

AMENDMENTS TO LB447

Introduced by Mello, 5.

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

3           Section 1. Section 72-1237, Reissue Revised Statutes of Nebraska, is  
4 amended to read:

5           72-1237 The Nebraska Investment Council is created. For purposes of  
6 the Nebraska State Funds Investment Act, council means the Nebraska  
7 Investment Council. The council shall consist of five members, appointed  
8 by the Governor with the approval of the Legislature. ~~The~~ ~~,~~ ~~and~~ ~~the~~ State  
9 Treasurer, ~~and~~ the director of the Nebraska Public Employees Retirement  
10 Systems, ~~and beginning January 1, 2017, the administrator of each~~  
11 ~~retirement system provided for under the Class V School Employees~~  
12 ~~Retirement Act shall serve~~ as nonvoting, ex officio members. One of the  
13 appointed members shall be designated chairperson by the Governor.

14           ~~Each~~ ~~Prior to September 1, 2006, each of the appointed members of~~  
15 ~~the council shall serve for a term of five years and may be removed by~~  
16 ~~the Governor for cause after notice and an opportunity to be heard. The~~  
17 ~~term of any appointed member shall be extended until the date on which~~  
18 ~~his or her successor's appointment is effective. Beginning September 1,~~  
19 ~~2006, each~~ of the appointed members of the council shall serve for a term  
20 of five years that begins on January 1 and may be removed by the Governor  
21 for cause after notice and an opportunity to be heard. Such term shall be  
22 extended until the date on which his or her successor's appointment is  
23 effective. ~~For members serving on September 1, 2006, and whose terms~~  
24 ~~would otherwise end on September 18, such terms shall be extended until~~  
25 ~~the following December 31, or until the date on which his or her~~  
26 ~~successor's appointment is effective.~~ A member may be reappointed. A  
27 successor shall be appointed in the same manner as provided for the

1 members first appointed, and in case of a vacancy caused by death,  
2 resignation, or otherwise, the Governor shall appoint a qualified person  
3 to fill the vacancy for the unexpired term.

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

7 Sec. 2. Section 72-1239, Reissue Revised Statutes of Nebraska, is  
8 amended to read:

9 72-1239 The purpose of the council is to formulate and establish  
10 such policies as it may deem necessary and proper which shall govern the  
11 methods, practices, and procedures followed by the state investment  
12 officer for the investment or reinvestment of state funds and funds  
13 described in section 83-133 and the purchase, sale, or exchange of  
14 securities as provided by the Nebraska State Funds Investment Act. The  
15 council shall meet from time to time as directed by the Governor or the  
16 chairperson or as requested by the state investment officer. The members  
17 of the council, except the State Treasurer, ~~and~~ the director of the  
18 Nebraska Public Employees Retirement Systems, and beginning January 1,  
19 2017, each administrator of a retirement system provided for under the  
20 Class V School Employees Retirement Act, shall be paid seventy-five  
21 dollars per diem. The members shall be reimbursed for their actual and  
22 necessary expenses incurred in connection with the performance of their  
23 duties as members as provided in sections 81-1174 to 81-1177.

24 Sec. 3. Section 72-1239.01, Revised Statutes Supplement, 2015, is  
25 amended to read:

26 72-1239.01 (1)(a) The appointed members of the Nebraska Investment  
27 Council shall have the responsibility for the investment management of  
28 the assets of the retirement systems administered by the Public Employees  
29 Retirement Board as provided in section 84-1503, the assets of the  
30 Nebraska educational savings plan trust created pursuant to sections  
31 85-1801 to 85-1814, ~~and~~ the assets of the achieving a better life

1 experience program pursuant to sections 77-1401 to 77-1409, and beginning  
2 January 1, 2017, the assets of each retirement system provided for under  
3 the Class V School Employees Retirement Act. The appointed members shall  
4 be deemed fiduciaries with respect to the investment of the assets of the  
5 retirement systems, of the Nebraska educational savings plan trust, and  
6 of the achieving a better life experience program and shall be held to  
7 the standard of conduct of a fiduciary specified in subsection (3) of  
8 this section. The nonvoting, ex officio members of the council shall not  
9 be deemed fiduciaries.

10 (b) As fiduciaries, the appointed members of the council and the  
11 state investment officer shall discharge their duties with respect to the  
12 assets of the retirement systems, of the Nebraska educational savings  
13 plan trust, and of the achieving a better life experience program solely  
14 in the interests of the members and beneficiaries of the retirement  
15 systems or the interests of the participants and beneficiaries of the  
16 Nebraska educational savings plan trust and the achieving a better life  
17 experience program, as the case may be, for the exclusive purposes of  
18 providing benefits to members, members' beneficiaries, participants, and  
19 participants' beneficiaries and defraying reasonable expenses incurred  
20 within the limitations and according to the powers, duties, and purposes  
21 prescribed by law.

22 (2)(a) The appointed members of the Nebraska Investment Council  
23 shall have the responsibility for the investment management of the assets  
24 of state funds. The appointed members shall be deemed fiduciaries with  
25 respect to the investment of the assets of state funds and shall be held  
26 to the standard of conduct of a fiduciary specified in subsection (3) of  
27 this section. The nonvoting, ex officio members of the council shall not  
28 be deemed fiduciaries.

29 (b) As fiduciaries, the appointed members of the council and the  
30 state investment officer shall discharge their duties with respect to the  
31 assets of state funds solely in the interests of the citizens of the

1 state within the limitations and according to the powers, duties, and  
2 purposes prescribed by law.

