall be subject to adjustment to  
20 equal the greater of (a) the annuity payable to the member or beneficiary  
21 as adjusted, if applicable, under the provisions of subsection (1), (2),  
22 (3), (4), or (5) of this section or (b) ninety percent of the annuity  
23 which results when the original annuity that was paid to the member or  
24 beneficiary (before any cost-of-living adjustments under this section),  
25 is adjusted by the increase in the cost of living or wage levels between  
26 the commencement date of the annuity and June 30, 1995.

27 (7) In addition to the cost-of-living adjustment provided in  
28 subsections (1), (2), (3), (4), (5), and (6) of this section, any annuity  
29 paid on or after September 1, 1998, pursuant to the act or pursuant to  
30 the provisions of the retirement system established by statute for  
31 employees of Class V school districts in effect prior to September 1,

1 1951, and on which the first payment was dated on or before October 3,  
2 1997, shall be adjusted by the increase in the cost of living or wage  
3 levels between the effective date of retirement and June 30, 1998, except  
4 that such increase shall not exceed (a) three percent for annuities first  
5 paid after October 1, 1996, (b) six percent for annuities first paid  
6 after October 1, 1995, but on or before October 1, 1996, or (c) nine  
7 percent for all other annuities.

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

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

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

19           (11) Except for the adjustments pursuant to subsection (13) of this  
20 section, the consumer price index to be used for determining any cost-of-  
21 living adjustment under this section shall be the Consumer Price Index -  
22 All Urban Consumers, as published by the Bureau of Labor Statistics of  
23 the United States Department of Labor. If this consumer price index is  
24 discontinued or replaced, a substitute index published by the United  
25 States Department of Labor shall be selected by the board, ~~upon~~  
26 ~~recommendation~~ of the trustees, which shall be a reasonable  
27 representative measurement of the cost of living for retired employees.  
28 An annuity as increased by any cost-of-living adjustment made under this  
29 section shall be considered the base annuity amount for the purpose of  
30 future adjustments pursuant to this section. In no event shall any cost-  
31 of-living adjustment be deemed to affect or increase the amount of the

1 base retirement annuity of a member as determined under section 79-999 or  
2 79-9,100.

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

16 (13) The Legislature finds and declares that there exists in this  
17 state a pressing need to attract and retain qualified and dedicated  
18 public school employees and that one of the factors prospective public  
19 school employees consider when seeking or continuing public school  
20 employment is the retirement system and benefits the employment provides.  
21 The Legislature further finds that over the past decades, as reflected by  
22 the Medical Price Index published by the United States Department of  
23 Labor, the cost of medical care, including the cost of medications and  
24 insurance coverages, has increased at a rate in excess of that by which  
25 the Consumer Price Index - All Urban Consumers has increased. The  
26 Legislature further finds and declares that there accordingly exists a  
27 need to adjust the amount of retirement benefits paid to retired public  
28 school employees in order to assist them in meeting the increased cost of  
29 medical care. Therefor, in addition to the cost-of-living adjustments  
30 provided in subsections (1) through (12) of this section, commencing on  
31 October 3, 2001, and on October 3 of every year thereafter, a medical

1 cost-of-living adjustment shall be paid to any annuitant who became a  
2 member prior to July 1, 2016, and has been paid an annuity from the  
3 retirement system for at least ten years through the October 3 adjustment  
4 date. The cost-of-living adjustment shall be paid in the form of a  
5 supplemental annuity providing monthly payments equal to the amount which  
6 results when (a) the fraction, not to exceed one, that results when the  
7 annuitant's years of creditable service at his or her retirement date is  
8 divided by twenty, is multiplied by (b) the product of ten dollars times  
9 the number of years, including attained one-half years, that such  
10 annuitant has received annuity payments from the retirement system  
11 through the October 3 adjustment date. The supplemental annuity being  
12 paid to an annuitant shall increase by ten dollars on October 3 of each  
13 subsequent year to reflect the additional year of annuity payments to the  
14 annuitant until the total amount of the supplemental annuity is two  
15 hundred fifty dollars. In no event shall the medical cost-of-living  
16 adjustment for any annuitant pursuant to this subsection result in the  
17 payment of a supplemental annuity exceeding two hundred fifty dollars per  
18 month. The supplemental annuity paid to an annuitant pursuant to this  
19 subsection shall cease at the death of the annuitant regardless of the  
20 form of retirement annuity being paid to the annuitant at the time of his  
21 or her death.

22 Sec. 37. Section 79-9,105, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24 79-9,105 (1) Any member with five or more years of creditable  
25 service, excluding years of prior service acquired pursuant to section  
26 79-990, 79-991, 79-994, 79-995, or 79-997, who becomes totally disabled  
27 for further performance of duty on or after March 22, 2000, may be  
28 approved for deferred disability retirement by the board of trustees. In  
29 the case of such deferred disability retirement, the member, during the  
30 period specified in subsection (3) of this section, shall be credited  
31 with creditable service for each year or portion thereof, to be

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

30 (2) Notwithstanding the provisions of subsection (1) of this  
31 section, the payment of the retirement annuity of a member may not be

1 deferred later than the member's required beginning date as defined in  
2 section 401(a)(9) of the Internal Revenue Code, as defined in section  
3 49-801.01. If the payment of a disabled member's retirement annuity is  
4 required to commence before the member has elected to end his or her  
5 deferred disability retirement, the amount of benefit that would have  
6 accrued pursuant to subsection (1) of this section in the fiscal year of  
7 the member's required beginning date, and in each subsequent fiscal year  
8 through the year of the member's election to end the deferred disability  
9 retirement period, shall be reduced, but not below zero, by the actuarial  
10 equivalent of the payments which were paid to the member during each such  
11 fiscal year and after the member's required beginning date. The  
12 retirement annuity of any member that commences before the end of the  
13 member's deferred disability retirement shall be adjusted as of each  
14 September 1 pursuant to the requirements of this subsection.

