

2014 Annual Report

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS



ANNUAL REPORT TO THE LEGISLATIVE RETIREMENT COMMITTEE

2014 Annual Report

TO THE LEGISLATIVE RETIREMENT COMMITTEE

Authority: Nebraska State Statutes Section 84-1503(3)

Public Employees Retirement Board:



Ronald Ecklund, Janis Elliott, Randall L. Rehmeier, Phyllis G. Chambers, Richard Wassinger, Elaine Stuhr, Denis Blank, Jeffrey States, and Stuart Simpson.

Not Pictured: Dennis Leonard

DENIS BLANK
CHAIR
State Member

RICHARD WASSINGER
VICE CHAIR
County Member

ELAINE STUHR
Member-At-Large

JANIS ELLIOTT
School Member

RANDALL REHMEIER
Judge Member

STUART SIMPSON
School Member

RONALD ECKLUND
Member-At-Large

DENNIS LEONARD
State Patrol Member

JEFFREY STATES
Ex-Officio Member

Nebraska Public Employees Retirement Systems:

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Executive Director

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Letter From the Executive Director

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

March 3, 2014

Senator Jeremy Nordquist, Chairman
Nebraska Retirement Systems Committee
Nebraska State Legislature
Lincoln, NE 68509

Dear Senator Nordquist and Committee Members:

I am pleased to present the 2014 Annual Report to the Legislature. 2013 was a year of transition for NPERS. A significant accomplishment was the relocation of our offices to 1526 K Street. We moved the entire agency with 53 staff over a two-week period in September, while continuing to provide superior service to our members and employers. NPERS spent months planning for and recovering from the move. It was frustrating and exhausting at times, yet everyone remained positive.

The move was successful due to the dedicated managers and sensational staff we have at NPERS. Everyone worked tirelessly preparing, packing, and helping wherever they were needed. We continued to receive phone calls and visitors, to process retirements and refunds, to pay benefits, and perform our jobs until the last possible moment before the movers came for each area. Our IT department did an exceptional job of planning, disassembling and reassembling our servers, scanners, computers, printers, and phone system, preventing excessive down time.

Throughout 2013, NPERS' membership continued to grow to a record 119,420 members, with record assets of \$11.1 billion. We distributed a record \$660 million in benefits to members in all six plans and processed 1,926 new annuity benefits and 4,718 refunds and rollovers. Our transaction volumes and staff productivity were amazing. This report highlights NPERS' numerous accomplishments in 2013.

I would like to express appreciation to the Retirement Committee, the Public Employees Retirement Board, the Nebraska Investment Council, Ameritas, and Cavanaugh Macdonald Consultants, all of whom play an important role in NPERS achievements. Our success directly impacts the thousands of members who depend on us for a successful, secure retirement.

Sincerely,

Phyllis G. Chambers
Executive Director



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2013

Presented to

Nebraska Public Employees Retirement Systems

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, prominent 'A' and 'W'.

Alan H. Winkle
Program Administrator

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Mission

The Nebraska Public Employees Retirement Systems recognizes the importance of a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

Vision

To administer the Nebraska Retirement Systems in an efficient, accurate and trustworthy manner, while providing timely service to our plan members.



Agency Goals

1. To administer each retirement plan in full compliance with applicable federal and state laws.
2. To guard the integrity of our systems' assets and the accuracy of our systems' data.
3. To operate our agency efficiently and responsibly, in order to maintain the trust of our members, our plan employers, the separate branches of government, and the public as a whole.
4. To provide ongoing informational and educational opportunities for our members.
5. To monitor benefit patterns and funding levels of the various retirement plans and advise policy makers of our observations.

Agency Statutory Authority

The Public Employees Retirement Board (PERB) is entrusted with the administration of the Nebraska Public Employees Retirement Systems (NPERS), per Chapter 84-1501 to 84-1513.

The laws governing each retirement plan are as follows:

County Employees Retirement Act	23-2301 to 23-2334
Judges Retirement Act	24-701 to 24-714
School Employees Retirement Act	79-901 to 79-977.03
Nebraska State Patrol Retirement Act	81-2014 to 81-2040
State Employees Retirement Act	84-1301 to 84-1331
State Deferred Compensation Fund	84-1504 to 84-1513

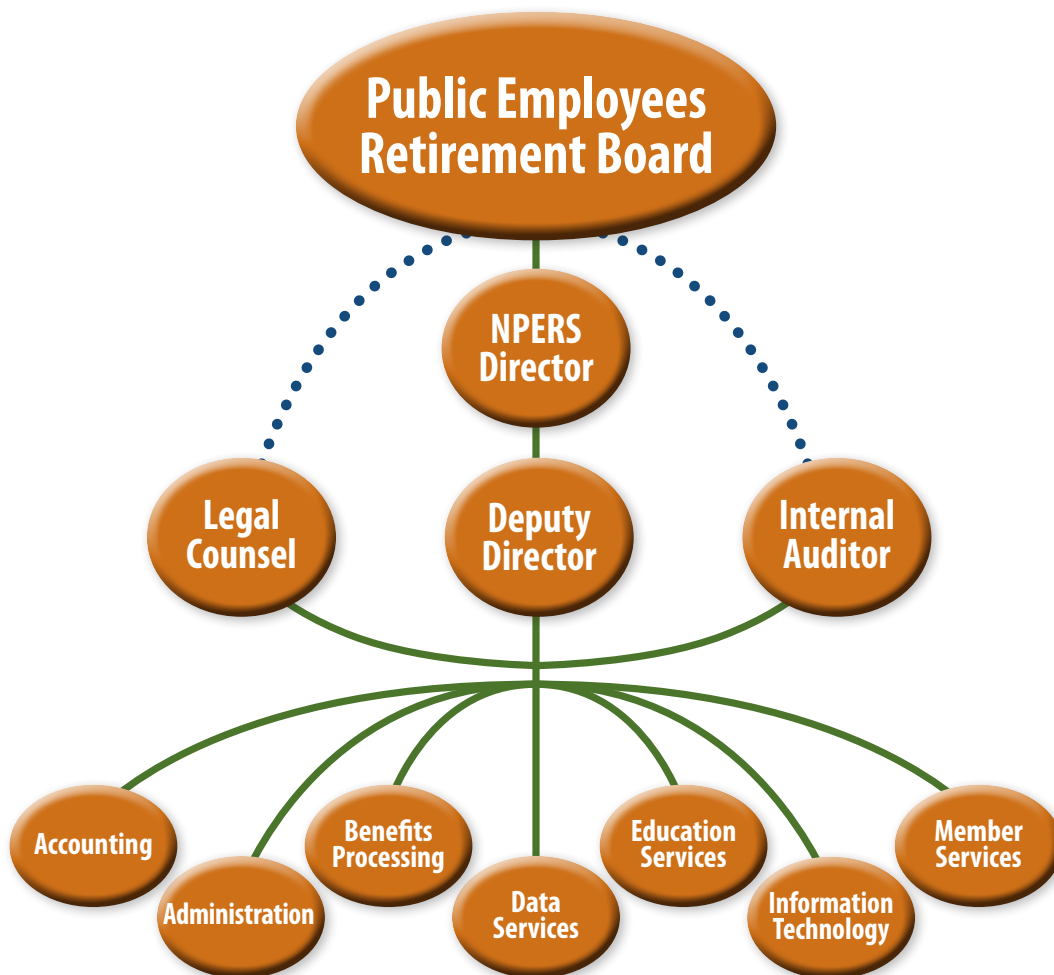
Others:

Spousal Pension Rights Act	42-1101 to 42-1113
Nebraska Investment Council	72-1237 to 72-1269
Retirement Board	84-1501 to 84-1503

Staffing

We currently have a total of 50 NPERS employees and three OCIO employees on staff. Of these employees, the key management staff are the Director, Deputy Director, Legal Counsel, Internal Auditor, and five managers.

Organizational Structure



2013 Accomplishments

1. NPERS relocated our agency to 1526 K Street, Suite 400, in September. We moved the entire agency with 53 staff over a two-week period. We continued to answer phones, meet with walk-in visitors, process retirements, and pay benefits during the move.
2. The total number of member accounts in the School, Judges, Patrol, State, County, and Deferred Compensation plans grew to a record 119,420. The total assets of the plans increased from \$9.8 billion to a record \$11.1 billion. Investment performance as of June 30, 2013, was 12.7% for the Defined Benefit plans. The investment return for the Cash Balance plans as of December 31, 2013, was 18.3%.
3. The Call Center answered approximately 38,047 phone calls and met with 2,421 members who visited our office for retirement information and counseling. The Benefits Department processed 1,644 School retirements, 261 estimates for purchase of service, and 170 actual purchases of services, 61 Qualified Domestic Relations Orders (QDROs) and 35 disability retirements.
4. NPERS distributed over \$606 million in benefits to plan members in all six plans. The benefits included \$477 million in monthly annuity payments and \$129 million in refunds, rollovers, systematic withdrawals, and required minimum distributions.
5. After 4.5 years and numerous correspondence, the IRS issued favorable determination letters for the School, Judges, State, and County plans in May 2013. We did not receive a response to our application for the State Patrol plan.
6. NPERS revised five of our Rules and Regulations and held public hearings in September. The Rules and Regulations were approved by the Attorney General's office, the Governor's office, and submitted to the Secretary of State.
7. Our Finance and Accounting Department began preparations to implement the new Government Accounting Standards Board (GASB 67 and 68) financial reporting changes. We exercised careful control of agency expenditures and financial reporting. Our financial statements represent accurate and reliable information about NPERS.
8. The State Auditor audited the State and County plans in the spring and the School, Judges, and Patrol plans in the fall. We continued to resolve prior audit points and reduced the number of audit points in the State and County plans from seven to two last year.
9. The PERB approved revisions made to the Three-Year Internal Audit Plan. The Internal Audit department completed 35 School employer audits and 32 County employer audits.
10. Our Education Services staff traveled Nebraska providing seminars and training for over 2,500 individuals. NPERS held 46 Retirement Planning seminars, 3 Financial Planning seminars, 6 employer workshops, and 9 special presentations for agencies and organizations.

11. NPERS new actuary, Cavanaugh Macdonald Consulting, performed their first actuary valuations for the School, Judges, and Patrol plans and presented the reports to the PERB and the Legislative Retirement Committee. NPERS staff worked with the new actuaries to transition the actuarial services and develop the content and format of the new reports.
12. NPERS met with the actuary to provide input for the development of the 30-year projection modeling software for the School, Judges, and Patrol plans, which should be completed in 2014.
13. NPERS completed the CEM Benchmarking study comparing NPERS services with other public retirement systems in a similar peer group. NPERS' total pension administrative cost averaged \$68 per active annuitant. This was \$53 below the peer average of \$121 per annuitant. The study reviewed agency costs and considered economies of scale, member services provided, transaction volumes, and productivity.
14. Darrell Fisher was appointed by the Governor and confirmed by the Legislature to represent the State Patrol plan on the Public Employees Retirement Board (PERB).
15. The PERB members transitioned from paper documents to electronic files using tablets at board meetings, reducing monthly mail and copy expenses.
16. The PERB met monthly throughout the year and participated in an educational retreat in July. Meredith Williams, Executive Director of the National Council on Teacher Retirement (NCTR), was the keynote speaker and presented a Commentary of the Public Pension Environment. Other retreat topics included the CEM Benchmarking Report, School Compensation and Health Care, and the Actuary Transition Report
17. The PERB and Nebraska Investment Council (NIC) met jointly in November for the presentations of the defined benefit actuarial reports by the actuary and the capital market assumptions by the investment consultants.
18. Data Services processed over 33,357 pieces of incoming mail, 220,915 pieces of outgoing mail, and scanned 302,617 documents. NPERS continues to correct addresses and social security numbers in the system and reduce return mail.
19. Data Services processed 16,624 beneficiary documents, 8,054 changes of information, 2,978 tax withholding forms, and 3,201 direct deposits. NPERS verified service credit for 644 active members in addition to other daily processing duties.
20. The IT Department completed numerous projects including upgrading the Traverse accounting software, upgrading all workstations to Windows 7, and significant analysis and programming of the School salary capping changes to NPRIS.

2014 Action Plan

1. Work with the new actuary to develop the 30-year projection modeling software for NPERS defined benefit plans.
2. Review the actuarial assumed rate of return for the defined benefit plans.
3. Implement the Government Accounting Standards Board (GASB 67) changes for the financial reporting of public pension plans required in 2014.
4. Submit filings for updated IRS determination letters for NPERS plans for the next five-year cycle beginning January 31, 2014.
5. Enter all NPERS contracts on the State Enterprise One Payroll and Financial Center system to be in compliance with LB 429.
6. Participate in drafting retirement bills, testify at legislative hearings, and implement retirement legislation enacted by the 2014 Legislature.
7. Develop, test, and implement the "Tier 2" requirements for the School plan members hired on or after July 1, 2013.
8. Provide accurate, timely retirement information and quality services to our members via the NPERS Call Center, individual consultations, member publications, seminars, and the website.
9. Complete the transition of NPERS IT backups and file server to the OCIO.
10. Upgrade the imaging software for the NPRIS technology system.
11. Continue work on NPERS Data Services projects to verify service credit, enter beneficiaries, merge duplicate accounts, and convert retiree records into NPRIS.
12. Continue to review the Berwyn reports to ensure the accuracy of the member death records and beneficiary payments.
13. Continue making improvements to our lease space at the 1526 K Building.
14. Work with AS Building Division to provide handicapped access and adequate parking for our new location at the 1526 K Building.

Legislation

2013

● LB 263

County

Permanent part-time employees age eighteen or older who wish to exercise the option to begin participation in the retirement system must do so within the first thirty days of employment. Provides for participation by counties with populations up to 200,000 (increased from the current cap of 150,000).

School Plan

Increases the filing time for retirement applications from 90 to 120 days prior to effective date of retirement.

Effective July 1, 2013, salary increases as the result of a change in position or employers are no longer exempt from the salary caps used when determining benefits. Additional language added via AM835 (see below).

Clarifies termination dates. Stipulates employment contracts shall specify the period of employment including starting and ending dates.

The time frame for a new member to submit an application for eligibility and vesting credit shall be increased from 30 to 180 days.

State Patrol

The time frame for a new member to submit an application for eligibility and vesting credit shall be increased from 30 to 180 days.

State

Permanent part-time employees age eighteen or older who wish to exercise the option to begin participation in the retirement system must do so within the first thirty days of employment.

AM835

Clarifies language and definitions relating to the 8% salary cap (with no exemptions) for determination of retirement benefits for members retiring on or after 7/1/2013.

● LB 306

Judges

Retains the temporary additional 1% member contribution rate previously scheduled to be removed as of 7/1/2014.

AM624

Incorporates language from LB 229: *“Under current statute, the court fee designated for the Nebraska Retirement Fund for Judges is scheduled to decrease from six to five dollars effective July 1, 2014. This bill proposes to remove this language, keeping the fee at six dollars.”*

AM1114

Increases salaries of Justices serving on the Nebraska Supreme Court effective July 1, 2013, and again on July 1, 2014.

● LB 553

This bill proposes multiple changes to the School Retirement plan.

For new members joining the plan on or after July 1, 2013:

- Final average monthly compensation would be determined using compensation during the five twelve-month periods of service in which compensation was the greatest, divided by sixty.
- Cost of living adjustments would be capped at one percent. The 75% purchasing power language is removed.