3 (3) The appointed members of the council shall act with the care,  
4 skill, prudence, and diligence under the circumstances then prevailing  
5 that a prudent person acting in like capacity and familiar with such  
6 matters would use in the conduct of an enterprise of a like character and  
7 with like aims by diversifying the investments of the assets of the  
8 retirement systems, the Nebraska educational savings plan trust, the  
9 achieving a better life experience program, and state funds so as to  
10 minimize risk of large losses, unless in light of such circumstances it  
11 is clearly prudent not to do so. No assets of the retirement systems, the  
12 Nebraska educational savings plan trust, or the achieving a better life  
13 experience program shall be invested or reinvested if the sole or primary  
14 investment objective is for economic development or social purposes or  
15 objectives.

16 (4) Neither the appointed members of the Nebraska Investment Council  
17 nor the state investment officer shall be deemed fiduciaries with respect  
18 to investments of the assets of a retirement system provided for under  
19 the Class V School Employees Retirement Act made by or on behalf of the  
20 board of education as defined in section 79-978 or the board of trustees  
21 provided for in section 79-980. Neither the Nebraska Investment Council  
22 nor any member thereof nor the state investment officer shall be liable  
23 for the action or inaction of the board of education or the board of  
24 trustees with respect to the investment of the assets of a retirement  
25 system provided for under the Class V School Employees Retirement Act,  
26 the consequences of any such action or inaction of the board of education  
27 or the board of trustees, and any claims, suits, losses, damages, fees,  
28 and costs related to such action or inaction or consequences thereof.

29 Sec. 4. Section 72-1243, Revised Statutes Cumulative Supplement,  
30 2014, is amended to read:

31 72-1243 (1) Except as otherwise specifically provided by law, the

1 state investment officer shall direct the investment and reinvestment of  
2 money in all state funds not currently needed and all funds described in  
3 section 83-133 and order the purchase, sale, or exchange of securities  
4 for such funds. He or she shall notify the State Treasurer of any  
5 payment, receipt, or delivery that may be required as a result of any  
6 investment decision, which notification shall be the authorization and  
7 direction for the State Treasurer to make such disbursement, receipt, or  
8 delivery from the appropriate fund.

9 (2) The council shall have an analysis made of the investment  
10 returns that have been achieved on the assets of each retirement system  
11 administered by the Public Employees Retirement Board as provided in  
12 section 84-1503 and, beginning January 1, 2017, on the assets of each  
13 retirement system provided for under the Class V School Employees  
14 Retirement Act. By March 31 of each year, the analysis shall be presented  
15 to the board and the Nebraska Retirement Systems Committee of the  
16 Legislature. The analysis shall be prepared by an independent  
17 organization which has demonstrated expertise to perform this type of  
18 analysis and for which there exists no conflict of interest in the  
19 analysis being provided. The analysis may be waived by the council for  
20 any retirement system with assets of less than one million dollars.

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

27 Sec. 5. Section 72-1249, Reissue Revised Statutes of Nebraska, is  
28 amended to read:

29 72-1249 (1) Any expenses with respect to the purchase, sale, or  
30 exchange of any security shall be charged to the fund or funds on behalf  
31 of which such purchase, sale, or exchange was made. All other expenses of

1 the state investment officer shall be paid out of appropriations for the  
2 office of the state investment officer.

3 (2) Beginning on the effective date of this act, any expenses with  
4 respect to the transfer and assumption by the Nebraska Investment Council  
5 of the duty and authority to invest the assets of a retirement system  
6 provided for under the Class V School Employees Retirement Act shall be  
7 charged to the Class V School Employees Retirement Fund established in  
8 section 79-9,115. Such expenses shall be paid without the approval of the  
9 board of education as defined in section 79-978 or the board of trustees  
10 provided for in section 79-980.

11 (3) The Class V School Employees Retirement Cash Fund is created.  
12 The fund shall be administered by the Nebraska Investment Council. The  
13 fund shall consist of funds received for costs, fees, and expenses  
14 incurred by the Nebraska Investment Council and the state investment  
15 officer for duties and authority related to the investment and  
16 reinvestment of the assets of a retirement system provided for under the  
17 Class V School Employees Retirement Act. Any money in the fund available  
18 for investment shall be invested by the state investment officer pursuant  
19 to the Nebraska Capital Expansion Act and the Nebraska State Funds  
20 Investment Act.

21 (4) Management, custodial, and service costs which are a direct  
22 expense of investing the assets of a retirement system provided for under  
23 the Class V School Employees Retirement Act may be paid from the income  
24 of such assets when it is not prohibited by statute or the constitution.  
25 For purposes of this section, management, custodial, and service costs  
26 include investment counsel fees for managing assets, real estate mortgage  
27 loan service fees, real estate management fees, and custody fees for fund  
28 securities. All such fees shall be approved by the Nebraska Investment  
29 Council and the state investment officer.

30 Sec. 6. Section 72-1249.02, Reissue Revised Statutes of Nebraska, is  
31 amended to read:

1           72-1249.02 The State Investment Officer's Cash Fund is created. A  
2 pro rata share of the budget appropriated for the Nebraska Investment  
3 Council shall be charged to the income of each fund managed, and such  
4 charges shall be transferred to the State Investment Officer's Cash Fund.  
5 The allocation of charges may be made by any method determined to be  
6 reasonably related to actual costs incurred by the Nebraska Investment  
7 Council. Approval of the agencies and boards administering these funds  
8 shall not be required.

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

12           Management, custodial, and service costs which are a direct expense  
13 of state funds may be paid from the income of such funds when this is not  
14 prohibited by statute or the constitution. For purposes of this section,  
15 management, custodial, and service costs shall include, but not be  
16 limited to, investment counsel fees for managing assets, real estate  
17 mortgage loan service fees, real estate management fees, and custody fees  
18 for fund securities. All such fees shall be approved by the Nebraska  
19 Investment Council and the state investment officer.