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

26 (4) The payment of any retirement annuity to a disabled member,  
27 which begins to be paid under this section (a) before the member's sixty-  
28 second birthday or (b) at a time before the sum of the member's attained  
29 age and creditable service is eighty-five or more, shall be suspended if  
30 the board of trustees determines at any time before the member's sixty-  
31 second birthday that the member's total disability has ceased. Payment of

1 the retirement annuity of such member as determined under this section  
2 shall recommence at the member's early retirement date or normal  
3 retirement date but shall be subject to reduction at such time as  
4 specified in section 79-9,100.

5 Sec. 38. Section 79-9,107, Reissue Revised Statutes of Nebraska, is  
6 amended to read:

7 79-9,107 The funds of the retirement system which are not required  
8 for current operations shall be invested and reinvested (1) before  
9 January 1, 2017, by the board of trustees subject to the approval of the  
10 board of education or Class V Retirement System Board as provided in  
11 sections 79-9,108 to 79-9,111 and (2) on and after January 1, 2017, by  
12 the council and the state investment officer in accordance with the  
13 Nebraska State Funds Investment Act without the approval of the board of  
14 education or board of trustees. Except as otherwise provided in the Class  
15 V School Employees Retirement Act, no trustee and no member of the board  
16 of education shall have any direct interest in the income, gains, or  
17 profits of any investment made by the board of trustees, nor shall any  
18 such person receive any pay or emolument for services in connection with  
19 any such investment. Neither the state investment officer nor any ~~no~~  
20 trustee, or member of the board of education, nor member of the council  
21 shall become an endorser or surety or in any manner an obligor for money  
22 loaned by or borrowed from the retirement system. Any person who violates  
23 any of these restrictions shall be guilty of a Class II misdemeanor.

24 Sec. 39. Section 79-9,108, Reissue Revised Statutes of Nebraska, is  
25 amended to read:

26 79-9,108 (1) Prior to January 1, 2017, the board of The trustees,  
27 with approval of the board of education or Class V Retirement System  
28 Board, shall invest and reinvest funds of the retirement system.  
29 Beginning January 1, 2017, the funds of the retirement system shall be  
30 invested and reinvested solely by the council and the state investment  
31 officer in accordance with the Nebraska State Funds Investment Act.

1           (2) Prior to January 1, 2017, a A professional investment manager  
2 may be employed by the board of trustees subject to approval of the board  
3 of education or Class V Retirement System Board. The professional  
4 investment manager shall be responsible for the purchase, sale, exchange,  
5 investment, or reinvestment of such funds subject to guidelines  
6 determined by the board of trustees. Prior to January 1, 2017, the The  
7 trustees shall each month submit a report to the board of education or  
8 Class V Retirement System Board with respect to the investment of funds.  
9 The board of education or Class V Retirement System Board shall approve  
10 or disapprove the investments in the report, and in the event of  
11 disapproval of any investment, the board of trustees shall direct the  
12 sale of all or part of such investment or establish future policy with  
13 respect to that type of investment. Beginning January 1, 2017, the funds  
14 of the retirement system shall be invested and reinvested by the council  
15 and the state investment officer, who may employ advisers, counsel,  
16 managers, and other professionals in accordance with the Nebraska State  
17 Funds Investment Act.

18           (3) Beginning January 1, 2017, the board of trustees and the board  
19 of education shall not have any duty, responsibility, or authority for  
20 the investment and reinvestment of the funds of the retirement system, or  
21 any investment decision, contract, rule, or regulation related thereto.

22           Sec. 40. Section 79-9,109, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24           79-9,109 Prior to January 1, 2017, in ~~In~~ the event of default in  
25 the payment of principal of, or interest on, the investments made, the  
26 board of trustees are authorized to institute the proper proceedings to  
27 collect such matured principal or interest, and may, with approval of the  
28 board of education or Class V Retirement System Board, accept for  
29 exchange purposes, refunding bonds or other evidences of indebtedness  
30 with interest rates to be agreed upon with the obligor. Prior to January  
31 1, 2017, the board of ~~The~~ trustees, with the approval of the board of

1 education or Class V Retirement System Board, are further authorized to  
2 make such compromises, adjustments, or disposition of the past-due  
3 interest or principal as are in default, or to make such compromises and  
4 adjustments as to future payments of interest or principal as deemed  
5 advisable for the purpose of protecting the investment.