AM802

Increases the number of hours used to determine plan membership from 15 to 20 hours per week.

Removes the language that would have reduced member contributions from the current rate of 9.78% to 7.28% on 9/1/2017.

Increases State contributions from 1 to 2 percent of member salary beginning 7/1/2014.

2012

● LB 916

Excludes per diem payments from the definition of compensation.

Implements provisions of the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requiring a member's beneficiary be entitled to any additional death benefit that he or she would be entitled to had the member been employed during the period of qualified military service when the death occurred.

In addition, the bill contains the following “clean up” language. Clarifies it is the responsibility of an employer to notify NPERS when a plan member terminates employment. Clarifies language to conform to current IRS regulations regarding rollovers to another eligible retirement plan or IRA.

School Plan

Effective September 1, 2012, employees under 18 are not eligible to join the plan. Clarifies that unpaid voluntary or substitute service during the first 180 calendar days after termination can only be provided on an intermittent basis.

County/State

Clarifies the definition of the Standard and Poor's 500 Index fund.

AM1739

Provides for garnishment of retirement benefits when a plan member is convicted of or pleads no contest to a felony that is defined as assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and is subsequently found liable for civil damages. The bill would exempt from garnishment any benefit or annuity payments "reasonably necessary for the support of the employee or appointee or any of his or her beneficiaries." Garnishment may only occur after distribution of retirement benefits.

State and County Defined Contribution members may elect to transfer to Cash Balance during an election period starting September 1, 2012, and ending October 31, 2012. Only members who are actively employed and contributing to the plan at the time of election will be eligible to transfer. Defined Contribution members who do not file an election during the new election period would continue to participate in the Defined Contribution plan.

2011

● LB 303

Eliminated reporting requirements on investments by the NIC for certain corporations doing business in Northern Ireland.

● LB 382

Temporarily increased contribution rates for School plan members. Beginning September 1, 2011, contribution rates for School members increased from 8.28% to 8.88%. On September 1, 2012, this

rate will increase to 9.78%. On September 1, 2017, the rate will decrease to 7.28%. The employer match remains unchanged at 101% of the member rate. The current State of Nebraska contribution rate of 1% of salary remains in effect until July 1, 2017, at which time it will drop to 0.7%.

● LB 509

Pending the final outcome of an employee personnel grievance action, a State or County member may withdraw up to \$25,000 from their employee (member) account. If reinstated, the member must repay the entire distribution.

Lowered the minimum age from 20 to 18 for permanent eligible part-time state and county employees who choose to participate in the plans.

From July 1, 2012, up to July 1, 2013, an increase in compensation for School plan members greater than 9% per year, during the five years prior to retirement, will be excluded from retirement compensation when calculating retirement benefits. Beginning July 1, 2013, increases in compensation greater than 8% per year, during the five years prior to retirement, will be excluded when calculating retirement benefits. No exceptions for increasing above the 9% or 8% cap will be allowed for the purpose of retirement calculations. Clarified that the PERB will not refund contributions made on compensation earned above the salary cap.

Clarified cost of living adjustment language in the School, Judges, and State Patrol plans. The changes did not change the formula or process currently in use.

Permitted a possible future transfer of certain Department of Labor employees to the State retirement plan.

Clarified rollover language in the voluntary Deferred Compensation plan.

Allowed a surviving spouse of deceased State Patrol members to remarry and remain eligible for survivor benefits.

2010

● LB 950

Specified in the County, State, and School retirement plans that a disability must have occurred while the member was a participant in the plan. The County plan clarified that disabled employees are not required to receive annual medical examinations after age 55.

Provisions related to the passage of LB 403 in 2009 are amended into the County, Judges, State Patrol, School, State, and the Deferred Compensation retirement plans. LB 403 prohibited participation by non-citizens or those not lawfully in the United States within the retirement plans.

Clarified the definitions in the School plan for temporary, regular, and substitute employees.

Clarified that retired, certificated School plan members hired by the Department of Education within 180 days of termination from their school employer will participate in the State plan.

Language is stricken in several sections of the County and State Employees Retirement Acts prohibiting use of forfeiture funds to pay administrative costs for the defined contribution and cash balance plans.

Modified the sunset on a state contribution to the School, Patrol, and Judges' plans, which was set to occur after the 2010/2011 fiscal year, and extended them to the end of the 2012/2013 fiscal year.

2009

● **LB 121**

Transferred certain state property tax duties back to the county for which the services are provided. State employees were transferred to county employment and their state retirement accounts were transferred to the County plan.

● **LB 187**

Changed the contribution rate for School plan members from 7.28% to 8.28% after September 1, 2009. This rate continues for five years (through August 31, 2014). On September 1, 2014, the rate will return to 7.28%.

● **LB 188**

Increased the period during which County and State plan members can apply for vesting credit after they are hired from 30 days to 180 days.

Clarified that County and State plan members who terminate employment and then return to employment more than 120 days later will participate in the Cash Balance benefit.

Allowed a "holiday" from Required Minimum Distributions for the 2009 plan year for County and State plan members participating in the Defined Contribution benefit.

Increased the period during which the spousal beneficiary of a deceased County or State plan member may elect to receive benefits as an annuity from 120 days to 180 days.

Provided an exception to the public records requirements for all plans for information obtained from employers and used in administering the retirement plans.

Allowed State plan members to rollover all or part of their Cash Balance account to their

DCP account at retirement. Any remaining balance must either be paid as an annuity or otherwise distributed.

Increased the contribution rate for members of the State Patrol plan beginning July 1, 2009, from 13% to 15% of monthly compensation.

On July 1, 2010, both member and employer rates were increased to 16% of compensation.

● **LB 403**

Provided that as of October 1, 2009, persons unlawfully present in the state are not eligible to receive certain public benefits.

● **LB 414**

Increased salaries for judges. Increased member contribution rates for judges by 1% for the five years beginning July 1, 2009. Increased the court fee for judges' retirement by \$1 (to \$6) for the same time period.

● **LB 449**

Allowed School plan members who have retired under disability to work up to 15 hours per week for a School plan employer and still continue to receive retirement benefits.

2008

● **LB 1147**

Provided investment authority to beneficiaries of deceased State and County Defined Contribution members. Made technical changes to COLA calculations in the School, Judges, and Patrol plans. Provided Judges an early retirement benefit based on a 9% actuarial reduction at age 62, 6% at 63, and 3% at 64. Clarified state service annuity language for members before 1996. Made

other technical changes in the State, County, School, Judges, and Patrol plans.

2007

● **LB 324**

Continued the State Patrol contribution rates at 13% of monthly compensation by the member, 15% of monthly compensation by the employer, and added a Deferred Retirement Option Plan (DROP).

● **LB 328**

Created the County Employees Cash Balance Expense Fund and the State Employees Cash Balance Expense Fund and removed the 60-day period during which to re-enroll County and State plan members who return to permanent, full-time employment.

● **LB 370**

Required NPERS to conduct a survey of all law enforcement retirement systems in the state and file a report with the Legislature.

● **LB 508**

Changed period for surviving spouses of members in Judges plan and School plan to make application for death benefits to twelve months.

● **LB 596**

Provided a one-time cost-of-living adjustment of 85% to the annuities of School and Class V School plan members.

● **LB 665**

Allowed a new election period in which County plan and State plan members may join the Cash Balance option.

Funded Status of Pensions

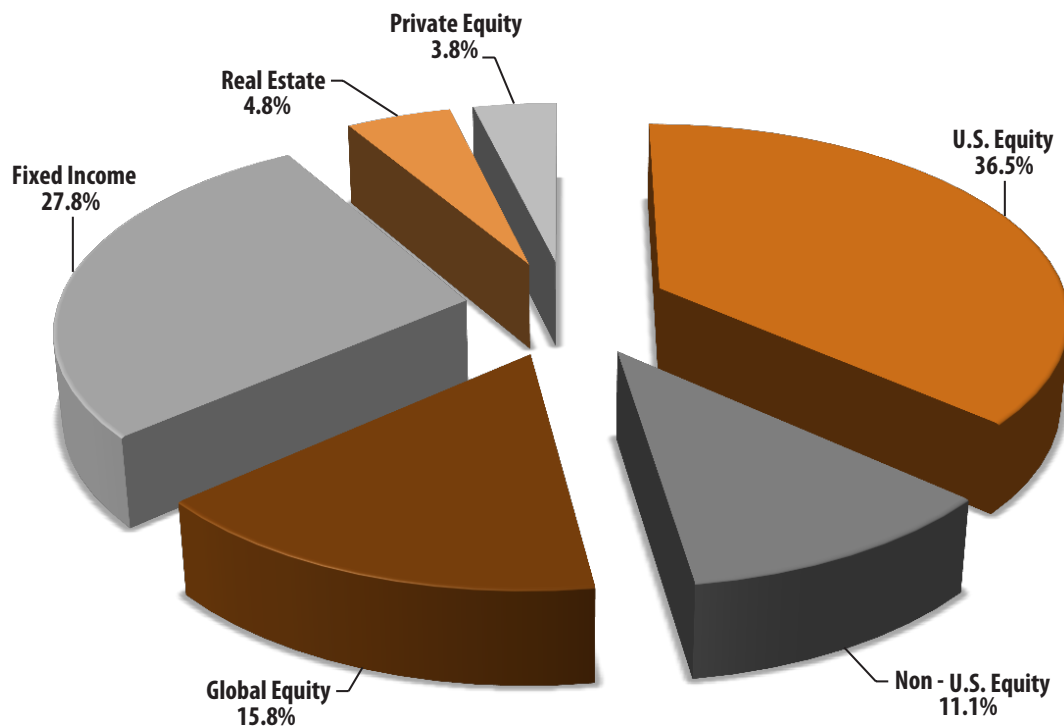
Annually, our actuary performs an actuarial valuation of the Defined Benefit and Cash Balance plans. The Cash Balance plans are on a calendar year basis with the actuarial report issued in the spring. The Defined Benefit plans are on a fiscal year basis with the actuarial report issued in the fall. In our Defined Benefit plans, we smooth our market returns over a five-year period.

Investment Return for Defined Benefit Plan

FYE 2008	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013
-5.8%	-19.1%	13.6%	23.3%	1.0%	12.7%

Asset Allocation

The actual asset allocation for the Defined Benefit plans as of June 30, 2013, was 36.5% U.S. Equity; 11.1% Non-U.S. Equity; 15.8% Global Equity; 27.8% Fixed Income; 4.8% Real Estate; and 3.8% Private Equity.



Judges Plan

As of July 1, 2013, the Judges plan was 87.7% funded (GASB 25). The normal cost* for Judges plan members was 21.79% of salary. The Judges plan has an unfunded liability of nearly \$18.27 million. This means the actuarial accrued liabilities of \$148.51 million are greater than the actuarial value of the assets of \$130.31 million.

For the 2014/2015 fiscal year, an additional contribution of \$803,383 is necessary to meet the actuarially required contribution for the Nebraska Judges Retirement System.

School Employees Plan

As of July 1, 2013, the School plan was 77.15% funded (GASB 25). The normal cost* for School plan members was 11.86% of salary. The School plan has an unfunded liability this year of nearly \$2.28 billion. This means the actuarial accrued liabilities of \$9.98 billion are greater than the actuarial value of the assets of \$7.70 billion.

For the 2014/2015 fiscal year, no additional contribution is necessary to meet the actuarially required contribution for the Nebraska School Employees Retirement System.

State Patrol Plan

As of July 1, 2013, the State Patrol plan was 76.1% funded (GASB 25). The normal cost* for State Patrol plan members was 28.69% of salary. The State Patrol plan has an unfunded liability of nearly \$92.41 million. This means the actuarial accrued liabilities of \$386.88 million are greater than the actuarial value of the assets of \$294.47 million.

For the 2014/2015 fiscal year, an additional contribution of \$4,652,774 is necessary to meet the actuarially required contribution for the Nebraska State Patrol Retirement System.

*The "Normal Cost" is the annual cost of a member's accruing benefit as a percentage of salary.

Summary

All three of the Defined Benefit pension plans were in good financial condition at the end of fiscal year 2013. Currently, there are sufficient assets to pay benefits for years to come. This can be demonstrated by comparing the annual distributions to the asset value. The annual benefit distributions from the plans as a percent of the actuarial value of assets on June 30, 2013, were 5.55% for the School plan, 5.75% for State Patrol, and 5.67% for the Judges. The Defined Benefit plan distributions for the 2013 fiscal year were \$427,885,060 for the School plan, \$16,928,305 for the Patrol plan, and \$7,393,972 for the Judges.

Note: Copies of our Annual Actuarial Valuation Reports have been provided separately and are also available on the NPERS website.

Cash Balance Benefits (State/County)

The Cash Balance benefit has been offered to State and County employees who elected to participate and for all new employees enrolled since January 1, 2003. The actuarial valuation for these benefits is performed annually. The annual credited rate for 2009, 2010, 2011, 2012, and 2013 was 5%. Since 2009, the PERB has not approved any payment of dividends. For the historical crediting rates and dividends, see Appendix A.

State and County plan members were given a second opportunity to transfer from Defined Contribution to Cash Balance as provided by LB 665 in 2007. There were 1,574 members who elected to transfer to Cash Balance at that time. In 2012, the passage of LB 916 created a third opportunity for Defined Contribution members to convert to Cash Balance. During this election period, 1,630 members elected to convert.

The results of the actuarial valuation show no additional contributions are needed for the current year. As of January 1, 2013, the State Cash Balance benefit was 93.6% funded and the County Cash Balance benefit was 94.5% funded (GASB 25).

No additional contributions are required for the Nebraska State and County Cash Balance funds.

Defined Contribution Benefits (State/County)

We are in the process of finalizing our Annual Investment Report for State and County members who participate in Defined Contribution and the voluntary Deferred Compensation Plan (DCP).

Retirement Funding

Program 515

State law requires ongoing appropriations to the three Defined Benefit plans under our administration, as well as funding for the State Service Annuity for the separate Omaha Public Schools Retirement Plan, which passes through our agency before being paid to Omaha.

Specifically, the ongoing appropriations include:

1. A contribution of 1% of total salaries is being contributed to the School Employees Plan and the Omaha Public School Plan in 2013-2014. This contribution will be increased to 2% in 2014-2015.
2. The State is obligated to fund the State Service Annuity portion of the School Employees Retirement Plan and the Omaha Public Schools Retirement Plan, the amounts of which are determined each year by the annual actuarial valuation.
3. A contribution totaling \$6.9 million, split between the three Defined Benefit plans and Omaha to supplement COLA benefits granted to retirees sunsetted in 2012-2013 for the Defined Benefit plans and will sunset for Omaha in 2013-2014.

If additional contributions are required to fund any unfunded liabilities for the School, Judges, or State Patrol plans, the State is required by law to make that contribution. Here are the current funding totals appropriated or as requested in our budget, including the funding for Omaha:

2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
\$27,420,010	\$28,344,698	\$29,991,325	\$24,790,810	\$47,354,634*

*Budget request.