20           Beginning on the effective date of this act, a pro rata share of the  
21 budget appropriated for the Nebraska Investment Council shall be charged  
22 to the income of the Class V School Employees Retirement Fund, and such  
23 charges shall be transferred to the State Investment Officer's Cash Fund.  
24 The allocation of charges among a retirement system provided for under  
25 the Class V School Employees Retirement Act and the other funds managed  
26 by the Nebraska Investment Council may be made by any method determined  
27 to be reasonably related to actual costs incurred by the Nebraska  
28 Investment Council. Approval of the board of education as defined in  
29 section 79-978 and the board of trustees provided for in section 79-980  
30 shall not be required.

31           Sec. 7. Section 79-916, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 79-916 (1)(a) On July 1, 2004, the board shall transfer from the  
3 School Retirement Fund to the Service Annuity Fund an amount equal to the  
4 funded ratio of the retirement system which is equal to the market value  
5 of the retirement system assets divided by the actuarial accrued  
6 liability of the retirement system, times the actuarial accrued liability  
7 of the service annuity, as determined pursuant to section 79-966.01, of  
8 the employees who are members of the retirement system established  
9 pursuant to the Class V School Employees Retirement Act. Beginning July  
10 1, 2013, such actuarial accrued liability shall be determined for each  
11 employee on a level percentage of salary basis. On or before July 1 of  
12 each fiscal year, the state shall deposit into the Service Annuity Fund  
13 such amounts as may be necessary to pay the normal cost and amortize the  
14 unfunded actuarial accrued liability of the service annuity, as  
15 determined pursuant to section 79-966.01, as of the end of the previous  
16 fiscal year of the employees who are members of the retirement system  
17 established pursuant to the Class V School Employees Retirement Act.  
18 Based on the fiscal year of the retirement system established pursuant to  
19 the Class V School Employees Retirement Act, the administrator of such  
20 system shall provide all membership information needed for the actuary  
21 engaged by the retirement board to determine the normal cost and the  
22 amortization payment of the unfunded actuarial accrued liability, as  
23 determined pursuant to section 79-966.01, to be paid by the state to the  
24 Service Annuity Fund each fiscal year as required by this subdivision.

25 (b) At the time of retirement of any employee who is a member of the  
26 retirement system established pursuant to the Class V School Employees  
27 Retirement Act and who was hired prior to July 1, 2016, the retirement  
28 board shall, upon receipt of a certification of the administrator of such  
29 retirement system of the name, identification number, date of birth,  
30 retirement date, last date of employment, type of retirement, and number  
31 of years of service credited to such eligible employee at the date of



1 retirement, transfer to such retirement system from the Service Annuity  
2 Fund the actuarial accrued liability of the service annuity to be paid by  
3 the state to the eligible employee for the years of service thus  
4 certified as provided for members of the School Employees Retirement  
5 System of the State of Nebraska under sections 79-933 and 79-952. Such  
6 transfer of the actuarial accrued liability to the retirement system  
7 established pursuant to the Class V School Employees Retirement Act shall  
8 be in lieu of the payment of the service annuity to which the employee  
9 would be entitled.

10 (c) The Service Annuity Fund is created. The fund shall consist of  
11 the amounts paid by the state and transferred from the School Retirement  
12 Fund pursuant to this section to pay the service annuity to be paid by  
13 the state to employees who are members of the retirement system  
14 established pursuant to the Class V School Employees Retirement Act. Any  
15 money in the Service Annuity Fund available for investment shall be  
16 invested by the state investment officer pursuant to the Nebraska Capital  
17 Expansion Act and the Nebraska State Funds Investment Act.

18 (2) In addition to the transfer of the actuarial accrued liability  
19 of the service annuity to be paid by the state, the state shall also  
20 transfer to the funds of the Class V school district's retirement system  
21 an amount determined by multiplying the compensation of all members of  
22 such retirement system by the percent specified in subsection (2) of  
23 section 79-966 for determining the amount of the state's payment to the  
24 School Retirement Fund plus the amount determined under subdivision (1)  
25 (b) of section 79-966. The transfer shall be made annually on or before  
26 July 1 of each fiscal year.

27 Sec. 8. Section 79-931, Reissue Revised Statutes of Nebraska, is  
28 amended to read:

29 79-931 (1)(a) For all members hired before July 1, 2016, upon Upon  
30 filing a retirement application with the retirement system, a member who  
31 has completed thirty-five years of creditable service may retire at any

1 age, a member who has completed at least five years of (i a) creditable  
2 service plus (ii b) eligibility and vesting credit and is at least sixty  
3 years of age may retire, or a member who is at least sixty-five years of  
4 age upon termination may retire.

5 (b) For all members hired or rehired on or after July 1, 2016, upon  
6 filing a retirement application with the retirement system, a member who  
7 has completed thirty-five years of creditable service may retire at any  
8 age or a member who has completed at least five years of (i) creditable  
9 service plus (ii) eligibility and vesting credit and is at least sixty  
10 years of age may retire.

11 (2) Upon filing a retirement application with the retirement system,  
12 a member may retire upon termination if the member is at least fifty-five  
13 years of age, has acquired the equivalent of one-half year of service as  
14 a public school employee under the retirement system following July 1,  
15 1997, and was a school employee on or after March 4, 1998, and the sum of  
16 the member's attained age and creditable service totals eighty-five. Upon  
17 filing a retirement application with the retirement system, a member may  
18 retire upon termination if the member is at least fifty-five years of  
19 age, has acquired the equivalent of five years of service as a public  
20 school employee under the retirement system following July 1, 2016, and  
21 was employed as a public school employee on or after July 1, 2016, and  
22 the sum of the member's attained age and creditable service totals  
23 eighty-five.