6 Sec. 41. Section 79-9,111, Reissue Revised Statutes of Nebraska, is  
7 amended to read:

8 79-9,111 The board of trustees shall invest the funds of the  
9 retirement system in investments of the nature which individuals of  
10 prudence, discretion, and intelligence acquire or retain in dealing with  
11 the property of another. Such investments shall not be made for  
12 speculation but for investment, considering the probable safety of their  
13 capital as well as the probable income to be derived. The board of  
14 trustees shall not purchase investments on margin or enter into any  
15 futures contract or other contract obligation which requires the payment  
16 of margin or enter into any similar contractual arrangement which may  
17 result in losses in excess of the amount paid or deposited with respect  
18 to such investment or contract, unless such transaction constitutes a  
19 hedging transaction or is incurred for the purpose of portfolio or risk  
20 management for the funds and investments of the system. Prior to January  
21 1, 2017, the board of ~~The~~ trustees may write covered call options or put  
22 options. Prior to January 1, 2017, the board of ~~The~~ trustees shall  
23 establish written guidelines for any such option, purchase, or contract  
24 obligation. Any such option, purchase, or contract obligation shall be  
25 governed by the prudent investment rule stated in this section for  
26 investment of the funds of the system. The board of trustees may lend any  
27 security if cash, United States Government obligations, or United States  
28 Government agency obligations with a market value equal to or exceeding  
29 the market value of the security lent are received as collateral. Prior  
30 to January 1, 2017, if ~~If~~ shares of stock are purchased under this  
31 section, all proxies may be voted by the board of trustees prior to

1 January 1, 2017. As of January 1, 2017, the funds of the retirement  
2 system shall be invested solely by the council and the state investment  
3 officer in accordance with the Nebraska State Funds Investment Act. The  
4 state investment officer may lend securities and vote proxies in  
5 accordance with the standard set forth in section 72-1246.

6 Sec. 42. Section 79-9,113, Reissue Revised Statutes of Nebraska, is  
7 amended to read:

8 79-9,113 (1)(a) If, at any future time, a majority of the eligible  
9 members of the retirement system votes to be included under an agreement  
10 providing old age and survivors insurance under the Social Security Act  
11 of the United States, the contributions to be made by the member and the  
12 school district for membership service, from and after the effective date  
13 of the agreement with respect to services performed subsequent to  
14 December 31, 1954, shall each be reduced from five to three percent but  
15 not less than three percent of the member's salary per annum, and the  
16 credits for membership service under this system, as provided in section  
17 79-999, shall thereafter be reduced from one and one-half percent to  
18 nine-tenths of one percent and not less than nine-tenths of one percent  
19 of salary or wage earned by the member during each fiscal year, and from  
20 one and sixty-five hundredths percent to one percent and not less than  
21 one percent of salary or wage earned by the member during each fiscal  
22 year and from two percent to one and two-tenths percent of salary or wage  
23 earned by the member during each fiscal year, and from two and four-  
24 tenths percent to one and forty-four hundredths percent of salary or wage  
25 earned by the member during each fiscal year, except that after September  
26 1, 1963, and prior to September 1, 1969, all employees of the school  
27 district shall contribute an amount equal to the membership contribution  
28 which shall be two and three-fourths percent of salary covered by old age  
29 and survivors insurance, and five percent above that amount. Commencing  
30 September 1, 1969, all employees of the school district shall contribute  
31 an amount equal to the membership contribution which shall be two and

1 three-fourths percent of the first seven thousand eight hundred dollars  
2 of salary or wages earned each fiscal year and five percent of salary or  
3 wages earned above that amount in the same fiscal year. Commencing  
4 September 1, 1976, all employees of the school district shall contribute  
5 an amount equal to the membership contribution which shall be two and  
6 nine-tenths percent of the first seven thousand eight hundred dollars of  
7 salary or wages earned each fiscal year and five and twenty-five  
8 hundredths percent of salary or wages earned above that amount in the  
9 same fiscal year. Commencing on September 1, 1982, all employees of the  
10 school district shall contribute an amount equal to the membership  
11 contribution which shall be four and nine-tenths percent of the  
12 compensation earned in each fiscal year. Commencing September 1, 1989,  
13 all employees of the school district shall contribute an amount equal to  
14 the membership contribution which shall be five and eight-tenths percent  
15 of the compensation earned in each fiscal year. Commencing September 1,  
16 1995, all employees of the school district shall contribute an amount  
17 equal to the membership contribution which shall be six and three-tenths  
18 percent of the compensation earned in each fiscal year. Commencing  
19 September 1, 2007, all employees of the school district shall contribute  
20 an amount equal to the membership contribution which shall be seven and  
21 three-tenths percent of the compensation paid in each fiscal year.  
22 Commencing September 1, 2009, all employees of the school district shall  
23 contribute an amount equal to the membership contribution which shall be  
24 eight and three-tenths percent of the compensation paid in each fiscal  
25 year. Commencing September 1, 2011, all employees of the school district  
26 shall contribute an amount equal to the membership contribution which  
27 shall be nine and three-tenths percent of the compensation paid in each  
28 fiscal year. Commencing September 1, 2013, all employees of the school  
29 district shall contribute an amount equal to the membership contribution  
30 which shall be nine and seventy-eight hundredths percent of the  
31 compensation paid in each fiscal year.

1 (b) The contributions by the school district in any fiscal year  
2 beginning on or after September 1, 1999, shall be the greater of (i) one  
3 hundred percent of the contributions by the employees for such fiscal  
4 year or (ii) such amount as may be necessary to maintain the solvency of  
5 the system, as determined annually by the board of education upon  
6 recommendation of the actuary and the board of trustees.