Retirement Plan Assets

Market Value

SYSTEM	2010	2011	2012	2013
School Employees*	\$5,940,401,645	\$7,263,954,832	\$7,246,311,781	\$8,092,953,030
Judges*	\$101,951,911	\$124,852,333	\$123,907,003	\$137,021,979
State Patrol*	\$229,574,640	\$278,146,750	\$278,311,367	\$309,589,784
State Employees (DC)	\$705,553,922	\$704,296,809	\$762,910,245	\$606,469,147
State Employees (CB)	\$687,018,022	\$701,154,228	\$805,050,990	\$1,224,185,235
County Employees (DC)	\$178,859,756	\$180,715,979	\$200,281,037	\$180,430,560
County Employees (CB)	\$200,290,863	\$208,483,691	\$243,917,379	\$350,546,570
Deferred Compensation (NPERS)	\$119,821,189	\$121,558,646	\$137,917,858	\$163,206,220
Deferred Compensation (Hartford)	\$40,502,964	\$34,563,970	\$34,489,108	\$39,419,475
Total All Plans	\$8,203,974,912	\$9,617,727,238	\$9,833,096,768	\$11,103,822,000

*Defined Benefit Plans thru 6/30/13
State, County, and DCP thru 12/31/13

Plan Membership Summary

2013 Membership Status

SYSTEM	ACTIVE	INACTIVE	RETIRED AND DROP	TOTALS
School Employees*	40,314	20,388	19,790	80,492
Judges*	149	10	167	326
State Patrol*	409	28	375	812
State Patrol DROP*	----	----	51	51
State Employees (DC)	3,038	1,597	----	4,635
State Employees (CB)	12,606	4,935	1,032	18,573
County Employees (DC)	1,266	726	----	1,992
County Employees (CB)	6,276	1,920	384	8,580
Deferred Compensation (NPERS)	2,749	472	----	3,221
Deferred Compensation (Hartford)	----	738	----	738
Total All Plans	66,807	30,814	21,799	119,420

*Thru 6/30/2013

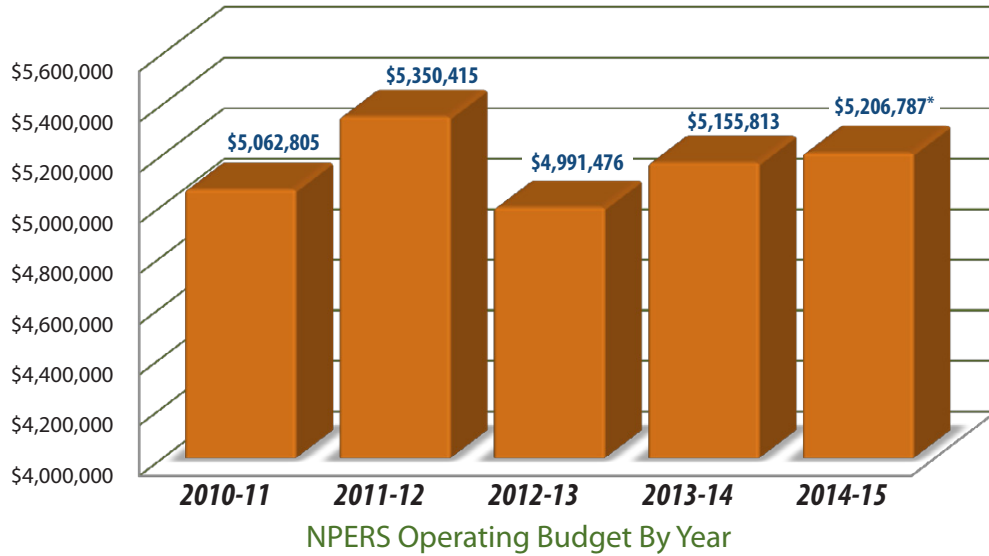
2013 Activity Summary

SYSTEM	ENROLLMENTS	REFUNDS	RETIREMENTS
School Employees	3,743	1,871	1,644
Judges	12	0	12
State Patrol	0	1	30
State Employees (DC)	0	415	23
State Employees (CB)	2,276	1,413	153
County Employees (DC)	0	161	10
County Employees (CB)	982	557	46
Deferred Compensation*	223	300	8
Total All Plans	8,547	4,718	1,926

*Excludes Hartford Plan Members

Operating Budget Summary

Program 041 and 042



2010-11	2011-12	2012-13	2013-14	2014-15
\$5,062,805	\$5,350,415	\$4,991,476	\$5,155,813	\$5,206,787*

*Budget request (not yet approved).

Operating Expenses

Operating Expenses Paid by Each Plan During 2012-13 Fiscal Year:		
School	\$2,953,623	70%
Patrol	\$39,017	1%
Judges	\$42,619	1%
State	\$684,563	16%
County	\$409,759	10%
DCP	\$71,132	2%

Our budget for FY13-14 represents expenses of approximately .05% (5BP) of our combined assets of \$11.1 billion. For FY14-15, it is .05% (5BP) of our combined assets.

Education Services

Seminars, Workshops, and Training

Retirement Planning Seminars

Retirement Planning Seminars are conducted for members of all five plans. By law, members must be at least age 50 or within five years of qualifying for retirement or early retirement to attend. The seminars include basic planning aspects related to pension benefits, finances, insurance, estate planning, social security benefits, and emotional preparation. Prior to retirement, members may attend twice, with a spouse or other guest, with paid leave.

Number of Seminars (10 LOCATIONS)	Total Attendees in 2013	Average Attendance
46	1,926	42

Financial Planning Seminars

Members of the State and County plans under age 50 have the option to attend our Financial Planning Seminars, which include a discussion on our pension benefits and investment options, financial planning, and estate planning. This program provides members a better understanding of their retirement plan and the need for personal financial planning long before retirement occurs. Prior to age 50, members may attend twice, with a spouse or other guest, with paid leave.

Number of Seminars (4 LOCATIONS)	Total Attendees in 2013	Average Attendance
3	70	23

Special Meetings/Training Sessions

Upon the request of members or employers, NPERS staff will speak to groups about the various plan provisions or about changes that occur through legislation.

2013 VENUES

- School employee in-service meetings
- Information booths at employee benefit fairs
- "Retirement 101" sessions for State employees
- "Retirement 101" sessions for Patrol members

Number of Sessions	Total Attendees in 2013
9	307

Employer Education Programs

NPERS recognizes the key role the State Agency, County, and School Employers provide for enrollment and information to members. NPERS provides informational materials to these employers for distribution to members. To ensure all employees are enrolled when eligible, NPERS also provides the employers with plan procedure manuals, notices, and regular employer training statewide. We have designated one individual on staff to oversee and coordinate the preparation of materials, manuals, and training for the employers.

2013 VENUES

- School Employer Contact training workshops

Number of Meetings	Total Attendees in 2013
6	261

Publications and Online Resources

Plan Member Handbooks

Each member is provided a plan handbook at the time he/she joins the plan. Handbooks contain a summary of plan benefits and are updated periodically.

Newsletters

NPERS uses newsletters to inform active members of proposed legislation and changes in benefits. A separate newsletter is sent annually to retired plan members receiving benefits. Newsletters are also used to discuss basic retirement educational topics and to encourage members to take advantage of the Financial Planning and Retirement Planning Seminars in their areas.

Annual Investment Report

State and the County Defined Contribution members and employees enrolled in our voluntary Deferred Compensation Plan have 13 investment options available to them. Each year we prepare an Annual Investment Report which includes annual investment returns and details on each investment fund. The report also includes year-end information on the Cash Balance benefit. This report is available on our website and announced in the State and County *Retirement News* newsletter. We mail a paper copy of the report to those who request it.

Videos

Educational videos are taped, edited, and hosted on the NPERS website. Members without internet access may request a copy in DVD format.

Agency Website

The agency website, npers.ne.gov, was created in 1998 and is continually updated. Members and employers may access the site for basic plan information, forms, seminar schedules and registration brochures, training, videos, benefit calculators, legislative updates, newsletters, annual reports, other publications, and employer manuals.

Additional Services

Service Delivery Results

The "Service Delivery Policy" primarily addresses the processing of large numbers of School retirement applications in the summer and early fall.

The PERB policy requires benefit payments to be processed and paid within 90 calendar days after the effective date of retirement. If payments cannot be processed within this time frame, the PERB allows staff to issue provisional checks at 95% of the expected benefit. Out of 1,644 retirements processed during 2013, the results are as follows:

6%	Payments began within 30 days.
35%	Payments processed between 31–60 days.
46%	Payments processed between 61–90 days.
10%	Payments processed between 91-100 days.
3%	Payments processed after 101 days.

Person-to-Person Contact

Members can contact NPERS in person, by phone, or by mail. Requests by telephone for details on beneficiary listings or estimated benefit amounts require proper identification before the information is released. We ask members to schedule office visit appointments in advance if extensive plan information is being requested.

Recordkeeper Services

State and County members participating in the Defined Contribution benefit as well as DCP members may access daily account values provided by NPERS' recordkeeper, Ameritas Life Insurance Company. Plan members may make investment changes via the Ameritas website at: <https://service.ameritas.com/service/login.asp>.

Statements of Account

Each plan member receives an account statement. Members of our School, Judges, and State Patrol plans receive annual statements showing account balances, reported service and salary, and other pertinent information. State, County, and Deferred Compensation Plan members receive quarterly statements.

Our recordkeeper expanded and improved the statement format for the State, County, and Deferred Compensation Plan members.

2013 Services Summary

	2010	2011	2012	2013
Incoming Phone Calls Answered				
	36,269	36,438	37,188	38,047
Office Visitors				
	2,356	2,420	2,754	2,421
Incoming Mail				
	35,157	34,950	34,905	33,357
Outgoing Mail				
	195,376	181,635	155,162	220,915
Data Purification Project				
	4,346	4,346	5,109	4,793
Scanned Documents (DOCUMENT IMAGING PROJECT)				
	380,671	314,835	239,215	302,617
Retiree Documents Converted				
	425	395	683	402

Internal Control

Implementation Procedures

- A.** Have plan of action in place for new legislation passed by the State Legislature or Congress within 30 to 45 days after notification is received on the change, but at least 30 days prior to the effective date.
- B.** Ensure proper training of staff prior to the effective date of the law changes.
- C.** Communicate proposed and actual plan law changes to the PERB, staff, employers, and all affected members with updates on the final law changes prior to the effective date of the change.
- D.** Begin implementation on the effective date of the law change. If rules and regulations governing the administration of the law are not complete or are in the approval process, use the proposed rules and regulations as policy so as not to delay implementation.
- E.** Compliance monitoring should begin immediately with all processes checked for accuracy by designated staff. Formal review of the guidelines with staff is to begin within three to six months after the effective date.
- F.** NPERS' Internal Audit function will periodically review the design and effectiveness of the control structure to ensure compliance with laws and regulations.
- G.** Continuously review long-standing statutes to make remedial changes or updates, if necessary.
- H.** Review audit issues to determine policy or procedure changes, as needed.

Purpose

To ensure the proper implementation and ongoing compliance with federal and state legislation governing the pension plans under the administration of the PERB.

Compliance Process

NPERS has established compliance to federal and state laws as a separate function. This function centralizes implementation and ongoing review of federal and state statutes governing plans under the PERB. The purpose of this function is to coordinate all duties and responsibilities across all lines of authority in NPERS, utilizing all resources to ensure NPERS is in compliance. The responsibility of this function is assigned to key NPERS staff members.

Responsibilities

The Director and agency Legal Counsel monitor and track the legislative process. They provide testimony at Retirement Committee hearings as directed by the PERB and assist in the preparation of legislation and amendments. Regular updates are provided to the PERB and to the NPERS managers regarding proposed legislative and regulatory changes.

The Accounting and Finance Manager prepares the fiscal notes for legislation affecting the retirement system.

Once legislation has been enacted, the Director, Legal Counsel, Internal Auditor, and Managers meet to formalize a plan for implementation. The implementation of new legislation becomes the responsibility of the Managers, with guidance and direction provided by the Director, Legal Counsel, and Internal Auditor.

The Internal Auditor will perform periodic tests of controls to ensure compliance with laws and regulations.

Economic Value and Annual Plan Audits

Economic Value of Defined Benefit and Cash Balance Plans to Members and to the State

Members receive pension benefits at retirement that will provide economic security for themselves and their families, while proving to be a major boost to the state economy. Members also receive protection for survivors, as well as protection in the event the member becomes disabled.

Last year, over 20,000 retirees received monthly payments from the Defined Benefit and Cash Balance plans totalling more than \$477 million in pension income. About 90% of that money stays in Nebraska and is spent by the retirees residing in every county. The economic value of the pension income is multiplied several times as the money is circulated throughout the state. See Appendix B for a chart of the monthly Defined Benefit pension payouts by county and by state.

Annual Plan Audits

Each year the State Auditor's office conducts an audit of each of the five retirement plans under our administration. The State and County plans are audited in the spring and summer. The School, Judges, and State Patrol plans are audited in the fall and winter. The Deferred Compensation Plan is audited every three years. There has not been a recent audit conducted that reported a material problem with the financial statements of our pension plans.

In 2012 we received the results of a formal compliance audit conducted by two outside firms with expertise in retirement plans. The firms were hired, per statute, to conduct a review of our compliance with both federal and state laws governing public pension plans. The results of this compliance audit were very positive and demonstrated to the PERB and agency management that we were following the statutes governing our plans.

Recent audits for our various retirement plans can be found on the State Auditor's website: <http://www.auditors.state.ne.us/>.

Appendices

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS



DC, DCP, & CB STATUS

DB PENSIONS SUMMARY

RETIREMENT PLANS

PERB POLICIES

Time-Weighted Rates of Return

Updated December 31, 2013

	Money Market Fund	Stable Value Fund	Bond Market Index Fund	S & P Stock Index Fund	Large Company Growth Stock Index Fund	Large Company Value Stock Index Fund
Quarter	0.02%	0.41%	-0.15%	10.52%	10.42%	10.00%
YTD	0.09	1.74	-1.95	32.45	33.42	32.50
2012	0.19	2.23	4.26	16.03	15.36	17.58
2011	0.11	2.81	7.85	2.22	2.72	0.48
2010	0.22	3.39	6.63	15.22	16.83	15.65
2009	0.49	3.81	5.95	26.85	37.48	20.08
2008	2.44	4.50	5.36	-36.89	-38.21	-36.81
1 Year	0.09	1.74	-1.95	32.45	33.42	32.50
3 Year	0.13	2.26	3.31	16.25	16.50	16.11
5 Year	0.22	2.79	4.49	18.08	20.49	16.80
10 Year	1.79	3.63	4.60	7.52	7.91	7.68

	Small Company Stock Fund	International Stock Index Fund	AGE-BASED FUND			Investor Select Fund
			Conservative Premixed Funds	Moderate Premixed Funds	Aggressive Premixed Fund	
Quarter	10.31%	4.83%	2.47%	4.89%	7.21%	5.79%
YTD	42.21	14.52	6.25	13.95	22.07	17.92
2012	18.39	17.74	6.79	10.48	13.72	15.05
2011	-3.15	-13.53	3.90	2.71	0.39	-0.13
2010	30.70	11.24	8.47	12.13	14.71	13.54
2009	36.34	39.82	11.85	19.65	25.99	25.92
2008	-36.01	-43.87	-6.78	-17.84	-28.74	-25.79
1 Year	42.21	14.52	6.25	13.95	22.07	17.92
3 Year	17.70	5.25	5.64	8.94	11.70	10.65
5 Year	23.78	12.64	7.42	11.65	15.03	14.14
10 Year	10.14	N/A	5.37	6.79	7.52	N/A

MAJOR INDICES:	S & P 500 (Large Co. Stock)	Russell 2000 (Small Co. Stock)	MSCI ACWI-EX US (Int'l. Stock)	Barclays Aggregate (Bonds)	90-Day Treasury Bill	CPI (Inflation)
Quarter	10.51%	8.72%	4.77%	-0.14%	0.01%	-0.47%
YTD	32.39	38.82	15.29	-2.02	0.08	1.50
2012	16.00	16.35	16.83	4.21	0.12	1.74
2011	2.11	-4.18	-13.71	7.84	0.11	2.96
1 Year	32.39	38.82	15.29	-2.02	0.08	1.50
3 Year	16.18	15.67	5.14	3.26	0.11	2.07
5 Year	17.94	20.08	12.82	4.44	0.14	2.08
10 Year	7.41	9.07	7.57	4.55	1.71	2.37

- Returns are net of investment management fees.
- The 1-, 3-, 5-, and 10-year rates of return are annualized rates of return of the funds through December 31, 2013.
- Past performance is not indicative of future performance.
- Members who selected the Age-Based Fund option should check performance in the following manner: Members through age 39 use the Aggressive Premixed Fund; Members at age 40 through 59 use the Moderate Premixed Fund; and Members at age 60 and over should use the Conservative Premixed Fund.