24 Sec. 9. Section 79-934, Revised Statutes Supplement, 2015, is  
25 amended to read:

26 79-934 (1) In lieu of the school retirement allowance provided by  
27 section 79-933, any member who is not an employee of a Class V school  
28 district and who becomes eligible to make application for and receive a  
29 school retirement allowance under section 79-931 may receive a formula  
30 annuity retirement allowance if it is greater than the school retirement  
31 allowance provided by section 79-933.

1           (2) Subject to the other provisions of this section, the monthly  
2 formula annuity in the normal form shall be determined by multiplying the  
3 number of years of creditable service for which such member would  
4 otherwise receive the service annuity provided by section 79-933 by (a)  
5 one and one-quarter percent of his or her final average compensation for  
6 a member who has acquired the equivalent of one-half year of service or  
7 more as a public school employee under the retirement system following  
8 August 24, 1975, (b) one and one-half percent of his or her final average  
9 compensation for a member who has acquired the equivalent of one-half  
10 year of service or more as a public school employee under the retirement  
11 system following July 17, 1982, (c) one and sixty-five hundredths percent  
12 of his or her final average compensation for a member who has acquired  
13 the equivalent of one-half year of service or more as a public school  
14 employee under the retirement system following July 1, 1984, (d) one and  
15 seventy-three hundredths percent of his or her final average compensation  
16 for a member actively employed as a public school employee under the  
17 retirement system or under contract with an employer on or after June 5,  
18 1993, (e) one and eight-tenths percent of his or her final average  
19 compensation for a member who has acquired the equivalent of one-half  
20 year of service or more as a public school employee under the retirement  
21 system following July 1, 1995, and was employed as a public school  
22 employee under the retirement system or under contract with an employer  
23 on or after April 10, 1996, (f) one and nine-tenths percent of his or her  
24 final average compensation for a member who has acquired the equivalent  
25 of one-half year of service or more as a public school employee under the  
26 retirement system following July 1, 1998, and was employed as a public  
27 school employee under the retirement system or under contract with an  
28 employer on or after April 29, 1999, ~~or~~ (g) two percent of his or her  
29 final average compensation for a member who has acquired the equivalent  
30 of one-half year of service or more as a public school employee under the  
31 retirement system following July 1, 2000, who was employed as a public

1 school employee under the retirement system or under contract with an  
2 employer on or after May 2, 2001, and who has not retired prior to May 2,  
3 2001, or (h) two percent of his or her final average compensation for a  
4 member who has acquired the equivalent of five years of service or more  
5 as a public school employee under the retirement system following July 1,  
6 2016, who was employed as a public school employee under the retirement  
7 system or under contract with an employer on or after July 1, 2016, and  
8 who has not retired prior to July 1, 2016. Subdivision (2)(f) of this  
9 section shall not apply to a member who is retired prior to April 29,  
10 1999. Subdivision (2)(g) of this section shall not apply to a member who  
11 is retired prior to May 2, 2001. Subdivision (2)(h) of this section shall  
12 not apply to a member who is retired prior to July 1, 2016.

13 (3) If the annuity begins on or after the sixty-fifth birthday of a  
14 member, the annuity shall not be reduced. If the annuity begins prior to  
15 the sixty-fifth birthday of the member and the member has completed  
16 thirty or more years of creditable service and is at least sixty years of  
17 age, the annuity shall not be reduced. If the annuity begins prior to the  
18 sixtieth birthday of the member and the member has completed thirty-five  
19 or more years of creditable service, the annuity shall be actuarially  
20 reduced on the basis of age sixty-five. If the annuity begins on or after  
21 the sixtieth birthday of the member and the member has completed at least  
22 a total of five years of (a) creditable service plus (b) eligibility and  
23 vesting credit but less than thirty years of creditable service, the  
24 annuity shall be reduced by three percent for each year by which the  
25 member's age is less than the age at which the member's age plus years of  
26 creditable service would have totaled ninety or three percent for each  
27 year after the member's sixtieth birthday and prior to his or her sixty-  
28 fifth birthday, whichever provides the greater annuity.

29 (4)(a) For retirements on or after March 4, 1998, and before July 1,  
30 2016, if the annuity begins at a time when the sum of the member's  
31 attained age and creditable service totals eighty-five and the member is

1 at least fifty-five years of age, the annuity shall not be reduced. This  
2 subdivision subsection shall only apply to a member who has acquired the  
3 equivalent of one-half year of service or more as a public school  
4 employee under the retirement system following July 1, 1997, and who was  
5 a school employee on or after March 4, 1998. This subdivision subsection  
6 shall not apply to a member who is retired prior to March 4, 1998.

7 (b) For retirements on or after July 1, 2016, if the annuity begins  
8 at a time when the sum of the member's attained age and creditable  
9 service totals eighty-five and the member is at least fifty-five years of  
10 age, the annuity shall not be reduced. This subdivision shall only apply  
11 to a member who has acquired the equivalent of five years of service or  
12 more as a public school employee under the retirement system following  
13 July 1, 2016, and who was a school employee on or after July 1, 2016.  
14 This subdivision shall not apply to a member who is retired prior to July  
15 1, 2016.

16 (5) Except as provided in section 42-1107, the normal form of the  
17 formula annuity shall be an annuity payable monthly during the remainder  
18 of the member's life with the provision that in the event of his or her  
19 death before sixty monthly payments have been made the monthly payments  
20 will be continued to his or her estate or to the beneficiary he or she  
21 has designated until sixty monthly payments have been made. Except as  
22 provided in section 42-1107, a member may elect to receive in lieu of the  
23 normal form of annuity an actuarially equivalent annuity in any optional  
24 form provided by section 79-938.

25 (6) All formula annuities shall be paid from the School Retirement  
26 Fund.