7 (c) The contributions by the school district in any fiscal year  
8 beginning on or after September 1, 2007, shall be the greater of (i) one  
9 hundred one percent of the contributions by the employees for such fiscal  
10 year or (ii) such amount as may be necessary to maintain the solvency of  
11 the system, as determined annually by the board of education upon  
12 recommendation of the actuary and after considering any amounts that will  
13 be, or are expected to be, transferred to the system pursuant to  
14 subdivision (1)(b) of section 79-966. For purposes of this section,  
15 solvency means the rate of all contributions required pursuant to the  
16 Class V School Employees Retirement Act is equal to or greater than the  
17 actuarially required contribution rate using a closed thirty-year  
18 amortization period beginning on the current valuation date for any  
19 unfunded actuarial accrued liability. The school district contributions  
20 specified in subdivision (i) of this subdivision shall be made monthly  
21 and shall be immediately transmitted to the account of the retirement  
22 system and the trustees.

23 (d) The employee's contribution shall be made in the form of a  
24 monthly deduction from compensation as provided in subsection (2) of this  
25 section and shall be immediately transmitted to the account of the  
26 retirement system. Every employee who is a member of the system shall be  
27 deemed to consent and agree to such deductions and shall receipt in full  
28 for compensation, and payment to such employee of compensation less such  
29 deduction shall constitute a full and complete discharge of all claims  
30 and demands whatsoever for services rendered by such employee during the  
31 period covered by such payment except as to benefits provided under the

1 Class V School Employees Retirement Act.

2 (e) After September 1, 1963, and prior to September 1, 1969, all  
3 employees shall be credited with a membership service annuity which shall  
4 be nine-tenths of one percent of salary or wage covered by old age and  
5 survivors insurance and one and one-half percent of salary or wages above  
6 that amount, except that those employees who retire on or after August  
7 31, 1969, shall be credited with a membership service annuity which shall  
8 be one percent of salary or wages covered by old age and survivors  
9 insurance and one and sixty-five hundredths percent of salary or wages  
10 above that amount for service performed after September 1, 1963, and  
11 prior to September 1, 1969. Commencing September 1, 1969, all employees  
12 shall be credited with a membership service annuity which shall be one  
13 percent of the first seven thousand eight hundred dollars of salary or  
14 wages earned by the employee during each fiscal year and one and sixty-  
15 five hundredths percent of salary or wages earned above that amount in  
16 the same fiscal year, except that all employees retiring on or after  
17 August 31, 1976, shall be credited with a membership service annuity  
18 which shall be one and forty-four hundredths percent of the first seven  
19 thousand eight hundred dollars of salary or wages earned by the employee  
20 during such fiscal year and two and four-tenths percent of salary or  
21 wages earned above that amount in the same fiscal year, and the  
22 retirement annuities of employees who have not retired prior to September  
23 1, 1963, and who elected under the provisions of section 79-988 as such  
24 section existed immediately prior to February 20, 1982, not to become  
25 members of the system shall not be less than they would have been had  
26 they remained under any preexisting system to date of retirement.

27 (f) Members of this system having the service qualifications of  
28 members of the School Employees Retirement System of the State of  
29 Nebraska, as provided by section 79-926, who are members of the  
30 retirement system established pursuant to the Class V School Employees  
31 Retirement Act prior to July 1, 2016, shall receive the state service

1 annuity provided by sections 79-933 to 79-935 and 79-951.

2 (2) The school district shall pick up the employee contributions  
3 required by this section for all compensation paid on or after January 1,  
4 1985, and the contributions so picked up shall be treated as employer  
5 contributions in determining federal tax treatment under the Internal  
6 Revenue Code, except that the school district shall continue to withhold  
7 federal income taxes based upon these contributions until the Internal  
8 Revenue Service or the federal courts rule that, pursuant to section  
9 414(h) of the Internal Revenue Code, these contributions shall not be  
10 included as gross income of the employee until such time as they are  
11 distributed or made available. The school district shall pay these  
12 employee contributions from the same source of funds which is used in  
13 paying earnings to the employee. The school district shall pick up these  
14 contributions by a salary deduction either through a reduction in the  
15 cash salary of the employee or a combination of a reduction in salary and  
16 offset against a future salary increase. Beginning September 1, 1995, the  
17 school district shall also pick up any contributions required by sections  
18 79-990, 79-991, and 79-992 which are made under an irrevocable payroll  
19 deduction authorization between the member and the school district, and  
20 the contributions so picked up shall be treated as employer contributions  
21 in determining federal tax treatment under the Internal Revenue Code,  
22 except that the school district shall continue to withhold federal and  
23 state income taxes based upon these contributions until the Internal  
24 Revenue Service rules that, pursuant to section 414(h) of the Internal  
25 Revenue Code, these contributions shall not be included as gross income  
26 of the employee until such time as they are distributed from the system.  
27 Employee contributions picked up shall be treated for all purposes of the  
28 Class V School Employees Retirement Act in the same manner and to the  
29 extent as employee contributions made prior to the date picked up.

30 Sec. 43. Section 79-9,115, Reissue Revised Statutes of Nebraska, is  
31 amended to read:

1           79-9,115 (1) All allowances, annuities, or other benefits granted  
2 under the Class V School Employees Retirement Act, and all expenses  
3 incurred in connection with the administration of the act, except  
4 clerical work incurred in connection with maintenance of records and  
5 payment of benefits, shall be paid from the Class V School Employees  
6 Retirement Fund which is retirement fund hereby established. Such  
7 clerical work shall be performed by employees of the school district or  
8 districts and paid for out of the general fund of the school district or  
9 districts. The administrator and staff of the retirement system shall be  
10 permitted reasonable office and records storage space in the central  
11 office building of the Class V school district formed before September  
12 13, 1997. All expenses for the retirement system office accommodations  
13 and integrated pension benefit information management systems, including  
14 all services, support, furniture, and equipment provided or by any  
15 central office department of the school district, shall be charged to the  
16 retirement system. The school district or districts shall not be liable  
17 for acts or omissions in the administration of the act made at the  
18 direction of the board of trustees or its employees.