Rates of return are for the investment vehicle currently used.

Following are the dates of NE fund participation:

Stable Value Fund – 1996; Bond Market Index Fund, S & P 500 Stock Index Fund, Money Market Fund – 1997; Large Company Growth Stock Index Fund, Large Company Value Stock Index Fund, Conservative Premixed Fund, Moderate Premixed Fund, Aggressive Premixed Fund – 1999; Small Company Stock Fund – 2000; International Stock Index Fund and Investor Select Fund – 2005.

Cash Balance Credit Rate

	Q1	Q2	Q3	Q4	ANNUAL RATE
2013	5.00%	5.00%	5.00%	5.00%	5.00%
2012	5.00%	5.00%	5.00%	5.00%	5.00%
2011	5.00%	5.00%	5.00%	5.00%	5.00%
2010	5.00%	5.00%	5.00%	5.00%	5.00%
2009	5.00%	5.00%	5.00%	5.00%	5.00%
2008	5.08%	5.00%	5.00%	5.00%	5.02%
2007	6.08%	6.11%	6.45%	5.85%	6.12%
2006	5.98%	6.22%	6.55%	6.32%	6.27%
2005	5.26%	5.59%	5.36%	5.58%	5.45%
2004	5.02%	5.00%	5.61%	5.12%	5.19%

Cash Balance option pays a credit rate, which is the greater of 5% or the applicable federal mid-term rate, as published by the IRS as of the first day of the calendar quarter, plus 1.5%, compounded annually.

Cash Balance Dividend

	RATE	BALANCE AS OF:	EMPLOYED ON:	PAID ON:	AMOUNT PAID
2013	0.00%	n/a	n/a	n/a	\$0.00
2012	0.00%	n/a	n/a	n/a	\$0.00
2011	0.00%	n/a	n/a	n/a	\$0.00
2010	0.00%	n/a	n/a	n/a	\$0.00
2009	0.00%	n/a	n/a	n/a	\$0.00
2008 State	5.18%	12/31/2007	12/31/2007	10/3/2008	\$21,630,438.25
2008 County	5.34%	12/31/2007	12/31/2007	10/3/2008	\$6,943,643.11
2007	2.73%	12/31/2006	12/31/2006	9/27/2007	\$13,531,875.14
2006 State	13.50%	12/31/2005	12/31/2005	10/27/2006	\$41,505,456.02
2006 County	16.40%	12/31/2005	12/31/2005	10/27/2006	\$14,801,902.56
2005	2.80%	12/31/2004	4/18/2005	6/30/2005	\$6,845,702.09
2004	3.09%	12/31/2003	9/30/2004	9/30/2004	\$6,801,286.65

Public Employees Retirement Board granted dividends in 2004, 2005, 2006, and 2007 to members with the Cash Balance Option. The dividends were calculated based upon the account balances on the last day of the prior year. There were no dividends granted in 2009, 2010, 2011, 2012, or 2013 for either State or County Plans.

Monthly Defined Benefit Pension Benefits Paid

Distribution By Nebraska County – December 2013

COUNTY	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
ADAMS	\$776,065	417	\$1,861				\$776,065	417	\$1,861
ANTELOPE	\$198,343	124	\$1,600				\$198,343	124	\$1,600
ARTHUR	\$14,326	11	\$1,302				\$14,326	11	\$1,302
BANNER	\$7,145	7	\$1,021				\$7,145	7	\$1,021
BLAINE	\$15,018	8	\$1,877				\$15,018	8	\$1,877
BOONE	\$117,962	90	\$1,311	362	1	\$362	\$118,324	91	\$1,300
BOX BUTTE	\$323,155	163	\$1,983				\$323,155	163	\$1,983
BOYD	\$45,960	38	\$1,209				\$45,960	38	\$1,209
BROWN	\$79,892	49	\$1,630	3,818	1	\$3,818	\$83,710	50	\$1,674
BUFFALO	\$1,319,672	645	\$2,046	1,687	1	\$1,687	\$1,321,359	646	\$2,045
BURT	\$276,393	148	\$1,868	5,383	3	\$1,794	\$281,777	151	\$1,866
BUTLER	\$182,434	102	\$1,789				\$182,434	102	\$1,789
CASS	\$554,722	325	\$1,707	80,204	44	\$1,823	\$634,926	369	\$1,721
CEDAR	\$183,228	110	\$1,666				\$183,228	110	\$1,666
CHASE	\$101,419	61	\$1,663				\$101,419	61	\$1,663
CHERRY	\$112,907	70	\$1,613				\$112,907	70	\$1,613
CHEYENNE	\$223,832	128	\$1,749				\$223,832	128	\$1,749
CLAY	\$182,643	108	\$1,691	982	1	\$982	\$183,625	109	\$1,685
COLFAX	\$143,828	94	\$1,530	4,328	3	\$1,443	\$148,157	97	\$1,527
CUMING	\$130,264	100	\$1,303	45	1	\$45	\$130,309	101	\$1,290
CUSTER	\$269,552	164	\$1,644	650	1	\$650	\$270,202	165	\$1,638
DAKOTA	\$247,920	168	\$1,476				\$247,920	168	\$1,476
DAWES	\$174,122	109	\$1,597				\$174,122	109	\$1,597
DAWSON	\$457,758	266	\$1,721	3,972	2	\$1,986	\$461,730	268	\$1,723
DEUEL	\$59,540	30	\$1,985				\$59,540	30	\$1,985
DIXON	\$135,519	89	\$1,523	1,657	1	\$1,657	\$137,176	90	\$1,524
DODGE	\$1,143,910	587	\$1,949	15,148	10	\$1,515	\$1,159,059	597	\$1,941
DOUGLAS	\$5,344,211	2464	\$2,169	5,911,262	2810	\$2,104	\$11,255,473	5,274	\$2,134
DUNDY	\$32,238	18	\$1,791	4,836	1	\$4,836	\$37,075	19	\$1,951
FILLMORE	\$151,317	80	\$1,891				\$151,317	80	\$1,891
FRANKLIN	\$78,325	47	\$1,666				\$78,325	47	\$1,666
FRONTIER	\$63,759	45	\$1,417				\$63,759	45	\$1,417
FURNAS	\$166,225	99	\$1,679				\$166,225	99	\$1,679

School/Patrol/Judge (GROSS AMOUNTS)				Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
COUNTY	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
GAGE	\$594,200	325	\$1,828	7,320	2	\$3,660	\$601,520	327	\$1,840
GARDEN	\$89,900	50	\$1,798				\$89,900	50	\$1,798
GARFIELD	\$75,747	45	\$1,683	4,184	2	\$2,092	\$79,931	47	\$1,701
GOSPER	\$87,304	52	\$1,679				\$87,304	52	\$1,679
GRANT	\$23,068	12	\$1,922				\$23,068	12	\$1,922
GREELEY	\$56,507	33	\$1,712				\$56,507	33	\$1,712
HALL	\$1,494,750	704	\$2,123	2,567	2	\$1,284	\$1,497,317	706	\$2,121
HAMILTON	\$290,075	149	\$1,947				\$290,075	149	\$1,947
HARLAN	\$92,385	49	\$1,885				\$92,385	49	\$1,885
HAYES	\$30,911	19	\$1,627				\$30,911	19	\$1,627
HITCHCOCK	\$86,047	51	\$1,687				\$86,047	51	\$1,687
HOLT	\$220,215	151	\$1,458				\$220,215	151	\$1,458
HOOKER	\$35,234	23	\$1,532				\$35,234	23	\$1,532
HOWARD	\$168,951	102	\$1,656				\$168,951	102	\$1,656
JEFFERSON	\$164,831	119	\$1,385				\$164,831	119	\$1,385
JOHNSON	\$117,914	72	\$1,638				\$117,914	72	\$1,638
KEARNEY	\$139,175	89	\$1,564				\$139,175	89	\$1,564
KEITH	\$239,242	125	\$1,914				\$239,242	125	\$1,914
KEYA PAHA	\$20,912	10	\$2,091				\$20,912	10	\$2,091
KIMBALL	\$121,547	67	\$1,814				\$121,547	67	\$1,814
KNOX	\$265,068	170	\$1,559	1,602	1	\$1,602	\$266,670	171	\$1,559
LANCASTER	\$6,794,373	3211	\$2,116	31,577	25	\$1,263	\$6,825,951	3,236	\$2,109
LINCOLN	\$880,395	443	\$1,987	789	2	\$395	\$881,185	445	\$1,980
LOGAN	\$32,511	21	\$1,548				\$32,511	21	\$1,548
LOUP	\$17,967	10	\$1,797				\$17,967	10	\$1,797
MADISON	\$840,413	441	\$1,906	1,605	2	\$803	\$842,018	443	\$1,901
MCPHERSON	\$11,526	8	\$1,441				\$11,526	8	\$1,441
MERRICK	\$180,670	115	\$1,571	1,973	2	\$987	\$182,643	117	\$1,561
MORRILL	\$157,543	83	\$1,898				\$157,543	83	\$1,898
NANCE	\$108,611	64	\$1,697	405	1	\$405	\$109,016	65	\$1,677
NEMAHA	\$164,667	102	\$1,614				\$164,667	102	\$1,614
NUCKOLLS	\$95,656	69	\$1,386				\$95,656	69	\$1,386
OTOE	\$412,155	221	\$1,865	7,958	5	\$1,592	\$420,114	226	\$1,859

Appendix B

DEFINED BENEFIT PENSIONS SUMMARY

COUNTY	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
PAWNEE	\$91,028	54	\$1,686	3,321	2	\$1,660	\$94,349	56	\$1,685
PERKINS	\$75,833	53	\$1,431				\$75,833	53	\$1,431
PHELPS	\$328,184	169	\$1,942	969	1	\$969	\$329,153	170	\$1,936
PIERCE	\$207,915	116	\$1,792				\$207,915	116	\$1,792
PLATTE	\$682,187	358	\$1,906				\$682,187	358	\$1,906
POLK	\$163,319	97	\$1,684	816	1	\$816	\$164,135	98	\$1,675
RED WILLOW	\$303,023	181	\$1,674	2,867	1	\$2,867	\$305,890	182	\$1,681
RICHARDSON	\$177,379	119	\$1,491				\$177,379	119	\$1,491
ROCK	\$29,887	19	\$1,573				\$29,887	19	\$1,573
SALINE	\$316,994	180	\$1,761				\$316,994	180	\$1,761
SARPY	\$2,212,882	1064	\$2,080	631,154	354	\$1,783	\$2,844,036	1,418	\$2,006
SAUNDERS	\$452,845	228	\$1,986	16,246	10	\$1,625	\$469,090	238	\$1,971
SCOTTS BLUFF	\$1,030,534	534	\$1,930	635	1	\$635	\$1,031,169	535	\$1,927
SEWARD	\$474,674	240	\$1,978				\$474,674	240	\$1,978
SHERIDAN	\$167,188	92	\$1,817				\$167,188	92	\$1,817
SHERMAN	\$118,363	64	\$1,849				\$118,363	64	\$1,849
SIoux	\$11,098	7	\$1,585				\$11,098	7	\$1,585
STANTON	\$60,645	42	\$1,444				\$60,645	42	\$1,444
THAYER	\$160,334	101	\$1,587				\$160,334	101	\$1,587
THOMAS	\$16,413	11	\$1,492				\$16,413	11	\$1,492
THURSTON	\$91,221	65	\$1,403				\$91,221	65	\$1,403
VALLEY	\$124,818	69	\$1,809	827	1	\$827	\$125,645	70	\$1,795
WASHINGTON	\$393,098	208	\$1,890	92,734	49	\$1,893	\$485,833	257	\$1,890
WAYNE	\$235,389	132	\$1,783				\$235,389	132	\$1,783
WEBSTER	\$72,515	52	\$1,395				\$72,515	52	\$1,395
WHEELER	\$17,016	13	\$1,309				\$17,016	13	\$1,309
YORK	\$350,168	222	\$1,577	6,148	3	\$2,049	\$356,316	225	\$1,584
TOTALS	\$35,789,019	18,659	\$1,918	\$6,850,033	3,347	\$2,047	\$42,639,052	22,006	\$1,938

Total Gross Benefit Paid Per Month to Nebraska Residents For All Four Systems = **\$42,639,052**

Monthly Defined Benefit Pension Benefits Paid

Distribution By State – December 2013

STATE	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	GROSS PENSION	MEMBERS	% OF TOTAL	GROSS PENSION	MEMBERS	% OF TOTAL	TOTAL PENSION	MEMBERS	% OF TOTAL
AK	\$9,671	5	0.02%				\$9,671	5	0.02%
AL	\$9,428	7	0.02%	\$8,951	5	0.11%	\$18,379	12	0.04%
AR	\$93,082	57	0.23%	\$17,322	14	0.22%	\$110,404	71	0.23%
AZ	\$461,844	246	1.16%	\$123,300	56	1.54%	\$585,145	302	1.23%
CA	\$90,407	69	0.23%	\$48,985	31	0.61%	\$139,392	100	0.29%
CO	\$436,525	289	1.10%	\$93,444	49	1.17%	\$529,970	338	1.11%
CT	\$4,688	3	0.01%				\$4,688	3	0.01%
DC				\$4,422	1	0.06%	\$4,422	1	0.01%
DE	\$9,547	3	0.02%	\$8,794	4	0.11%	\$18,341	7	0.04%
FL	\$213,204	120	0.54%	\$53,964	34	0.67%	\$267,168	154	0.56%
GA	\$17,470	20	0.04%	\$10,643	7	0.13%	\$28,113	27	0.06%
HI	\$67	1	0.00%	\$4,051	3	0.05%	\$4,118	4	0.01%
IA	\$507,437	325	1.28%	\$338,566	165	4.23%	\$846,003	490	1.77%
ID	\$22,033	19	0.06%	\$6,511	3	0.08%	\$28,544	22	0.06%
IL	\$29,964	24	0.08%	\$23,101	11	0.29%	\$53,064	35	0.11%
IN	\$23,009	17	0.06%	\$9,083	5	0.11%	\$32,092	22	0.07%
KS	\$213,706	154	0.54%	\$31,161	23	0.39%	\$244,867	177	0.51%
KY	\$9,099	4	0.02%				\$9,099	4	0.02%
LA	\$4,733	2	0.01%	\$10,051	5	0.13%	\$14,784	7	0.03%
MA	\$6,227	4	0.02%	\$547	1	0.01%	\$6,774	5	0.01%
MD	\$1,846	4	0.00%	\$4,630	3	0.06%	\$6,476	7	0.01%
MI	\$12,253	14	0.03%	\$2,575	3	0.03%	\$14,828	17	0.03%
ME	\$2,171	2	0.01%				\$2,171	2	0.00%
MN	\$90,959	84	0.23%	\$31,836	14	0.40%	\$122,795	98	0.26%
MO	\$314,530	178	0.79%	\$47,477	27	0.59%	\$362,007	205	0.76%
MS	\$11,747	6	0.03%	\$5,780	3	0.07%	\$17,527	9	0.04%
MT	\$52,964	29	0.13%	\$4,442	4	0.06%	\$57,406	33	0.12%
NC	\$40,322	25	0.10%	\$20,323	9	0.25%	\$60,645	34	0.13%
ND	\$2,773	1	0.01%				\$2,773	1	0.01%
NE	\$35,789,019	18101	90.07%	\$6,850,033	3347	85.56%	\$42,639,052	21,448	89.32%
NH			0.00%				\$-	0	0.00%
NJ	\$1,224	3	0.00%				\$1,224	3	0.00%
NM	\$54,947	31	0.14%	\$10,580	6	0.13%	\$65,528	37	0.14%
NV	\$68,191	36	0.17%	\$14,395	6	0.18%	\$82,586	42	0.17%