27 (7)(a)(i) For purposes of this section, in the determination of  
28 compensation for members on or after July 1, 2005, that part of a  
29 member's compensation for the plan year which exceeds the member's  
30 compensation with the same employer for the preceding plan year by more  
31 than seven percent of the compensation base during the sixty months

1 preceding the member's retirement shall be excluded unless (A) the member  
2 experienced a substantial change in employment position, (B) as verified  
3 by the school board, the excess compensation above seven percent occurred  
4 as the result of a collective-bargaining agreement between the employer  
5 and a recognized collective-bargaining unit or category of school  
6 employee, and the percentage increase in compensation above seven percent  
7 shall not be excluded for employees outside of a collective-bargaining  
8 unit or within the same category of school employee, or (C) the excess  
9 compensation occurred as the result of a districtwide permanent benefit  
10 change made by the employer for a category of school employee in  
11 accordance with subdivision (35)(a)(iv) of section 79-902.

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

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

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

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

29 (b)(i) In the determination of compensation for members whose  
30 retirement date is on or after July 1, 2012, through June 30, 2013, that  
31 part of a member's compensation for the plan year which exceeds the

1 member's compensation with the same employer for the preceding plan year  
2 by more than nine percent of the compensation base shall be excluded.

3 (ii) For purposes of subdivision (7)(b) of this section,  
4 compensation base means (A) for current members employed with the same  
5 employer, the member's compensation for the plan year ending June 30,  
6 2012, or (B) for members newly hired or hired by a separate employer on  
7 or after July 1, 2012, the member's compensation for the first full plan  
8 year following the member's date of hiring.

9 (c)(i) In the determination of compensation for members whose  
10 retirement date is on or after July 1, 2013, that part of a member's  
11 compensation for the plan year which exceeds the member's compensation  
12 for the preceding plan year by more than eight percent during the capping  
13 period shall be excluded. Such member's compensation for the first plan  
14 year of the capping period shall be compared to the member's compensation  
15 received for the plan year immediately preceding the capping period.

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

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

20 (B) Final compensation date means the later of (I) the date on which  
21 a retiring member's final compensation is actually paid or (II) if a  
22 retiring member's final compensation is paid in advance as a lump sum,  
23 the date on which such final compensation would have been paid to the  
24 member in the absence of such advance payment.

25 Sec. 10. Section 79-935, Reissue Revised Statutes of Nebraska, is  
26 amended to read:

27 79-935 No provision of section 79-916, 79-934, 79-958, 79-960, or  
28 79-966 which would result in an increase in benefits that would have been  
29 payable prior to July 1, 1984, shall apply to any person until that  
30 person has acquired the equivalent of one-half year of service or more as  
31 a school employee under the retirement system following July 1, 1984.

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

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

12 No provision of section 79-916, 79-934, 79-957, 79-958, 79-960, or  
13 79-966 which would result in an increase in benefits that would have been  
14 payable prior to July 1, 2016, shall apply to any person until that  
15 person has acquired the equivalent of five years of service or more as a  
16 school employee under the retirement system following July 1, 2016.

17 Sec. 11. Section 79-954, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

19 79-954 ~~If (1) Except as provided in subsection (2) of this section,~~  
20 ~~if a disability beneficiary under the age of sixty-five years is restored~~  
21 ~~to active service as a school employee or if the examining physician~~  
22 ~~certifies that the person is no longer disabled for service as a school~~  
23 ~~employee, the school or disability retirement allowance shall cease. If~~  
24 ~~the beneficiary again becomes a school employee, he or she shall become a~~  
25 ~~member of the retirement system. Any prior service certificate, on the~~  
26 ~~basis of which his or her creditable service was computed at the time of~~  
27 ~~his or her retirement for disability, shall be restored to full force and~~  
28 ~~effect upon his or her again becoming a member of such retirement system.~~

29 ~~(2) If a disability beneficiary under the age of sixty-five years~~  
30 ~~obtains employment as a school employee and the examining physician~~  
31 ~~certifies that the beneficiary has a permanent disability, the~~



1 ~~beneficiary shall retain his or her disability retirement allowance if~~  
2 ~~the beneficiary works fewer than twenty hours per week.~~

3 Sec. 12. Section 79-966, Reissue Revised Statutes of Nebraska, is  
4 amended to read:

5 79-966 (1)(a) On the basis of all data in the possession of the  
6 retirement board, including such mortality and other tables as are  
7 recommended by the actuary engaged by the retirement board and adopted by  
8 the retirement board, the retirement board shall annually, on or before  
9 July 1, determine the state deposit to be made by the state in the School  
10 Retirement Fund for that fiscal year. The amount of such state deposit  
11 shall be determined pursuant to section 79-966.01. The retirement board  
12 shall thereupon certify the amount of such state deposit, and on the  
13 warrant of the Director of Administrative Services, the State Treasurer  
14 shall, as of July 1 of such year, transfer from funds appropriated by the  
15 state for that purpose to the School Retirement Fund the amount of such  
16 state deposit.

17 (b) Beginning July 1, 2016, the state deposit described in this  
18 subsection shall be calculated as a percent of compensation of all  
19 members of the retirement system. For any year in which a deposit is made  
20 to the School Retirement Fund under this subsection, if the actuary  
21 employed by the Class V school district's retirement system determines  
22 that the actuarially required contribution rate exceeds the rate of all  
23 contributions required pursuant to the Class V School Employees  
24 Retirement Act, using the thirty-year amortization period specified in  
25 section 79-966.01, the Class V district school board may request a public  
26 hearing of the Appropriations Committee of the Legislature to ask the  
27 state to transfer to the funds of the Class V school district's  
28 retirement system an amount determined by multiplying the compensation of  
29 all members of such retirement system by the lesser of the percent of  
30 compensation deposited into the School Retirement Fund under this  
31 subsection or the percent of compensation of the members of the Class V

1 school district's retirement system needed to meet the actuarially  
2 required contribution rate for the Class V school district's retirement  
3 system, using the thirty-year amortization period specified in section  
4 79-966.01. Any additional amount of transfer so calculated, recommended  
5 by the Appropriations Committee of the Legislature and approved by the  
6 Legislature, shall be added to the two percent specified in subsection  
7 (2) of this section for the amount required by subsection (2) of section  
8 79-916 to be transferred to the funds of the Class V school district's  
9 retirement system.