19           (2) Beginning on the operative date of this section, any expenses  
20 with respect to the transfer to and assumption by the council and the  
21 state investment officer of the duty and authority to invest the assets  
22 of a retirement system provided for under the Class V School Employees  
23 Retirement Act shall be charged to the Class V School Employees  
24 Retirement Cash Fund. Such expenses shall be paid without the approval of  
25 the board of trustees.

26           Sec. 44. Section 79-9,117, Reissue Revised Statutes of Nebraska, is  
27 amended to read:

28           79-9,117 (1) The board of trustees shall establish a comprehensive  
29 preretirement planning program for school employees who are members of  
30 the retirement system. The program shall provide information and advice  
31 regarding the many changes employees face upon retirement, including, but

1 not limited to, changes in physical and mental health, housing, family  
2 life, leisure activity, and retirement income.

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

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

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

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

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

30 (7) A nominal registration fee may be charged each person attending  
31 a preretirement planning program to cover the costs for meals, meeting

1 rooms, or other expenses incurred under such program.

2 Sec. 45. Section 84-712.05, Reissue Revised Statutes of Nebraska, is  
3 amended to read:

4 84-712.05 The following records, unless publicly disclosed in an  
5 open court, open administrative proceeding, or open meeting or disclosed  
6 by a public entity pursuant to its duties, may be withheld from the  
7 public by the lawful custodian of the records:

8 (1) Personal information in records regarding a student, prospective  
9 student, or former student of any educational institution or exempt  
10 school that has effectuated an election not to meet state approval or  
11 accreditation requirements pursuant to section 79-1601 when such records  
12 are maintained by and in the possession of a public entity, other than  
13 routine directory information specified and made public consistent with  
14 20 U.S.C. 1232g, as such section existed on February 1, 2013, and  
15 regulations adopted thereunder;

16 (2) Medical records, other than records of births and deaths and  
17 except as provided in subdivision (5) of this section, in any form  
18 concerning any person; records of elections filed under section 44-2821;  
19 and patient safety work product under the Patient Safety Improvement Act;

20 (3) Trade secrets, academic and scientific research work which is in  
21 progress and unpublished, and other proprietary or commercial information  
22 which if released would give advantage to business competitors and serve  
23 no public purpose;

24 (4) Records which represent the work product of an attorney and the  
25 public body involved which are related to preparation for litigation,  
26 labor negotiations, or claims made by or against the public body or which  
27 are confidential communications as defined in section 27-503;

28 (5) Records developed or received by law enforcement agencies and  
29 other public bodies charged with duties of investigation or examination  
30 of persons, institutions, or businesses, when the records constitute a  
31 part of the examination, investigation, intelligence information, citizen

1 complaints or inquiries, informant identification, or strategic or  
2 tactical information used in law enforcement training, except that this  
3 subdivision shall not apply to records so developed or received relating  
4 to the presence of and amount or concentration of alcohol or drugs in any  
5 body fluid of any person;

6 (6) Appraisals or appraisal information and negotiation records  
7 concerning the purchase or sale, by a public body, of any interest in  
8 real or personal property, prior to completion of the purchase or sale;

9 (7) Personal information in records regarding personnel of public  
10 bodies other than salaries and routine directory information;

11 (8) Information solely pertaining to protection of the security of  
12 public property and persons on or within public property, such as  
13 specific, unique vulnerability assessments or specific, unique response  
14 plans, either of which is intended to prevent or mitigate criminal acts  
15 the public disclosure of which would create a substantial likelihood of  
16 endangering public safety or property; computer or communications network  
17 schema, passwords, and user identification names; guard schedules; lock  
18 combinations; or public utility infrastructure specifications or design  
19 drawings the public disclosure of which would create a substantial  
20 likelihood of endangering public safety or property, unless otherwise  
21 provided by state or federal law;

22 (9) The security standards, procedures, policies, plans,  
23 specifications, diagrams, access lists, and other security-related  
24 records of the Lottery Division of the Department of Revenue and those  
25 persons or entities with which the division has entered into contractual  
26 relationships. Nothing in this subdivision shall allow the division to  
27 withhold from the public any information relating to amounts paid persons  
28 or entities with which the division has entered into contractual  
29 relationships, amounts of prizes paid, the name of the prize winner, and  
30 the city, village, or county where the prize winner resides;

31 (10) With respect to public utilities and except as provided in

1 sections 43-512.06 and 70-101, personally identified private citizen  
2 account payment and customer use information, credit information on  
3 others supplied in confidence, and customer lists;

4 (11) Records or portions of records kept by a publicly funded  
5 library which, when examined with or without other records, reveal the  
6 identity of any library patron using the library's materials or services;

7 (12) Correspondence, memoranda, and records of telephone calls  
8 related to the performance of duties by a member of the Legislature in  
9 whatever form. The lawful custodian of the correspondence, memoranda, and  
10 records of telephone calls, upon approval of the Executive Board of the  
11 Legislative Council, shall release the correspondence, memoranda, and  
12 records of telephone calls which are not designated as sensitive or  
13 confidential in nature to any person performing an audit of the  
14 Legislature. A member's correspondence, memoranda, and records of  
15 confidential telephone calls related to the performance of his or her  
16 legislative duties shall only be released to any other person with the  
17 explicit approval of the member;