School/Patrol/Judge (GROSS AMOUNTS)				Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
STATE	GROSS PENSION	MEMBERS	% OF TOTAL	GROSS PENSION	MEMBERS	% OF TOTAL	TOTAL PENSION	MEMBERS	% OF TOTAL
NY	\$21,172	13	0.05%	\$3,168	1	0.04%	\$24,340	14	0.05%
OH	\$25,761	18	0.06%	\$711	2	0.01%	\$26,472	20	0.06%
OK	\$25,659	19	0.06%	\$30,409	14	0.38%	\$56,068	33	0.12%
OR	\$76,983	49	0.19%	\$13,332	7	0.17%	\$90,315	56	0.19%
PA	\$28,674	13	0.07%	\$6,467	3	0.08%	\$35,141	16	0.07%
RI	\$1,581	2	0.00%				\$1,581	2	0.00%
SC	\$30,697	15	0.08%	\$4,656	2	0.06%	\$35,353	17	0.07%
SD	\$348,226	196	0.88%	\$10,186	8	0.13%	\$358,412	204	0.75%
TN	\$31,982	20	0.08%	\$18,007	12	0.22%	\$49,989	32	0.10%
TX	\$240,849	141	0.61%	\$81,484	50	1.02%	\$322,332	191	0.68%
UT	\$37,152	22	0.09%	\$6,248	3	0.08%	\$43,400	25	0.09%
VA	\$33,966	21	0.09%	\$4,071	4	0.05%	\$38,038	25	0.08%
VT	\$3,703	2	0.01%				\$3,703	2	0.01%
WA	\$51,812	37	0.13%	\$26,269	11	0.33%	\$78,081	48	0.16%
WI	\$36,189	30	0.09%	\$4,951	6	0.06%	\$41,140	36	0.09%
WV	\$4,748	3	0.01%	\$2,137	1	0.03%	\$6,885	4	0.01%
WY	\$127,276	89	0.32%	\$6,710	4	0.08%	\$133,986	93	0.28%
Belize	\$1,976	1	0.00%				\$1,976	1	0.00%
Mexico				\$2,155	1	0.03%	\$2,155	1	0.00%
TOTALS	\$39,733,492	20,574		\$8,005,928	3,968		\$47,739,421	24,542	

Total Gross Benefit Paid
Per Month For All Four Systems = **\$47,739,421**

Plan Summaries

The following are brief descriptions of each pension plan under the PERB's administration. The PERB has limited authority with respect to establishing the funding policy for these five statewide retirement systems.

County Employees Retirement System

County employees participate in either the Defined Contribution or Cash Balance plan. Regardless of the benefit provision a member has chosen, the benefit is based on the accumulated account balance (employee and employer contributions and earnings). At retirement a member may elect an annuity, rollover, and/or a lump sum of his/her account.

Employees contribute 4.5% of compensation [section 23-2307], with an additional 1% contribution by county law enforcement officers for counties under 85,000 in population, and an additional 2% for counties with over 85,000 in population. The county employers match the members' contribution [section 23-2308] at the rate of 150%.

Employees in the Defined Contribution portion of the plan may invest their contributions in various investment options available to them. Employees in the Cash Balance portion of the plan earn a specified rate of interest (Federal mid-term rate plus 1.5% or a minimum of 5%). Dividends may be issued to members in the Cash Balance plan if plan funding requirements are met, per statute.

Employer contributions to the Defined Contribution benefit are directed by plan members who can choose among the same investment options that are available for their employee contributions. Employer contributions to the Cash Balance benefit earn the same rate of return as the member contributions, as specified by the plan. Members are vested in the employer funds after three years of plan participation.

State Employees Retirement System

State employees participate in either a Defined Contribution or a Cash Balance plan. Regardless of the benefit provision a plan member has chosen, the benefit at retirement is based on the accumulated account balance. A member may choose to elect an annuity at retirement, rollover, and/or a lump sum of his/her account.

Employees contribute 4.8% of compensation. The employer contribution is 156% of the employee's contribution [section 84-1309].

Employees in the Defined Contribution portion of the plan may invest their contributions in various investment options available to them. Employees in the Cash Balance plan earn a specified rate of interest (Federal mid-term rate plus 1.5% or a minimum of 5%). Dividends may be issued to members within the Cash Balance portion of the State plan if plan funding requirements are met, per statute.

Employer contributions to the Defined Contribution benefit are directed by plan members who can choose among the same investment options that are available for their employee contributions. Employer contributions to the Cash Balance benefit earn the same rate of return as the member contributions, as specified by the plan.

Members are vested in the employer funds after three years of plan participation.

Deferred Compensation Plan

This is a voluntary tax-deferred investment plan available to state and some county employees. The plan is an eligible Deferred Compensation Plan under section 457 of the Internal Revenue Code. Members may contribute up to \$17,500 to the plan in 2014. The investment options are identical to those offered through the Defined Contribution component of the State and County plans. There are no employer contributions. All expenses associated with the administration of the Deferred Compensation Plan are paid by the members of the plan through a monthly assessment against member accounts.

Judges Retirement System

This is a Defined Benefit plan with contribution levels established by statute, with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

Currently, each member contributes 7% or 9% of compensation [section 24-703] until the member reaches 20 years of service, at which time the rate drops to 5% of compensation or 1%. The rate a member contributes both before 20 years and after depends on the choice each judge made following the enactment of an unreduced joint and survivor retirement option under LB 1097 in 2004. The plan is also funded by a \$6 court fee assessed on various court filings per section 24-703.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 24-705]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 24-703].

In addition, the state contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 24-710.07]. A retired member is eligible to receive an annual COLA after being retired one year.

Members are eligible for early, reduced retirement at age 55 or with unreduced benefits at age 65. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3.5%. Benefits are capped at 70% of average salary.

State Patrol Retirement System

This is a Defined Benefit plan with contribution levels established by statute with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

Currently each member contributes 16% of compensation [section 81-2017]. The plan is also funded by an employer contribution of 16% of compensation [section 81-2017].

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 24-705]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 81-2017].

In addition, the state contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 81-2027.03]. A retired member is eligible to receive an annual COLA after being retired one year.

Members are eligible for retirement as early as age 50 with 25 years of creditable service or at normal retirement age of 55. A member must retire upon reaching age 60. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3%. Benefits are capped at 75% of average salary. If a member retires prior to age 55 and does not have 25 years of service, the member's benefit is reduced by 5/9 of 1% for every year prior to age 55 or reaching 25 years of service.

A voluntary Deferred Retirement Option Plan (DROP) was added effective September 2008. Members with 25 or more years of service may participate as early as age 50. Upon entering DROP, benefits are calculated using current salary and service. During the DROP time frame the participant continues employment with the State Patrol and no longer makes contributions to retirement. Monthly pension benefits are deposited into the DROP account and invested by the participant using the same investment options utilized in the Defined Contribution and Deferred Compensation plans. At termination, the DROP account is available to the participant. Subsequent monthly benefits are issued directly to the participant.

School Employees Retirement System

This is a Defined Benefit plan with contribution levels established by statute with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

Currently each member contributes 9.78% of compensation [section 79-958]. The plan is also funded by a matching employer contribution of 101% of the member's contribution [section 79-958].

In addition, the state contributes an amount equal to 1% of the compensation of all members in the system. This will be raised to 2% of compensation effective July 2014. The state also contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 79-947.01]. A retired member is eligible to receive an annual COLA after being retired one year.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 79-966]. On the basis of this annual valuation, the state contributes an amount sufficient to cover the state service annuity [section 79-966].

Under certain circumstances, members may purchase additional years of service credit (such as out-of-state public school service). For members hired or rehired on or after July 1996, these service credit purchases must be purchased on the basis of full actuarial cost to the system [sections 79-933.05, 79-933.06, and 79-933.08]. The PERB's consulting actuary provides actuarial cost tables for the PERB to determine the amount to be paid by the member for the additional service so that the impact to the plan for allowing this additional service is actuarially neutral.

A member may retire as early as age 55 with 30 years of service on an unreduced basis, upon reaching the "Rule of 85" if age 55 or older, or at the "normal" retirement age of 65. Benefits are calculated by multiplying the member's final average salary by their total creditable service, times a factor of 2%. For members hired prior to July 1, 2013, final average salary is determined using the three highest 12-month periods of compensation. For members hired on or after July 1, 2013, final average salary is determined using the five highest 12-month periods of compensation. There is an early retirement benefit reduction at age 60 to 65 if the member does not meet the "Rule of 85."

Defined Benefit Plan/Actuarial Assumptions

Based upon annual actuarial valuations of the three Defined Benefit plans, as well as quinquennial experience studies, the PERB's actuary recommends actuarial assumptions to the PERB. The assumptions are key to the ongoing funding of the plans.

Actuarial assumptions are included for:

- Investment rates of return
- Salary changes
- Withdrawal rates
- Retirement rates
- Post-retirement mortality rates

In 1996, the PERB adopted a "smoothing of assets" policy for the recognition of investment returns by the three plans. As recommended by the actuary, this policy requires that annual investment gains and/or losses be amortized over five years to avoid significant variations in funding from year to year.

An actuarial experience study was completed in 2012. The study was presented to the Legislative Retirement Committee on November 20, 2012. The next experience study is planned for 2017.

Board Policy #1

Revised June 2011

Board Duties and Governance

1. DUTIES

The Public Employees Retirement Board is created by and shall comply with Neb. Rev. Stat. §§ 84-1501 to 84-1513, et seq. The Board's duties include, but are not limited to the following:

- (a) To administer the County Employees, Judges, Nebraska State Patrol, School Employees, and State Employees Retirement Acts and the voluntary Deferred Compensation Plan authorized in § 84-1504.
- (b) To appoint a Director to whom responsibility for the daily operations of the systems is delegated, within limitations established by the Board, and governed by statute.
- (c) To provide oversight of the Director and the operation of the Retirement Systems agency.
- (d) To approve and adopt Rules and Regulations for the governance of the Retirement Systems agency, as governed by statute.
- (e) To establish policies for Board governance and duties.
- (f) To determine actuarial and other financial assumptions used to predict future assets and liabilities of the various Retirement Systems as provided by statute, and which will inform and assist the Nebraska Investment Council in managing the assets of the Retirement Systems.
- (g) To approve the agency budget and allocation of expenses.
- (h) To hire an attorney to advise the Board in legal matters as they relate to the administration of the retirement systems.
- (i) To hire an internal auditor to perform internal auditing functions and to advise the Board in those matters as they relate to the administration of the retirement systems.
- (j) To prepare an annual written plan of action regarding agency achievements and priorities to be presented to the Nebraska Retirement Systems Committee of the Legislature at a public hearing by March 31st of each year.
- (k) To obtain, by competitive bid, actuarial services on behalf of the State of Nebraska as necessary for administration of the retirement systems.
- (l) To obtain, by competitive bid, auditing services for a separate compliance audit by December 31, 2012, and at least every ten years thereafter.

- (m) To administer all Retirement Systems in a manner, which will maintain each plan's status as a qualified plan pursuant to the Internal Revenue Code.
- (n) To review and approve all member disability claims.
- (o) To review and approve all hardship withdrawals from the Deferred Compensation Plan.
- (p) To consider all member appeals according to the Administrative Procedure Act and the Retirement System Rule and Regulation Chapter 12.

2. GOVERNANCE

- (a) Conduct of Meetings – meetings of the Public Employees Retirement Board shall be held in accordance with open meetings provisions set forth in Neb. Rev. Stat. § 84-1408 to § 84-1414, Board statutes set forth in Neb. Rev. Stat. § 84-1501 to § 84-1513, and Retirement Systems Rule and Regulation, 303 NAC Chapter 1 – Board Management.
 - (i) **Regular Meetings** – regular meetings of the Board shall be held once each month. Meetings will be held at a location determined by the Board. Meeting dates can be changed by consensus of the Board. A tentative schedule of meetings will be adopted in December of each year for the following year.
 - (ii) **Special Meetings** – special meetings of the board may be held whenever called by the Chairperson or by not less than three Board members. The Secretary shall give notice to each Board member of such special meeting by mail, by facsimile transmission or by other electronic means at least three days before the meeting, with reasonable advance public notice given outlining the reason for the meeting and availability of the agenda.
 - (iii) **Emergency Meetings** – when it is necessary to hold an emergency meeting of the Board without reasonable advance public notice, care shall be taken to comply fully with open meetings statutes.
- (b) **Agenda** – The agenda for each meeting shall be prepared by the Director. Items shall be placed on the agenda at the discretion of the Director or the Chairperson, subject to the following:
 - (i) Except for items of an emergency nature, the agenda shall not be altered later than 24 hours before the scheduled commencement of the meeting. Items of an emergency nature shall be added to the agenda only at a public meeting and only after a finding by the Board that the matter is one which requires immediate action by the Board which cannot be delayed until the next public meeting.