10       ~~(2) For each fiscal year beginning July 1, 2009, until July 1, 2014,~~  
11 ~~in addition to the state deposits required by subsections (1) and (3) of~~  
12 ~~this section, the state shall deposit in the School Retirement Fund an~~  
13 ~~amount equal to one percent of the compensation of all members of the~~  
14 ~~retirement system.~~ For each fiscal year beginning July 1, 2014, in  
15 addition to the state deposits required by subsections (1) and (3) of  
16 this section, the state shall deposit in the School Retirement Fund an  
17 amount equal to two percent of the compensation of all members of the  
18 retirement system.

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

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

31       79-978 For purposes of the Class V School Employees Retirement Act,

1 unless the context otherwise requires:

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

5 (2) Board of education means the board of education of the school  
6 district;

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

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

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

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

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

20 (8) Membership service means service on or after September 1, 1951,  
21 as an employee of the school district and a member of the system for  
22 which compensation is paid by the school district. Credit for more than  
23 one year of membership service shall not be allowed for service rendered  
24 in any fiscal year. Beginning September 1, 2005, a member shall be  
25 credited with a year of membership service for each fiscal year in which  
26 the member performs one thousand or more hours of compensated service as  
27 an employee of the school district. An hour of compensated service shall  
28 include any hour for which the member is compensated by the school  
29 district during periods where no service is performed due to vacation or  
30 approved leave. If a member performs less than one thousand hours of  
31 compensated service during a fiscal year, one-tenth of a year of

1 membership service shall be credited for each one hundred hours of  
2 compensated service by the member in such fiscal year. In determining a  
3 member's total membership service, all periods of membership service,  
4 including fractional years of membership service in one-tenth-year  
5 increments, shall be aggregated;

6 (9) Prior service means service rendered prior to September 1, 1951,  
7 for which credit is allowed under section 79-999, service rendered by  
8 retired employees receiving benefits under preexisting systems, and  
9 service for which credit is allowed under sections 79-990, 79-991,  
10 79-994, 79-995, and 79-997;

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

13 (11)(a) Compensation means gross wages or salaries payable to the  
14 member during a fiscal year and includes (i) overtime pay, (ii) member  
15 contributions to the retirement system that are picked up under section  
16 414(h) of the Internal Revenue Code, as defined in section 49-801.01,  
17 (iii) retroactive salary payments paid pursuant to court order,  
18 arbitration, or litigation and grievance settlements, and (iv) amounts  
19 contributed by the member to plans under sections 125, 403(b), and 457 of  
20 the Internal Revenue Code, as defined in section 49-801.01, or any other  
21 section of the code which defers or excludes such amounts from income.

22 (b) Compensation does not include (i) fraudulently obtained amounts  
23 as determined by the board, (ii) amounts for unused sick leave or unused  
24 vacation leave converted to cash payments, (iii) insurance premiums  
25 converted into cash payments, (iv) reimbursement for expenses incurred,  
26 (v) fringe benefits, (vi) per diems paid as expenses, (vii) bonuses for  
27 services not actually rendered, including, but not limited to, early  
28 retirement inducements, cash awards, and severance pay, or (viii)  
29 employer contributions made for the purposes of separation payments made  
30 at retirement and early retirement inducements as provided for in section  
31 79-514.

1 (c) Compensation in excess of the limitations set forth in section  
2 401(a)(17) of the Internal Revenue Code, as defined in section 49-801.01,  
3 shall be disregarded;

4 (12) Military service means service in the uniformed services as  
5 defined in 38 U.S.C. 4301 et seq., as such provision existed on March 27,  
6 1997;

7 (13) Accumulated contributions means the sum of amounts contributed  
8 by a member of the system together with regular interest credited  
9 thereon;

10 (14) Regular interest means interest (a) on the total contributions  
11 of the member prior to the close of the last preceding fiscal year, (b)  
12 compounded annually, and (c)(i) beginning September 1, 2016, at a rate  
13 equal to the daily treasury yield curve for one-year treasury securities,  
14 as published by the Secretary of Treasury of the United States, that  
15 applies on September 1 of each year and (ii) prior to September 1, 2016,  
16 at rates to be determined annually by the board, which shall have the  
17 sole, absolute, and final discretionary authority to make such  
18 determination, except that the rate for any given year in no event shall  
19 exceed the actual percentage of net earnings of the system during the  
20 last preceding fiscal year;

21 (15) Interest means, for the purchase of service credit, the  
22 purchase of prior service credit, restored refunds, and delay payments,  
23 the investment return assumption used in the most recent actuarial  
24 valuation;

25 (16 15) Retirement date means the date of retirement of a member for  
26 service or disability as fixed by the board of trustees;

27 (17 16) Normal retirement date means the end of the month during  
28 which the member attains age sixty-five and has completed at least five  
29 years of membership service;

30 (18 17) Early retirement date means, for members hired prior to July  
31 1, 2016, who have attained age fifty-five, that month and year selected