18 (13) Records or portions of records kept by public bodies which  
19 would reveal the location, character, or ownership of any known  
20 archaeological, historical, or paleontological site in Nebraska when  
21 necessary to protect the site from a reasonably held fear of theft,  
22 vandalism, or trespass. This section shall not apply to the release of  
23 information for the purpose of scholarly research, examination by other  
24 public bodies for the protection of the resource or by recognized tribes,  
25 the Unmarked Human Burial Sites and Skeletal Remains Protection Act, or  
26 the federal Native American Graves Protection and Repatriation Act;

27 (14) Records or portions of records kept by public bodies which  
28 maintain collections of archaeological, historical, or paleontological  
29 significance which reveal the names and addresses of donors of such  
30 articles of archaeological, historical, or paleontological significance  
31 unless the donor approves disclosure, except as the records or portions

1    thereof may be needed to carry out the purposes of the Unmarked Human  
2    Burial Sites and Skeletal Remains Protection Act or the federal Native  
3    American Graves Protection and Repatriation Act;

4           (15) Job application materials submitted by applicants, other than  
5    finalists, who have applied for employment by any public body as defined  
6    in section 84-1409. For purposes of this subdivision, (a) job application  
7    materials means employment applications, resumes, reference letters, and  
8    school transcripts and (b) finalist means any applicant (i) who reaches  
9    the final pool of applicants, numbering four or more, from which the  
10   successful applicant is to be selected, (ii) who is an original applicant  
11   when the final pool of applicants numbers less than four, or (iii) who is  
12   an original applicant and there are four or fewer original applicants;

13           (16) Records obtained by the Public Employees Retirement Board  
14   pursuant to section 84-1512;

15           (17) Social security numbers; credit card, charge card, or debit  
16   card numbers and expiration dates; and financial account numbers supplied  
17   to state and local governments by citizens; ~~and~~

18           (18) Information exchanged between a jurisdictional utility and city  
19   pursuant to section 66-1867; and -

20           (19) Draft records obtained by the Nebraska Retirement Systems  
21   Committee of the Legislature and the Governor from Nebraska Public  
22   Employees Retirement Systems pursuant to subsection (4) of section  
23   84-1503.

24           Sec. 46. The Class V Retirement System Payment Processing Fund is  
25   created for the purpose of transferring funds as specified in section  
26   79-986 and for paying expenses associated with the transfer of such  
27   funds. The fund shall consist of the amounts transferred from the  
28   custodial bank that holds the assets of a retirement system provided for  
29   under the Class V School Employees Retirement Act to make payments for  
30   purposes specified in the Class V School Employees Retirement Act and to  
31   pay administrative expenses incurred under this section by the Public

1 Employees Retirement Board. The funds shall reside with the Nebraska  
2 Public Employees Retirement Systems for the sole purpose of conducting  
3 the transactions necessary to implement this section. Any money in the  
4 fund available for investment shall be invested by the state investment  
5 officer pursuant to the Nebraska Capital Expansion Act and the Nebraska  
6 State Funds Investment Act.

7 The Nebraska Public Employees Retirement Systems, Public Employees  
8 Retirement Board, State Treasurer, Nebraska Investment Council, and  
9 employees of each of such agencies shall not have responsibility to  
10 review or verify the accuracy of the requests for transfer of funds for  
11 payments and shall not be liable for any claims, suits, losses, damages,  
12 fees, and costs related to the payment of such benefits, refunds, and  
13 expenses.

14 Sec. 47. Section 84-1501, Reissue Revised Statutes of Nebraska, is  
15 amended to read:

16 84-1501 (1) The Public Employees Retirement Board is hereby  
17 established.

18 (2)(a) The board shall consist of eight appointed members as  
19 described in this subsection and the state investment officer as a  
20 nonvoting, ex officio member. Six of the appointed members shall be  
21 active or retired participants in the retirement systems administered by  
22 the board, and two of the appointed members (i) shall not be employees of  
23 the State of Nebraska or any of its political subdivisions and (ii) shall  
24 have at least ten years of experience in the management of a public or  
25 private organization or have at least five years of experience in the  
26 field of actuarial analysis or the administration of an employee benefit  
27 plan.

28 (b) The six appointed members who are participants in the systems  
29 shall be as follows:

30 (i) Two of the appointed members shall be participants in the School  
31 Employees Retirement System of the State of Nebraska and shall include

1 one administrator and one teacher;

2 (ii) One of the appointed members shall be a participant in the  
3 Nebraska Judges Retirement System as provided in the Judges Retirement  
4 Act;

5 (iii) One of the appointed members shall be a participant in the  
6 Nebraska State Patrol Retirement System;

7 (iv) One of the appointed members shall be a participant in the  
8 Retirement System for Nebraska Counties; and

9 (v) One of the appointed members shall be a participant in the State  
10 Employees Retirement System of the State of Nebraska.

11 (c) Appointments to the board shall be made by the Governor and  
12 shall be subject to the approval of the Legislature. All appointed  
13 members shall be citizens of the State of Nebraska.