- (ii) Items may be placed on the agenda at the request of individual members subject to approval by the Chairperson or Director.
- (iii) The agenda shall be kept continually current and shall be readily available for public inspection at the office of the Retirement Systems during normal business hours.
- (c) **Officers** – each year, in January, the Board shall elect a Chairperson, a Vice Chair and a Secretary. The terms of such officers shall be from the date elected until a successor is elected.
 - (i) **Eligibility** – a board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice-Chair. The ex-officio, non-voting member of the Board shall not be eligible to serve as an officer.
 - (ii) **Procedure** – nominations may be made by any voting member of the Board. If requested, a secret ballot may be taken for the vote. The winner must receive a majority of the votes of those present to win.
 - (iii) **Duties of Chairperson** – the duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the Retirement Systems by State or Federal Law. The Chair will ensure the following:
 - A. Meeting discussion content will be related to the published agenda;
 - B. Deliberation will be timely, fair, orderly and thorough; but also efficient, limited in time and kept to the point.
 - (iv) **Authority of Chair** – the authority of the Chair consists only of making decisions on behalf of the Board that fall within and are consistent with Board policies. This includes:
 - A. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.)
 - B. The Chair has no authority to make decisions beyond policies created by the Board and specifically within the Director’s Duties & Limitations of Authority (Policy #3).
 - C. The Chair may represent the Board to outside parties either in simply announcing Board-stated positions or in stating Chair decisions and interpretations within the area delegated to him or her.
 - D. The Chair may also: convene meetings of the Board, per statute; certify actions of the Board; name Retirement Board members to committees; and perform other duties requested from time to time that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities by statute.
- (v) **Duties of the Vice Chair** – the Vice Chair is to act as temporary chair in the absence of the regular chair and may perform those duties imposed on the Chair.
- (d) **Committees** – The Board establishes committees in order to help carry out its responsibilities. When subcommittees are used, the Chair shall appoint Board members to committees. The committees, per Rule and Regulation, 303 NAC Chapter 1, shall be composed of not more than three members. No subcommittee meeting shall have so many Board members present that it would constitute a meeting of a public body for purposes of Chapter 84, Article 14 of the Nebraska Revised Statutes. The Chair may also appoint the chairperson of each subcommittee. Subcommittees may not take formal action on behalf of the Board, nor represent the Board without prior approval of the full Board. All subcommittee findings and recommendations require formal action of the Board to be binding upon the Board. Subcommittees may include, but are not limited to the following:
 - (i) **Regulation and Policy Review Committee** – shall review current Board policies, proposed rules and regulations and recommend revisions, additions and deletions to the Board and assist with establishing a long-range plan in the areas of benefits, funding, technology, member services, education and communication. This includes overview of the agency’s annual report to the Legislature.
 - (ii) **Legislative Committee** – shall review all pending legislation, be available to attend public hearings and advise the Board of trends that may affect the Systems.
 - (iii) **Budget and Personnel Committee** – shall review the budget and monthly expenses, assist with the review of service contracts at the time of renewal or rebidding, and make recommendations to the full Board. The committee shall also establish a schedule for the performance evaluation of the Director; collect and summarize individual evaluations to be reported to the full Board and recommend appropriate action. The committee shall also review the performance evaluation report conducted by the Director on the agency Legal Counsel and Internal Auditor and submit a recommendation to the full Board.
 - (iv) **Education and Retreat Committee** – is responsible for the promotion of Board education; recommends topics and appropriate speakers for educational portion of Board meetings and outlines objectives for annual retreat.

(v) **Audit Committee** – shall review annual plan audits by the Auditor of Public Accounts, periodically review internal audit plans and procedures; and make recommendations to the Board as needed.

(vi) **Any other ad hoc committee** as necessary.

Board Policy #2

Revised September 2006

Board Code of Conduct

1. The Public Employees Retirement Board expects of itself and its members ethical and businesslike conduct.
2. Board members, as fiduciaries defined in Neb. Rev. Stat. § 84-1503.02, shall discharge their duties solely in the interest of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law.
3. Board members are responsible for preparing themselves for Board work. They shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Neb. Rev. Stat. §84-1503.02 (2).
4. Board members must avoid any conflict, or perceived conflict of interest with respect to their fiduciary responsibility.
 - (a) There must be no self-dealing or any conduct of private business or personal services between any Board member and the Retirement Systems.
 - (b) Board members must not use their positions to obtain employment within the Retirement System for themselves, family members, or close associates.
 - (c) Should a Board member be considered for employment, he or she must not have been a member of the Board for at least ninety (90) days prior to the date of such employment.
 - (d) Board members must file a "Potential Conflict of Interest Statement" with the Nebraska Accountability and Disclosure Commission whenever a potential conflict arises. A potential conflict of interest exists when a board member, in the discharge of his or her official duties, would be required to take an action or make any decision that may cause financial benefit or detriment to him or her, a member of his or her immediate

family, or a business with which he or she is associated which is distinguishable from the effects of such action on the public generally, or a broad segment of the public. Neb. Rev. Stat. §49-1499.02.

5. "Statements of Financial Interests," as provided under the Nebraska Accountability and Disclosure Act, Neb. Rev. Stat. §§ 49-1401 to 49-14,140, et seq., shall be filed by each Board Member on or before April 1st of each year for the prior calendar year. A filing is to also be made within 30 days after leaving the Board. One copy of the filing is to be sent to the Nebraska Accountability and Disclosure Commission and another copy with the election commissioner in the Board member's county of residence.
6. Board members may not exercise individual authority over the Retirement System except as explicitly set forth in Board policies.
7. The Chairperson of the Board shall be the ex-officio spokesperson, both on routine matters and in the absence of a realistic ability to convene the Board for approval of a statement of policy. The Board may designate a member or members of the Board to communicate a Board-approved policy or statement.
8. The Board will not advocate for benefit improvements for any of the retirement systems that it administers, but may make comments and provide guidance on any changes proposed by the Legislature or by other groups with an interest in the Retirement System. In any proposed changes to retirement benefits, it is the goal of the Board to implement changes in such a way as to be the most beneficial to the members and the most effective use of the money needed to fund the increased benefits. Neb. Rev. Stat. §84-1503.02(2).

Board Policy #3

Revised February 2011

Director's Duties and Limitation of Authority

The Board shall appoint a director to administer the retirement systems under the direction of the Board. The Board shall be responsible for oversight of the director and the operation of the Retirement Systems agency. The appointment shall be subject to the approval of the Governor and a majority of the Legislature. The director shall be qualified by training and have at least five years of experience in the administration of a qualified public or private employee retirement plan. The Director shall not be a member of the Board. The salary of the Director shall be set by the Board. The Director shall serve without term and may be removed by the Board. Neb. Rev. Stat. § 84-1503(1)(b).

1. DIRECTOR DUTIES AND RESPONSIBILITIES

- (a) The director is the chief administrative officer of the Retirement Systems and is responsible for the overall planning, organization, development, supervision, directing and coordination of the on-going operations of the systems.
- (b) Responsibilities, in addition to the internal operation, include liaison with member groups, the Legislature, the Board, agency attorney, internal auditor, and the consulting actuary for the Board. The director serves as an ex-officio member of the Nebraska Investment Council. Work is performed with considerable latitude under the general direction of the Board. Examples of duties and responsibilities are:
 - (i) Coordination, training and supervision of staff for six pension plans, involving complex details and procedures.
 - (ii) Interpretation and execution of statutes and Board policies.
 - (iii) Development and implementation of sound fiscal and accounting procedures and records.
 - (iv) Consult with and make recommendations to the Governor and the Legislature on major pension benefit issues, as directed by the Board.

2. REQUIRED KNOWLEDGE, SKILLS, AND ABILITIES

The director must have: strong management and communication skills; knowledge of state and federal pension laws as applied to public plans; knowledge of general financial and management characteristics of financial institutions and strategic planning skills to set short and long-term goals for the agency and the various pension systems.

3. SPECIFIC DUTIES

- (a) Supervises and coordinates several statewide benefit programs involving complex procedural details, a high volume of transactions, and diverse statutory basis.
- (b) Analyzes proposed legislation, makes and drafts recommendations on proposed legislation, appears before Legislative Committees during regular sessions and interim study periods. Prepares fiscal notes on proposed legislation.
- (c) Recommends all necessary rules and regulations relating to the administration, interpretation, and construction of the Retirement Laws.
- (d) Insures compliance with Federal and State laws in the management and operation of the systems.

- (e) Coordinates with the consulting actuary regarding all actuarial duties required by law.
- (f) Establishes the agenda and matters for consideration by the Board, and oversees the preparation and maintenance of the minutes of the meetings of the Board.
- (g) Performs public contact work in gathering information, resolving problems, engendering support, and providing information required by the Board and Legislature.
- (h) Prepares recommendations and justification for changes in procedures, budget requests, personnel, and office activities.
- (i) Directs the preparation and conduct of research required in support of the Board's mandates and Legislative matters.
- (j) Collects, interprets, analyzes, and summarizes information to be utilized as the basis for recommendations to the Board and Legislature.
- (k) Directs, manages, and supervises an efficient internal operation of the Retirement System staff to achieve the primary objectives of the fund in accordance with procedures established by the Retirement Board.
- (l) Hires the Retirement staff in accordance with the budget prescribed by the Board and Legislature.
- (m) Authorizes expenditures and pays salaries and claims against the Retirement System in accordance with the budget proposed by the Retirement Board and approved by the Legislature.
- (n) Constantly apprises the Retirement Board of any development that would in any way affect the Retirement Board and its operation.
- (o) Makes the initial decision on behalf of the Board on any matter in which an appeal to the Board is authorized by statute, unless otherwise limited by this policy, or rule or regulation. Thereafter, upon appeal by the member, to appoint a Hearing Officer and to refer such Officer's findings to the Board for action.
- (p) Recommends action on disability claims and hardship withdrawals from the State Deferred Compensation Plan for Board consideration.

4. LIMITATIONS OF AUTHORITY

The Board shall:

- (a) Approve all disability claims.
- (b) Approve all hardship withdrawals from the State Deferred Compensation Plan.
- (c) Approve Rules and Regulations for adoption.
- (d) Determine the funding policy for the plans as provided by statute.

- (e) Approve agency budget.
- (f) At its discretion, authorize the Director to execute such contracts as have been approved by the Board.
- (g) At its discretion, authorize the Director to amend existing contractual service contracts with providers when additional services are required of that provider to implement board or legislative initiatives. The cost of the additional services requested of the provider by the Director cannot exceed those dollar limits set forth by the Department of Administrative Services requiring a competitive bidding process.

5. REIMBURSEMENT FOR DIRECTOR EXPENSES

- (a) In accordance with proper accounting procedures, the Public Employees Retirement Board ('Board') recognizes the need for expenses to be regularly monitored and approved by a second individual, once such expenses are incurred by the Director of the Nebraska Public Employees Retirement Systems ('Agency'). In order to facilitate these expense reimbursement transactions, the Board adopts the following monitoring and approval policy for reimbursement of Director's expenses:
 - (b) Expenses incurred by the Director in the course of his or her official duties that are \$100 or greater in value will require signature approval by the Chair of the Board.
 - (c) Expenses incurred by the Director in the course of his or her official duties that are less than \$100 in value do not require approval by the Chair of the Board. There are checks and balances within the Agency's internal accounting process to provide for monitoring of Director's expenses.

Board Policy #4

Revised December 2012

Legal Counsel and Internal Auditor

1. **Legal Counsel** - The Public Employees Retirement Board shall hire an attorney, admitted to the Nebraska State Bar Association, to advise the Board in the administration of the retirement systems under its statutory authority, Neb. Rev. Stat. § 84-1503(1)(e).
 - (a) The attorney or legal counsel to the Board shall provide legal services for the agency and the Board under the supervision of the Director. The job duties shall include the following:
 - (i) Draft and revise the agency Rules and Regulations, keeping them current with state statutes and federal laws;
 - (ii) Review and make recommendations to the Director and NPERS staff on retirement issues,

including qualified domestic relations orders, member benefits, powers of attorney, beneficiaries, and employer reporting;

- (iii) Research and interpret state statutes and federal regulations;
 - (iv) Work with outside legal counsel on the application of IRS Code to the retirement plans;
 - (v) Represent the retirement systems in administrative hearings and in matters involving the Attorney General's office;
 - (vi) Review and draft agency policies, procedural statements and legal documents for the agency;
 - (vii) Respond to legal questions from the State Auditor and other state agencies;
 - (viii) Work with the Legislature and member groups on draft legislation;
 - (ix) Advise the Board and the Director on legal matters as they relate to the administration of the retirement systems, litigation, potential conflicts and any other legal issue of interest.
- (b) The legal counsel to the Board shall act in the best interest of the Board and at least once per year report to the Board any matters that in his/her professional judgment impact the Board's role and duties. The Legal Counsel shall have direct access to the Board or a committee of the Board.
 - (c) At least annually, a performance evaluation of the legal counsel shall be conducted and reported to the Board by the Director. The legal counsel shall at that time also provide a report to the Board of his/her activities for the previous year.
2. **Internal Auditor** - The Public Employees Retirement Board shall hire an internal auditor meeting the minimum standards as described in Neb. Rev. Stat. § 84-304.03 to perform the duties described in Neb. Rev. Stat. § 84-1503.04. Neb. Rev. Stat. § 84-1503(1)(f). The internal auditor shall work for the agency under the supervision of the Director.
 - (a) The role of "internal auditor" is to assure that applicable laws, regulations, policies and procedures are being followed. The duties and responsibilities of the internal auditor are to be consistent with the suggested standards for the professional practice of internal auditing as adopted by the Institute of Internal Auditors, and include the following:
 - (i) Prepare a formal written three-year audit plan and work schedule each year and present them to the Board;
 - (ii) Conduct ongoing reviews of the internal procedures of the retirement systems and recommend improvements to the Board;

- (iii) Ensure that Nebraska Public Employees Retirement Systems' internal accounting and operational controls are appropriate and operating correctly and report inconsistencies to the Board;
 - (iv) Examine and evaluate system records and operating procedures; verify compliance with established plans, policies, procedures, and control systems, and assure compliance with regulatory and statutory conditions and adherence to generally accepted accounting and auditing principles and report inconsistencies to the Board;
 - (v) Perform internal auditing functions, including review of contributions received and creditable service granted; review benefit payments for completeness of information, appropriateness, accuracy, and timeliness; verify accuracy of data and financial information reported to the system's actuary for all applicable plans; and verify accuracy of data and financial information reported to the system's record keeper for all applicable plans; and
 - (vi) Develop standards to be used by independent auditors in their review of the practices and procedures used by various employers to provide for employee participation in the respective state plans included in subdivision (1)(a) of Neb. Rev. Stat. § 84-1503.
- (b) The internal auditor shall act in the best interest of the Board and at least annually shall report to the Board any matters that in his/her professional judgment impact on the Board's role and duties. The internal auditor shall have direct and immediate access to the Board or a committee of the Board.
 - (c) The internal auditor shall provide a quarterly report to the Board of his/her activities. At least annually, a performance evaluation of the internal auditor shall be conducted and reported to the Board by the Director.
- 1. The Public Employees Retirement Board will approve applications for disability retirements in a manner consistent with controlling statutory authority and will avoid, as much as practicable, a case by case disposition of such matters.
 - (a) With respect to disability applications in the State, County and School retirement plans, the Board's inquiry shall focus on whether the applicant has incurred a disability that involves an inability to engage in a substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of a long and indefinite duration.
 - (b) With respect to the Judges Plan, the Board shall receive and act upon the findings of the Commission on Judicial Qualifications when considering the disability of a judge. For clerk magistrates who are in the judges plan, the Board shall determine if he or she has become physically or mentally disabled in a manner which seriously interferes the performance of his or her duties and that is determined to be permanent or reasonably likely to become permanent.
 - (c) With respect to the State Patrol, the Board shall determine whether a member has incurred a disability that constitutes a complete inability of the officer, by reasons of accident or sickness, to perform the duties of an officer of the State Patrol.
 - 2. With respect to disability applications for members of the State, County, School retirement plans and for clerk magistrates who are members of the Judges plan; the Director shall direct that a medical examination be made at the expense of the retirement system, which examination shall be conducted by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices, such physician to be selected by the retirement board, and the physician shall have certified to the board that the member is physically or mentally incapable of further performing his or her duties as a state, county or school employee and should be retired. When the director is satisfied that a sufficient examination had been made, the Director shall present the results of the examination and a recommendation to the Board, and the Board shall grant or deny the disability retirement application based on the examination and report of the physician, assisted by the recommendation of the Director.
 - 3. With respect to any Judge, the Board shall receive the report of the Commission on Judicial Qualifications that determines that a judge is permanently disabled; the Board shall then place the judge on retirement and grant a retirement annuity as provided in Neb. Rev. Stat. § 24-710.
 - 4. With respect to a member of the State Patrol, the Board shall not make any disability benefit payments unless adequate proof is furnished of the existence of the disability, and the Director, on behalf of the board, may demand a physical examination of the member by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices, chosen by the system and at the expense of the system.