1 by a member having at least ten years of creditable service which  
2 includes a minimum of five years of membership service. Early retirement  
3 date means, for members hired on or after July 1, 2016, that month and  
4 year selected by a member having at least five years of creditable  
5 service and who has attained age sixty and who has attained age fifty-  
6 five;

7 (19 18) Retirement allowance means the total annual retirement  
8 benefit payable to a member for service or disability;

9 (20 19) Annuity means annual payments, for both prior service and  
10 membership service, for life as provided in the Class V School Employees  
11 Retirement Act;

12 (21 20) Actuarial tables means:

13 (a) For determining the actuarial equivalent of any annuities other  
14 than joint and survivorship annuities, a unisex mortality table using  
15 twenty-five percent of the male mortality and seventy-five percent of the  
16 female mortality from the 1994 Group Annuity Mortality Table with a One  
17 Year Setback and using an interest rate of eight percent compounded  
18 annually; and

19 (b) For joint and survivorship annuities, a unisex retiree mortality  
20 table using sixty-five percent of the male mortality and thirty-five  
21 percent of the female mortality from the 1994 Group Annuity Mortality  
22 Table with a One Year Setback and using an interest rate of eight percent  
23 compounded annually and a unisex joint annuitant mortality table using  
24 thirty-five percent of the male mortality and sixty-five percent of the  
25 female mortality from the 1994 Group Annuity Mortality Table with a One  
26 Year Setback and using an interest rate of eight percent compounded  
27 annually;

28 (22 21) Actuarial equivalent means the equality in value of the  
29 retirement allowance for early retirement or the retirement allowance for  
30 an optional form of annuity, or both, with the normal form of the annuity  
31 to be paid, as determined by the application of the appropriate actuarial

1 table, except that use of such actuarial tables shall not effect a  
2 reduction in benefits accrued prior to September 1, 1985, as determined  
3 by the actuarial tables in use prior to such date;

4 (23 22) Fiscal year means the period beginning September 1 in any  
5 year and ending on August 31 of the next succeeding year;

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

12 (25 23) Primary beneficiary means the person or persons entitled to  
13 receive or receiving a benefit by reason of the death of a member;~~and~~

14 (26 24) Secondary beneficiary means the person or persons entitled  
15 to receive or receiving a benefit by reason of the death of all primary  
16 beneficiaries prior to the death of the member. If no primary beneficiary  
17 survives the member, secondary beneficiaries shall be treated in the same  
18 manner as primary beneficiaries.

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

21 (28) State investment officer means the state investment officer  
22 appointed pursuant to section 72-1240 and acting pursuant to the Nebraska  
23 State Funds Investment Act.

24 Sec. 14. Section 79-978.01, Reissue Revised Statutes of Nebraska, is  
25 amended to read:

26 79-978.01 Sections 79-978 to 79-9,118 and sections 19, 32, and 43 of  
27 this act shall be known and may be cited as the Class V School Employees  
28 Retirement Act.

29 Sec. 15. Section 79-979, Reissue Revised Statutes of Nebraska, is  
30 amended to read:

31 79-979 (1) Prior to September 13, 1997, in each Class V school

1 district in the State of Nebraska there is hereby established a separate  
2 retirement system for all regular employees of such school district. Such  
3 system shall be for the purpose of providing retirement benefits for all  
4 regular employees of the school district as provided in the Class V  
5 School Employees Retirement Act. The system shall be known as School  
6 Employees' Retirement System of (corporate name of the school district as  
7 described in section 79-405). All of its business shall be transacted,  
8 all of its funds shall be invested, and all of its cash and securities  
9 and other property shall be held in trust on behalf of the retirement  
10 system ~~by such name~~ for the purposes set forth in the act. Such funds  
11 shall be kept separate from all other funds of the school district and  
12 shall be used for no other purpose.

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

18 (3) Any new Class V school districts formed pursuant to the Learning  
19 Community Reorganization Act shall continue to participate in the  
20 retirement system established pursuant to the Class V School Employees  
21 Retirement Act if such new Class V school district was formed at least in  
22 part by territory that had been in a Class V school district that  
23 participated in the retirement system established pursuant to the Class V  
24 School Employees Retirement Act.

25 Sec. 16. Section 79-980, Reissue Revised Statutes of Nebraska, is  
26 amended to read:

27 79-980 (1) At any time that the retirement system consists of only  
28 one Class V school district, the general administration of the retirement  
29 system is hereby vested in the board of trustees. Beginning July 1, 2015,  
30 the board of trustees shall consist of the following individuals: (a) Two  
31 members of the retirement system who are certificated staff elected by



1 the members of the retirement system who are certificated staff; (b) one  
2 member of the retirement system who is classified staff elected by the  
3 members of the retirement system who are classified staff; (d) one member  
4 of the retirement system who is an annuitant elected by the members of  
5 the retirement system who are annuitants; (e) the superintendent of  
6 schools or his or her designee to serve as an ex officio, voting trustee;  
7 and (f) two business persons approved by the board of education qualified  
8 in financial affairs who are not members of the retirement system. The  
9 business person trustees shall be recommended to four-year terms by the  
10 trustees who are not business persons and the appointments shall be  
11 approved by the board of education. The elections of the trustees who are  
12 members of the retirement system shall be arranged for, managed, and  
13 conducted by the board of trustees and, after the initial terms as  
14 otherwise designated, shall be for terms of four years. One existing  
15 certificated staff trustee will continue serving until an elected  
16 certificated staff trustee will take position effective July 1, 2017; the  
17 second existing certificated staff trustee will continue serving until a  
18 second elected certificated staff trustee will take position July 1,  
19 2018; the existing classified staff trustee will continue serving until  
20 an elected classified staff trustee will take position July 1, 2019; the  
21 existing annuitant member trustee will continue serving until an elected  
22 annuitant member trustee will take position July 1, 2020; one existing  
23 business member trustee will continue serving until a new term of office  
24 begins effective July 1, 2018; and the second existing business member  
25 trustee will continue serving until a new term of office begins effective  
26 July 1, 2020. The terms of the elected trustees shall be fixed so that  
27 one member trustee election shall be held each year. The board of  
28 trustees shall appoint a qualified individual to fill any vacancy on the  
29 board of trustees for the remainder of the unexpired term. No vacancy or  
30 vacancies on the board of trustees shall impair the power of the  
31 remaining trustees to administer the retirement system pending the