14 (3)(a) Except as otherwise provided in this subsection, all ~~All~~  
15 members shall serve for terms of five years or until a successor has been  
16 appointed and qualified. The terms shall begin on January 1 of the  
17 appropriate year. ~~The members of the board shall be reimbursed for their~~  
18 ~~actual and necessary expenses as provided in sections 81-1174 to 81-1177.~~  
19 ~~The appointed members of the board may be removed by the Governor for~~  
20 ~~cause after notice and an opportunity to be heard.~~

21 (b) To ensure an experienced and knowledgeable board, the terms of  
22 the appointed members shall be staggered as follows:

23 (i) One of the two members described in subdivisions (2)(a)(i) and  
24 (ii) of this section shall be appointed to serve for a five-year term  
25 which begins in 2017;

26 (ii) One of the two members described in subdivisions (2)(a)(i) and  
27 (ii) of this section shall be appointed to serve for a five-year term  
28 which begins in 2018;

29 (iii) The participant in the School Employees Retirement System of  
30 the State of Nebraska who is a teacher shall be appointed for a five-year  
31 term which begins in 2019;

1       (iv) The participant in the School Employees Retirement System of  
2 the State of Nebraska who is an administrator and the participant in the  
3 State Employees Retirement System of the State of Nebraska shall be  
4 appointed for a five-year term which begins in 2020;

5       (v) The participant in the Retirement System for Nebraska Counties  
6 and the participant in the Nebraska Judges Retirement System shall be  
7 appointed to serve for a five-year term which begins in 2021; and

8       (vi) The participant in the Nebraska State Patrol Retirement System  
9 shall be appointed to serve for a three-year term which begins in 2020,  
10 and his or her successor shall be appointed to serve for a five-year term  
11 which begins in 2023.

12       (4) In the event of a vacancy in office, the Governor shall appoint  
13 a person to serve the unexpired portion of the term subject to the  
14 approval of the Legislature.

15       (5) The appointed members of the board may be removed by the  
16 Governor for cause after notice and an opportunity to be heard.

17       (6) The members of the board shall be reimbursed for their actual  
18 and necessary expenses as provided in sections 81-1174 to 81-1177.

19       Sec. 48. Section 84-1503, Revised Statutes Supplement, 2015, is  
20 amended to read:

21       84-1503 (1) It shall be the duty of the Public Employees Retirement  
22 Board:

23       (a) To administer the retirement systems provided for in the County  
24 Employees Retirement Act, the Judges Retirement Act, the Nebraska State  
25 Patrol Retirement Act, the School Employees Retirement Act, and the State  
26 Employees Retirement Act. The agency for the administration of the  
27 retirement systems and under the direction of the board shall be known  
28 and may be cited as the Nebraska Public Employees Retirement Systems;

29       (b) To appoint a director to administer the systems under the  
30 direction of the board. The appointment shall be subject to the approval  
31 of the Governor and a majority of the Legislature. The director shall be

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

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

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

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

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

19 (g) To adopt and implement procedures for reporting information by  
20 employers, as well as testing and monitoring procedures in order to  
21 verify the accuracy of such information. The information necessary to  
22 determine membership shall be provided by the employer. The board shall  
23 adopt and promulgate rules and regulations and prescribe such forms  
24 necessary to carry out this subdivision. Nothing in this subdivision  
25 shall be construed to require the board to conduct onsite audits of  
26 political subdivisions for compliance with statutes, rules, and  
27 regulations governing the retirement systems listed in subdivision (1)(a)  
28 of this section regarding membership and contributions; and

29 (h) To prescribe and furnish forms for the public retirement system  
30 plan reports required to be filed pursuant to sections 2-3228, 12-101,  
31 14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,

1 23-3526, 71-1631.02, and 79-987.

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

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

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

10 (c) To adopt and promulgate rules and regulations for the management  
11 of the board;

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

14 (e) To obtain, by a competitive, formal, and sealed bidding process  
15 through the materiel division of the Department of Administrative  
16 Services, actuarial services on behalf of the State of Nebraska as may be  
17 necessary in the administration and development of the retirement  
18 systems, including, but not limited to, preparation of an annual  
19 actuarial valuation report of each of the defined benefit and cash  
20 balance plans administered by the board. Such annual valuation reports  
21 shall be presented by the actuary to the Nebraska Retirement Systems  
22 Committee of the Legislature at a public hearing or hearings. Any  
23 contract for actuarial services shall contain a provision allowing the  
24 actuary, without prior approval of the board, to perform actuarial  
25 studies of the systems as requested by entities other than the board, if  
26 notice, which does not identify the entity or substance of the request,  
27 is given to the board, all costs are paid by the requesting entity,  
28 results are provided to the board, the Nebraska Retirement Systems  
29 Committee of the Legislature, and the Legislative Fiscal Analyst upon  
30 being made public, and such actuarial studies do not interfere with the  
31 actuary's ongoing responsibility to the board. The term of the contract

1 shall be for up to three years. A competitive, formal, and sealed bidding  
2 process shall be completed at least once every three years, unless the  
3 board determines that such a process would not be cost effective under  
4 the circumstances and that the actuarial services performed have been  
5 satisfactory, in which case the contract may also contain an option for  
6 renewal without a competitive, formal, and sealed bidding process for up  
7 to three additional years. An actuary under contract for the State of  
8 Nebraska shall be a member of the American Academy of Actuaries and meet  
9 the academy's qualification standards to render a statement of actuarial  
10 opinion;