Board Policy #5

Revised September 2005

Reviewing Applications for Disability Retirements

1. The Public Employees Retirement Board will approve applications for disability retirements in a manner consistent with controlling statutory authority and will avoid, as much as practicable, a case by case disposition of such matters.
 - (a) With respect to disability applications in the State, County and School retirement plans, the Board's inquiry shall focus on whether the applicant has

5. The Director, with the approval of the Board, may engage one or more Medical Advisors to assist the Director and the Board in analyzing the reports sent by physicians who have examined disability retirement applicants. The medical advisor shall be a physician legally authorized to practice medicine in Nebraska and hired by the Director, with the advice and consent of the Board. The duties of the Medical Advisor shall include, but shall not be limited to, the following:
 - (a) Review all physicians' reports prior to the time at which the Director and/or Board reviews the reports.
 - (b) Do any follow-up gathering of information the Medical Advisor deems necessary to fully understand the physicians' reports he or she has the duty to review.
 - (c) Appear before the Board and assist the Director as he or she presents the reports of disinterested physicians to the Board and the Director's recommendation for action during any Executive sessions convened for that purpose.
 - (d) Answer questions about the reports that may be asked by the Director or members of the Board, provide expert assistance and knowledge of a trained physician to the Director and the Board in analyzing the medical questions involved in determining whether a disability retirement is appropriate, and provide his or her opinion on the medical condition of applicants, based on the reports he or she has reviewed.
 - (e) Any other such duties as the Director or the Board may deem necessary and appropriate to determine whether disability retirements should be granted to those who have made application under the applicable statutes.
6. (a) With respect to disability applications in which the disinterested physician states that the member is a person meeting the description of an incapacitated person as found in Neb. Rev. Stat. § 30-2601, the Board shall make reasonable inquiries as to whether it is satisfied by clear and convincing evidence that (i) the applicant is unable to manage his or her property and property affairs effectively for reasons such as mental illness, mental deficiency, physical illness or disability, chronic use of drugs, chronic intoxication, confinement, or lack of discretion in managing benefits received from public funds, detention by a foreign power, or disappearance; and (ii) the person has property in the retirement system which will be wasted or dissipated unless proper management is provided, or that retirement funds are needed for the support, care, and welfare of the applicant or those entitled to be supported by him or her and that protection is necessary or desirable to obtain or provide funds.
 - (b) If the Board finds that such conditions are met, the Board may direct that a guardian, guardian for a limited purpose or conservator should be appointed under the provisions of the Nebraska Probate Code, Neb. Rev. Stat. Chapter 30 Article 26, prior to the Board allowing such an applicant to select a retirement option or otherwise allow the release of monies held by a retirement system on behalf of such an applicant.
7. All disability retirement applications approved by the Board may be re-evaluated one year from the effective date of retirement. The re-evaluations shall be made by a disinterested physician licensed to practice medicine in the state in which he or she practices medicine, under the conditions set forth in paragraph 10 of this policy.
8. If a member's disability retirement application is re-examined and continually approved for at least three years, the Public Employees Retirement Board may determine when the next reevaluation shall occur.
9. If an applicant dies during the period between making application for a disability retirement and the Board's approval of the applicant's application, the Board and Director may examine such applicant's death certificate and the report of a disinterested physician, if available, to make a determination on the disability application filed by the deceased applicant.
10. When ordering an examination by a disinterested physician both for initial and any further examinations, the Director and Board shall, if practicable, choose a disinterested physician who specializes in the area of medicine relating to the reason or source of disability as given by the applicant on his or her application.
11. Information provided in an application for disability includes medical records that contain personal and sensitive information that if improperly used or released may do significant harm to an applicant's interests or needless harm to an applicant's reputation. All review of members' disability applications shall take place in Executive Session, and all information submitted and discussed shall be kept confidential by the Board, the Director and their agents.

Board Policy #6

Revised February 2012

Contractual Services

In all cases, selection of contractual services is subject to and shall comply with the statutory provisions of State Contract for Services, Neb. Rev. Stat. §§73-501, et seq.

1. Selection and Renewal for Contracts \$50,000 or more

- (a) If there is an existing contract to provide services of \$50,000 or more, then the Director shall provide the Board a report of the performance of the contract service providers not less than ninety (90) days prior to the expiration of the contract. If performance under the contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract. The Board may request the existing contract service provider to submit a renewal and cost proposal to the Board for consideration, unless state law provides otherwise.
 - (b) If a contract is not renewed, then not less than sixty (60) days prior to the expiration of a service contract, the Director will draft a request for proposal (RFP). Upon the Board’s approval, the Director shall, with the assistance of the Department of Administrative Services, Materiel Division, publish the RFP and follow the required procedures for the bidding process.
 - (c) Following receipt of RFP responses, the Director shall, with the assistance of the legal counsel and other management staff as needed, review all bids that qualify under the stated RFP requirements.
 - (d) As soon as is reasonably possible, the Director shall provide a summary of the returned proposals to the Board and a tentative finalist interview schedule. The Board or a committee of the Board will review the finalist bid proposals in advance of any scheduled interviews.
 - (e) If determined necessary, the Board or a committee of the Board and the Director shall interview all RFP finalists. The award of the contract will be subject to a majority vote of the Board during a regular or special session of the Board.
2. Selection and Renewal Option for Contracts less than \$50,000
- (a) If there is an existing contract to provide services for less than \$50,000, then the Director shall provide the Board a report of the performance of the contract service provider. If performance under the contract is determined to be satisfactory, the Board or Director may renew the contract for an additional term if permitted under the terms of the existing contract. The Board or Director may request the contract service provider to submit a renewal and cost proposal for consideration, unless state law provides otherwise.
 - (b) If a contract for services is not renewed, then the Director will conduct a state agency level request for proposal (RFP). The Director shall contact

service providers and obtain at least two comparable bids for review. Following receipt of the bids, the Director shall, with the assistance of legal counsel and other management staff as needed, review the bids that qualify under the state agency level RFP requirements.

- (c) As soon as is reasonably possible, the Director shall provide a report of the comparable bids received to the Board for consideration and approval. If time is of the essence to secure a service provider, then the Director shall inform and receive approval from the Board Chair prior to executing the service contract. Thereafter, the Director shall provide a report to the Board at the next occurring Board meeting.
3. Selection Process for Deferred Compensation Plan Annuity Provider
- (a) The Director shall provide the Board a review of the performance of the Deferred Compensation Plan Annuity Provider prior to the expiration of the contract. If performance under the existing contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract.
 - (b) If the existing contract is not renewed under paragraph 3(a), then the selection process for the annual contract to provide Deferred Compensation Plan annuities will be conducted at the agency level by the Director and agency staff.
 - (c) The Board or a committee of the Board will review a draft request for proposal (RFP). The final agency level RFP will be published. Upon receipt, proposals will be considered during the meeting of the Board, with a beginning contract date of July 1st, or as soon as is reasonably practicable thereafter.
4. The following is a schedule of existing contracts with renewal dates:

CONTRACT	TERM	COMPLETED	DUE
Compliance Audit	4–10 yr.	2012	2022
Actuarial Services	3 yr.	2013	2016
Actuarial Audit	10 yr.	2009	2023
Experience Study	5 yr.	2012	2017
Recordkeeping Services	5 yr.	2011	2016
Information Systems	1 yr.	2013	2014
DCP Annuity	1 yr.	2013	2014

Board Policy #7

Revised September 2006

Conference Attendance and Expense Reimbursement

The members of Public Employee Retirement Board (PERB) believe the affairs of the plans they administer are highly important and complex. The retirement obligations incurred and the administration of the plans are complex matters, and education in employee benefit matters is necessary. It is important for PERB members to be educated in matters relating to the plans they administer. PERB members are encouraged to attend one or more educational conference per year. These policy guidelines are adopted to address travel expenses related to educational conference attendance.

1. PERB members shall make travel requests to the Board at least 30 days in advance when possible.
2. Each request for travel by a Board member will include a business-related reason for that travel and an estimate of the cost.
3. Hotel and air travel reservations can be made by the Board member or the retirement office.
4. Travel by any Board member outside of Nebraska will be reviewed by the Board; a majority decision will prevail.
5. Any Board member who attends a conference or seminar will present either an oral or written report to the Board at the next meeting.
6. Special consideration will be given for the support of the conventions or seminars sponsored by the following organizations:
 - (a) NCTR (National Council on Teacher Retirement)
 - (b) NASRA (National Association of State Retirement Administrators)
 - (c) NCPERS (National Council Public Employee Retirement Systems)
 - (d) IFEBP (International Foundation of Employee Benefit Plans).
7. Board members attending the annual Board retreat shall have their actual expenses for official business paid by the agency in conformity with the Travel Expense Policies adopted by the Nebraska Department of Administrative Services, AM005.
8. Per diems will be paid to board members for activities that have been approved by the board at the rate allowed by law.
9. Board members will be reimbursed for actual costs for out-of-town meals in Nebraska not to exceed the

maximum GSA meal guidelines. Board members must retain a record (log) or obtain receipts for each meal incurred while in travel status. The expense reimbursement document may be used as the Board member's record of travel expenses incurred. In lieu of obtaining and attaching original receipts for each meal incurred, the member may identify type of meal, actual amount paid, including tax and tip, restaurant name and location on the expense reimbursement document. Eligible meals are:

- (a) **Breakfast** – when leaving for overnight travel or one-day travel on or before 6:30 a.m.
- (b) **Lunch** – when leaving for overnight travel at or before 11:00 a.m. or return from overnight travel at or after 2:00 p.m. Lunch is not allowed on one-day travel unless part of an official business meeting with a working lunch part of the agenda.
- (c) **Supper** – when returning from overnight travel or one-day travel at or after 7:00 p.m.

Board members will be reimbursed for actual meal costs in excess of the IRS guidelines if receipts for meals are attached to the expense reimbursement document.

10. Board members will be reimbursed for meals outside of Nebraska for reasonable and actual cost. Reasonable costs are the federal per diem standard. The standards can be found at Internet site: <http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0>.
11. Lodging for Board members will be reimbursed based on actual cost incurred while attending an official business function. If the meeting or conference is at a lodging establishment and the Board member chooses not to stay at the conference lodging establishment, other lodging may be reimbursed at reasonable amounts comparable to the posted conference room rate. Actual costs will be demonstrated by an original receipt.
12. In order to receive reimbursement, a Board member must complete an expense reimbursement document and attach actual receipts for all travel expenses except meals and immaterial travel expenses. Immaterial items are parking, tolls, intercity bus fares, baggage handling, tips, and taxi fare charges under \$10 per occurrence. Board members will be reimbursed for the use of their personal vehicles for official Board business. Reimbursement will be made in accordance with Neb. Rev. Stat. §811176, at the rate per mile established by the Department of Administrative Services.
13. Board members will be reimbursed for one long distance call per day to their home while in travel status in accordance with the approved agency policy on file with the Department of Administrative Services.
14. No reimbursement is allowed for alcoholic beverages.

Board Policy #8

Revised August 2008

Board Funding

1. DEFINED BENEFIT PLANS

The Public Employees Retirement Board administers the three traditional defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

- (a) The School Employees' Retirement Plan, which covers all school employees, teachers and administrators in Nebraska, with the exception of the separate Omaha Public Schools plan, shall be funded each year in accordance with the actuary's recommendation. The primary source of funding, as outlined by Section 79-958, shall be the monthly employee and employer contribution rates and the required annual contribution outlined by Sections 79-966 and 79-966.01 for the State of Nebraska.
- (b) The State Judges' Retirement Plan, which covers all state judges and certain clerk magistrates, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee contributions and court fees and any required annual contribution by the State of Nebraska outlined in Section 24-703.
- (c) The State Patrol Retirement Plan, which covers all uniformed or certified patrol officers, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee and employer contributions and annual contributions by the State of Nebraska as outlined in Section 81-2017.
- (d) It is recognized that in all three of these defined benefit plans the investment return on the assets is a vital part of the funding for the plans. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.
- (e) The Board will review the actuarial assumptions used to determine funding needs, on a regular basis, but change those assumptions only on the basis of a recent experience study or if the actuary recommends a review due to a significant change in the factors used to determine the assumptions. An experience study shall be conducted every four to six years.

2. CASH BALANCE BENEFIT

The Public Employees Retirement Board administers the two hybrid defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

- (a) The State Employees and the County Employees Retirement Plans include a new Cash Balance benefit that must be actuarially sound. These plans cover state and county employees and are primarily funded by employee and employer contributions as well as any required contribution by the State of Nebraska.
- (b) It is recognized that the investment return on the assets is a vital part of the funding for the benefits. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.
- (c) The Board will review the actuarial assumptions used to determine funding needs, on a regular basis, but change those assumptions only on the basis of a recent experience study or if the actuary recommends a review due to a significant change in the factors used to determine the assumptions. An experience study will be conducted every four to six years.
- (d) Investment returns greater than or less than the assumed annual rate of return will be recognized on a "smoothed" basis over a five year period.
- (e) Each year after the annual actuarial valuations results are received the Board will determine, based on the recommendation of the actuary, if a benefit improvement can be made, such as a dividend payment to individual Cash Balance member accounts, after allowing for the required ten percent funding reserve within the plan. If it is determined that the benefit improvement should be a dividend and that sufficient reserves exist, the dividend will be granted as follows:
 - (i) The Board will determine if any dividend can be granted at the earliest possible date following the annual actuarial valuation, but in all cases the dividend will be retroactive to January 1st of that year.
 - (ii) The long-term goal for the cash balance retirement plans is to provide long-term growth for member accounts equal to the long-term growth rate for the invested funds. However, in the short-run, some of the excess earnings may be held in reserve to serve as a buffer for short-term fluctuations in market return.

- (iii) Any dividend that is granted should conform with the following guidelines:
 - A. The plan must maintain the 90% Benefit Threshold Rate after granting any dividend.
 - B. There must be a minimum 100% Funded Ratio on both the Funded Basis and the Current Value Basis, both before and after the dividend is granted.
 - C. The dividend plus the annual interest credit during the year cannot exceed 8.0% unless a majority of PERB agrees.
 - D. No dividend will be granted for a year where the annual interest credit rate exceeds the actuarial valuation interest rate.
- (iv) The account balance used to determine the amount credited will be the balance as of December 31st of the previous year.
- (v) All accounts with an account balance as of December 31st of the previous year will be credited with the dividend amount, except that no dividend shall be paid to any account with a final account valuation made prior to December 31st of the year for which the dividend is granted.
- (vi) If a dividend is granted, the value of the dividend will be credited with interest between January 1st and the dividend distribution date, using the interest credit rate earned on regular contributions for the same period.

3. STATUTORY REFERENCE

Section 23-2317(4)(c) and section 84-1319(4)(c) – if the unfunded accrued actuarial liability under the entry age actuarial cost method is less than zero on an actuarial valuation date, and on the basis of all data in the possession of the retirement board, including such mortality and other tables as are recommended by the actuary engaged by the retirement board and adopted by the retirement board, the retirement board may elect to pay a dividend to all members participating in the cash balance option in an amount that would not increase the actuarial contribution rate above ninety percent of the actual contribution rate. Dividends shall be credited to the employee cash balance account and the employer cash balance account based on the account balances on the actuarial valuation date. In the event a dividend is granted and paid after the actuarial valuation date, interest for the period from the actuarial valuation date until the dividend is actually paid shall be paid on the dividend amount. The interest rate shall be the interest credit rate earned on regular contributions.

Board Policy #9

Revised August 2007

Board Per Diem

1. Pursuant to the provisions of subsection 84-1502(3), per diems for PERB members may be paid to a member when the member personally participates in one or more of the following Board activities:
 - (a) Monthly Board meetings;
 - (b) Special or emergency Board meetings;
 - (c) Board committee meetings;
 - (d) Board-approved seminars and conferences; or,
 - (e) Other such activities as approved by the Board.
2. The member must complete a Request for Per Diem Compensation form and submit it to the Secretary for any claim other than Board meetings before a per diem claim will be paid.
3. A member may, in lieu of submitting Requests for Per Diem Compensation, submit in writing a statement indicating that the member does not wish to receive per diem compensation. Such statement shall be retained by the Secretary of the Board and thereafter shall be in force until revoked in writing by the member.

Board Policy #10

Revised September 2006

Director's Succession Plan

1. ANNUAL TRAINING

- (a) New Board Members – In order to promote education and to adequately train new Public Employees' Retirement Board members, each new member will be strongly encouraged to attend an educational session to learn the basics of the administration of retirement plans within the first twelve months of his/her becoming a member.
- (b) Existing Board Members – Due to the ongoing fiduciary responsibilities of all Board members, each member will be encouraged to attend at least one educational session or conference per year to stay current with regulatory and administrative issues.

2. CONTINUITY PLAN

- (a) Board Members – In addition to education, to assist with continuity on the Board, new members, whenever possible will be paired with an existing Board member who will assist that new member during the first six months of his/her term.

- (b) Agency Director – The Board has adopted a Succession Plan and shall maintain the Plan as conditions may warrant for the time when a replacement must be found for the Director. In addition, the Director shall advise the Board of the name of his/her emergency replacement if the Director must be absent for an extended period. The Director shall “groom” someone from within the agency who could be his/her successor, either temporarily or on a permanent basis.

3. ANNUAL RETREAT

- (a) Each year the Board sets aside an additional day combined with its regular monthly board meeting to review policies, set goals for the new year and receive additional training and/or updates on their fiduciary duties as Board members.
- (b) The Board has committed additional resources to holding the retreat in an appropriate location that is a reasonable distance for members to travel. Resources have also been allocated for the cost of outside speakers on matters of interest to the Board.

Board Policy #11

Revised January 2011

Service Delivery

- To accurately calculate a retirement benefit, the Nebraska Public Employees Retirement Systems (‘NPERS’) needs all retirement contributions and salary to post to a member’s account prior to such calculation. This interim period can take several months and can delay benefit payments.
 - In order to provide a timely retirement benefit for retirees, NPERS will calculate a preliminary benefit during the interim period. The member will be paid a preliminary benefit equal to ninety-five percent (95%) of the benefit calculated based on the total service and salary information available at the time of the preliminary calculation. A preliminary benefit will not be calculated until the member’s most recent posted retirement contribution and salary is within one or two months of the member’s final pay date. The preliminary benefit should be calculated within ninety days (90) of the effective date of the member’s retirement. The member’s preliminary benefit will be recalculated and changed to a final monthly benefit approximately five (5) months after the effective date of retirement.
 - Under certain circumstances such as a salary dispute, untimely paperwork filed by a member, or an extended contract negotiation, it may be more than ninety days (90) since the effective date of the member’s retirement before the calculation of the preliminary benefit occurs, and it may be more than five (5) months before the final recalculation occurs. This calculation and recalculation will be retroactive to the member’s effective date of retirement and will include all salary and contributions received from the member’s employer.
- If the member’s final calculated monthly benefit is within thirty dollars (\$30) or two percent (2%) of the member’s one-hundred percent (100%) preliminary benefit, then the recalculation is performed automatically by NPRIS and does not require a manual calculation by NPERS staff.
 - If the member’s final calculated monthly benefit is greater than thirty dollars (\$30) or two percent (2%) of the member’s one-hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.
 - If the member’s final calculated monthly benefit is less than the member’s one-hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.

Board Policy #12

Revised March 2011

Electronic Disbursement

1. GENERAL PROVISION

Electronic disbursements through direct deposit or a deposit (load) to a prepaid debit card shall be the Nebraska Public Employees Retirement Systems’ required method for issuing annuity benefit payments to retired members.

Beginning May 1, 2011, all new retired members must provide written authorization for either a direct deposit or a load to a prepaid debit card using NPERS’ Electronic Disbursement Authorization Form. The electronic disbursement will remain in effect until changed or canceled by the retired member in writing. The member must choose one disbursement method only.

2. REASON FOR POLICY

The purpose of this policy is to promote safe, confidential, economical, convenient and fast annuity benefit payments to retired members.

3. POLICY AND PROCEDURES

Direct Deposit is the electronic deposit of funds directly into a bank account as a form of payment. NPERS offers direct deposit for a retired member’s annuity benefit payment. Electronic deposit of funds can be made to any financial institution in the United States. Direct deposit assures that a retired member’s annuity benefit

payment is deposited in their bank account(s) on the day of payment. All retired members receiving retirement annuity benefits from NPERS are eligible for direct deposit.

To authorize or change their direct deposit, a retired member must complete and sign a new Electronic Disbursement Authorization Form and attach a voided check for checking account deposit and a deposit slip for savings account deposit.

In the alternative, a member may select a deposit (load) to be made to a prepaid debit card. A prepaid debit card has the same functionality as a regular checking account, but the member withdraws funds with the use of a debit card rather than the use of checks. The State of Nebraska contracts with a prepaid debit card financial institution vendor to provide this service to members who do not want their annuity benefit payment made by direct deposit into a regular bank account.

Once the authorization is received by NPERS, it may take up to one annuity benefit payment cycle to become active. Any changes affecting the direct deposit or prepaid card MUST be received by NPERS two weeks prior to the date scheduled for the annuity benefit payment for which the change is to occur.

Board Policy #13

Revised May 2012

Cash Balance Benefit Election

001 SCOPE OF THE POLICY

The provisions of this policy apply to active members participating in the defined contribution benefit in the Retirement System for Nebraska Counties (County Plan) and the State Employees Retirement System (State Plan). This policy contains the procedures for conducting a cash balance benefit election and conversion thereby permitting State and County Plan active members who have a defined contribution benefit to make a onetime election and conversion into the cash balance benefit in accordance with the provisions found in Neb. Rev. Stat. §§ 23-2308.01 and 84-1309.02.

002 DEFINITIONS

002.01 Definitions provided in Nebraska statutory law for each plan shall apply to the provisions herein as they relate to the plan. In addition to those definitions, the following definitions shall apply:

002.02 Agency means the Nebraska Public Employees Retirement Agency.

002.03 Cash Balance Benefit Election Period means the statutory calendar period beginning September 1, 2012, through October 31, 2012.

002.04 Electing Member means a state or county defined contribution benefit active member who makes an election during the Cash Balance Benefit Election Period.

003 GENERAL PROVISIONS

003.01 A state or county defined contribution benefit active member shall make a onetime election into the cash balance benefit beginning: September 1, 2012, through October 31, 2012, in order to participate in the cash balance benefit. Once an election is made, the decision by the member is irrevocable.

003.02 If no such election is made, the member shall be treated as though he or she elected to continue participating in the defined contribution benefit as provided in the act prior to January 1, 2003.

003.03 Members who elect to participate in the Cash Balance Benefit Election Period, shall commence participation in the cash balance benefit on January 2, 2013.

003.04 Any member who made the election prior to April 7, 2012 and/or who is currently a member of the cash balance benefit does not have to make another election during the Cash Balance Benefit Election Period.

003.05 For a member employed and participating in the retirement system, who elects to convert his or her employee and employer accounts to the cash balance benefit, the employee and employer cash balance benefit accounts shall initially be equal to the employee and employer account balances, transferred from the member's defined contribution plan employee and employer accounts.

003.06 If an active member has multiple defined contribution plan accounts (i.e. an active member having State Plan defined contribution accounts, who also is an inactive member having County Plan defined contribution accounts, or vice versa) then the member will only be able to make an election in the plan under which he or she is currently an active member during the Cash Balance Benefit Election Period.

004 ELECTION PERIOD AND ELIGIBILITY REQUIREMENTS

004.01 The Cash Balance Benefit Election Period begins on September 1, 2012, and continues through October 31, 2012. A onetime election may only be made during this election period.

004.02 The defined contribution benefit member must remain an active employee member through October 31, 2012 in order to make an election during the election period. A termination, as defined by Neb. Rev. Stat. §§ 23-2301(33) and 84-1301(33), or a temporary break in service during the Cash Balance Benefit Election Period will result in an invalid election.

004.03 An alternate payee, as defined by Neb. Rev. Stat. § 42-1102(1), with a defined contribution account is unable to make an election into the cash balance benefit.

005 ELECTION MATERIALS AND DISTRIBUTION

005.01 Beginning on September 1, 2012, cash balance benefit election materials will be mailed to confirmed state and county active members who have employee and employer accounts in the defined contribution benefit. A downloadable copy of election materials will be placed on the Agency website on September 1, 2012.

005.02 A cash balance benefit election can only be made upon official forms provided by the Agency, or as provided in subsection 005.03. The form must be signed by the active member making the election, and can be received only by postal mail or hand delivery to the Agency. A form sent via facsimile machine will not be accepted. If the cash balance benefit election form is mailed during the Cash Balance Benefit Election Period, then the mailed envelope must be postmarked on or before October 31, 2012.

005.03 A cash balance benefit election may be made by a member submitting an online electronic form found on a website administered by either the Agency or a contractor of the Agency. The Agency is not responsible for a member failing to make a valid cash balance benefit election due to either a website server failure or a member using incompatible web browser software to access the server. If a member believes that he or she may have incompatible software or the website server is offline prior to the cash balance benefit election deadline, then the member should allow sufficient time to submit his or her cash balance benefit election form in the manner provided in subsection 005.02.

005.04 No cash balance benefit election forms will be recognized by the Agency as having been received until September 1, 2012. Applications delivered to the Agency prior to September 1, 2012, will be held and not officially received for the purpose of the cash balance benefit election until September 1, 2012.

005.05 Once a cash balance benefit election form has been received by the Agency during the Cash Balance Benefit Election Period on or after September 1, 2012, a confirmation of receipt will be sent to the member. The confirmation will be mailed to the member's current address of record within ten (10) business days following the Agency's official receipt of the member's cash balance benefit election form. If a member does not receive a confirmation of receipt within this time period, he or she should immediately contact the Agency to verify that his or her election form has been properly received by the Agency. If a member makes in elec-

tion online as described in subsection 005.03, then a confirmation of receipt will be obtained online by the member in lieu of a mailed confirmation.

005.06 If a member does not receive a timely confirmation of receipt described in subsection 005.05 and also fails to notify the Agency that he or she did not receive a timely confirmation, then such inaction by the member may result in the member not making a valid Cash Balance benefit election. The Agency is not responsible for a Cash Balance benefit election form either lost or delayed while in the custody of the U.S. Postal Service or other shipping delivery service.

006 PROCEDURES FOLLOWING THE ELECTION PERIOD

006.01 A proper and valid election shall only occur if an election to the Cash Balance benefit is made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

006.02 Electing Members shall commence participation in the Cash Balance benefit on January 2, 2013. Electing Members' Defined Contribution benefit assets and accounts will be converted to Cash Balance benefit assets and accounts on January 2, 2013.

006.03 Once an election is made during the election plan period, no partial or full distributions shall occur from the point of time an election is made until January 3, 2013.

006.04 An Electing Member may continue to make trades in his or her accounts and transfer assets between Defined Contribution fund options until December 31, 2012, subject to current trading restrictions; including, but not limited to rules on excessive trading and trading stable value fund assets. The Electing Member's account balances will not be frozen by the Agency once a Cash Balance benefit election is made. The Electing Member's account values will continue to be subject to market gains and losses during this time period based on the Electing Member's investment decisions.

006.05 The final value of Defined Contribution fund assets transferred into Cash Balance benefit fund assets will be the end of the market day price on January 2, 2013. The Defined Contribution account balance will be subject to market fluctuations (gains and losses) prior to the completion of the asset transfer on January 2, 2013, which may result in a reduction of the Electing Member's employee and employer account asset value following the day of the transfer. Following the completion of the asset transfer on January 2, 2013, the Agency or a contractor of the Agency will send the Electing Member a confirmation of election.

006.06 An Electing Member has until February 1, 2013, to notify the Agency if there was a possible error. If the

Electing Member does not receive a confirmation of election described in subsection 006.05 or believes that his or her account assets were not properly transferred from the Defined Contribution benefit plan to the Cash Balance benefit plan, as described in subsection 006.05, then notification under this subsection must be made. If no such notification occurs prior to February 1, 2013, then the Agency will conclude the following:

- (a) the Electing Member's assets have been properly transferred from the Defined Contribution benefit plan to the Cash Balance benefit plan, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors; or,
- (b) the member's assets have properly remained in the Defined Contribution benefit plan as intended by the member, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors.

007 DETERMINATION OF AN INVALID ELECTION

007.01 An election may be determined invalid by the Agency if any of the following findings are made:

- (a) The member was an inactive member on October 31, 2012 and therefore was ineligible to make an election.
- (b) The member was not in the Defined Contribution benefit during the election period.
- (c) A fraudulent election form was received by or transmitted to the Agency.
- (d) There is evidence of fraud involved in the member's election or conversion of assets.
- (e) The member experienced a termination or a temporary break in service (lasting less than 120 days) during the Cash Balance Benefit Election Period and the member was not an active member on October 31, 2012.
- (f) The election to the Cash Balance benefit was not made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

007.02 Once a determination is made by the Agency that an invalid election occurred, written notice will be sent immediately to the member. The notice will be mailed to the member's current address of record.

007.03 If a determination is made following the account conversion on January 2, 2013, then the improperly converted Defined Contribution benefit assets will be removed from the Cash Balance benefit fund within ten (10) business days and placed in the Defined Contribution benefit money market fund described in Neb. Rev. Stat. §§ 23-2309.01(g) and 84-1310.01(g). The amount of the removed assets will equal the amount of assets initially transferred into the member's Cash Balance benefit accounts on January 2, 2013.

007.04 Any interest credited to the member's Cash Balance benefit employee or employer accounts will be forfeited prior to the assets being removed from the Cash Balance benefit fund due to an invalid election, as described in subsection 007.03. The Agency will not be responsible for any market gains or losses that may have resulted had the member's assets originally remained in his or her Defined Contribution benefit accounts.



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