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

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

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

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

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

15 (j) To make a thorough investigation through the director or the  
16 director's designee, of any overpayment of a benefit, when in the  
17 judgment of the director such investigation is necessary, including, but  
18 not limited to, circumstances in which benefit payments are made after  
19 the death of a member or beneficiary and the retirement system is not  
20 made aware of such member's or beneficiary's death. In connection with  
21 any such investigation, the board, through the director or the director's  
22 designee, shall have the power to compel the attendance of witnesses and  
23 the production of books, papers, records, and documents, whether in  
24 hardcopy, electronic form, or otherwise, and issue subpoenas for such  
25 purposes. Such subpoenas shall be served in the same manner and have the  
26 same effect as subpoenas from district courts; and

27 (k) To administer all retirement system plans in a manner which will  
28 maintain each plan's status as a qualified plan pursuant to the Internal  
29 Revenue Code, as defined in section 49-801.01, including: Section 401(a)  
30 (9) of the Internal Revenue Code relating to the time and manner in which  
31 benefits are required to be distributed, including the incidental death

1 benefit distribution requirement of section 401(a)(9)(G) of the Internal  
2 Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to  
3 the specification of actuarial assumptions; section 401(a)(31) of the  
4 Internal Revenue Code relating to direct rollover distributions from  
5 eligible retirement plans; section 401(a)(37) of the Internal Revenue  
6 Code relating to the death benefit of a member whose death occurs while  
7 performing qualified military service; and section 401(a) of the Internal  
8 Revenue Code by meeting the requirements of section 414(d) of the  
9 Internal Revenue Code relating to the establishment of retirement plans  
10 for governmental employees of a state or political subdivision thereof.  
11 The board shall adopt and promulgate rules and regulations necessary or  
12 appropriate to maintain such status including, but not limited to, rules  
13 or regulations which restrict discretionary or optional contributions to  
14 a plan or which limit distributions from a plan.

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

25 (4)(a) Beginning in 2016, and at least every four years thereafter  
26 in even-numbered years or at the request of the Nebraska Retirement  
27 Systems Committee of the Legislature, the board shall obtain an  
28 experience study. Within thirty business days after presentation of the  
29 experience study to the board, the actuary shall present the study to the  
30 Nebraska Retirement Systems Committee at a public hearing. If the board  
31 does not adopt all of the recommendations in the experience study, the

1 board shall provide a written explanation of its decision to the Nebraska  
2 Retirement Systems Committee and the Governor. The explanation shall be  
3 delivered within ten business days after formal action by the board to  
4 not adopt one or more of the recommendations.

5 (b) The director shall provide a copy of the first draft and a final  
6 draft of the experience study and annual valuation reports to the  
7 Nebraska Retirement Systems Committee and the Governor when the director  
8 receives the drafts from the actuary. The drafts shall be deemed  
9 confidential information. The draft copies obtained by the Nebraska  
10 Retirement Systems Committee and the Governor pursuant to this section  
11 shall not be considered public records subject to sections 84-712 to  
12 84-712.09.

13 (c) For purposes of this subsection, business days shall be computed  
14 by excluding the day the request is received, after which the designated  
15 period of time begins to run. A business day shall not include a Saturday  
16 or Sunday or a day during which the Nebraska Public Employees Retirement  
17 Systems office is closed.

18 (5) It shall be the duty of the board to direct the State Treasurer  
19 to transfer funds, as an expense of the Class V School Employees  
20 Retirement System, to and from the Class V Retirement System Payment  
21 Processing Fund and the Class V School Employees Retirement Fund for the  
22 benefit of a retirement system provided for under the Class V School  
23 Employees Retirement Act to implement the provisions of section 79-986.  
24 The agency for the administration of this provision and under the  
25 direction of the board shall be known and may be cited as the Nebraska  
26 Public Employees Retirement Systems.

27 Sec. 49. Sections 17 and 52 of this act become operative on July 1,  
28 2016. Sections 31 and 53 of this act become operative on September 1,  
29 2016. The other sections of this act become operative on their effective  
30 date.

31 Sec. 50. If any section in this act or any part of any section is

1 declared invalid or unconstitutional, the declaration shall not affect  
2 the validity or constitutionality of the remaining portions.

3 Sec. 51. Original sections 72-1237, 72-1239, 72-1249, 72-1249.02,  
4 79-916, 79-931, 79-935, 79-954, 79-966, 79-978.01, 79-979, 79-981,  
5 79-982, 79-983, 79-984, 79-985, 79-986, 79-987, 79-989, 79-990, 79-991,  
6 79-992, 79-998, 79-9,102, 79-9,103, 79-9,105, 79-9,107, 79-9,108,  
7 79-9,109, 79-9,111, 79-9,113, 79-9,115, 79-9,117, 84-712.05, and 84-1501,  
8 Reissue Revised Statutes of Nebraska, section 72-1243, Revised Statutes  
9 Cumulative Supplement, 2014, and sections 13-2402, 72-1239.01, 79-934,  
10 79-978, 79-9,100, and 84-1503, Revised Statutes Supplement, 2015, are  
11 repealed.

12 Sec. 52. Original section 79-980, Reissue Revised Statutes of  
13 Nebraska, is repealed.

14 Sec. 53. Original section 79-996, Reissue Revised Statutes of  
15 Nebraska, is repealed.

16 Sec. 54. The following section is outright repealed: Section  
17 79-988.01, Reissue Revised Statutes of Nebraska.

18 Sec. 55. Since an emergency exists, this act takes effect when  
19 passed and approved according to law.