1 filling of such vacancy or vacancies. The trustees shall serve without  
2 compensation, but shall be reimbursed from the funds of the retirement  
3 system for expenses that they may incur through service on the board of  
4 trustees as provided in sections 81-1174 to 81-1177. A trustee shall  
5 serve until a successor qualifies, except that trustees who are members  
6 of the retirement system shall be disqualified as trustees immediately  
7 upon ceasing to be a member of the retirement system. Each trustee shall  
8 be entitled to one vote on the board of trustees, and four trustees shall  
9 constitute a quorum for the transaction of any business. The board of  
10 trustees and the administrator of the retirement system shall administer  
11 the retirement system in compliance with the tax-qualification  
12 requirements applicable to government retirement plans under section  
13 401(a) of the Internal Revenue Code, as defined in section 49-801.01,  
14 including: Section 401(a)(9) of the Internal Revenue Code relating to the  
15 time and manner in which benefits are required to be distributed,  
16 including the incidental death benefit distribution requirement of  
17 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(25) of  
18 the Internal Revenue Code relating to the specification of actuarial  
19 assumptions; section 401(a)(31) of the Internal Revenue Code relating to  
20 direct rollover distributions from eligible retirement plans; and section  
21 401(a)(37) of the Internal Revenue Code relating to the death benefit of  
22 a member whose death occurs while performing qualified military service.  
23 No member of the board of education or board of trustees shall be  
24 personally liable, except in cases of willful dishonesty, gross  
25 negligence, or intentional violations of law, for actions relating to his  
26 or her retirement system duties. Beginning July 1, 2016, the board of  
27 education shall not have any duty or responsibility for the general  
28 administration of the retirement system, including the determination and  
29 calculation of the benefits of any member or beneficiary, except as may  
30 specifically be provided in the Class V School Employees Act At any time  
31 that the retirement system consists of only one Class V school district,

1 ~~the general administration of the retirement system is hereby vested in~~  
2 ~~the board of education. The board shall appoint, by a majority of all its~~  
3 ~~members, ten trustees to serve as executive officers to administer the~~  
4 ~~Class V School Employees Retirement Act. Such trustees shall consist of~~  
5 ~~(a) the superintendent of schools, as ex officio trustee, (b) four~~  
6 ~~members of the retirement system, two from the certificated staff, one~~  
7 ~~from the classified staff, and one from the annuitants, (c) three members~~  
8 ~~of the board of education, and (d) two trustees who are business persons~~  
9 ~~qualified in financial affairs and who are not members of the retirement~~  
10 ~~system. The trustees shall serve without compensation, but they shall be~~  
11 ~~reimbursed from the funds of the retirement system for expenses that they~~  
12 ~~may incur through service on the board of trustees as provided in~~  
13 ~~sections 81-1174 to 81-1177. A trustee shall serve until a successor~~  
14 ~~qualifies, except that trustees who are members of the retirement system~~  
15 ~~or members of the board of education shall be disqualified as trustees~~  
16 ~~immediately upon ceasing to be a member of the retirement system or of~~  
17 ~~the board of education. Each trustee shall be entitled to one vote on the~~  
18 ~~board of trustees, and six trustees shall constitute a quorum for the~~  
19 ~~transaction of any business. The trustees who are appointed from the~~  
20 ~~board of education and the membership shall be appointed for each fiscal~~  
21 ~~year. The two trustees who are not members of the board of education or~~  
22 ~~of the retirement system shall be appointed for three fiscal years each.~~  
23 ~~The trustees and the administrator of the retirement system shall~~  
24 ~~administer the retirement system in compliance with the tax-qualification~~  
25 ~~requirements applicable to government retirement plans under section~~  
26 ~~401(a) of the Internal Revenue Code, as defined in section 49-801.01,~~  
27 ~~including: Section 401(a)(9) of the Internal Revenue Code relating to the~~  
28 ~~time and manner in which benefits are required to be distributed,~~  
29 ~~including the incidental death benefit distribution requirement of~~  
30 ~~section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(25) of~~  
31 ~~the Internal Revenue Code relating to the specification of actuarial~~

1 ~~assumptions; section 401(a)(31) of the Internal Revenue Code relating to~~  
2 ~~direct rollover distributions from eligible retirement plans; and section~~  
3 ~~401(a)(37) of the Internal Revenue Code relating to the death benefit of~~  
4 ~~a member whose death occurs while performing qualified military service.~~  
5 ~~No member of the board of education or trustee shall be personally~~  
6 ~~liable, except in cases of willful dishonesty, gross negligence, or~~  
7 ~~intentional violations of law, for actions relating to his or her~~  
8 ~~retirement system duties.~~

9 (2) At any time that the retirement system consists of more than one  
10 Class V school district, the general administration of the retirement  
11 system is hereby vested in the board of trustees. The board of trustees  
12 shall consist of the following individuals: (a) Two members of the  
13 retirement system who are certificated staff elected by the members of  
14 the retirement system who are certificated staff; (b) one member of the  
15 retirement system who is classified staff elected by the members of the  
16 retirement system who are classified staff; (c) one member of the  
17 retirement system who is an annuitant elected by the members of the  
18 retirement system who are annuitants; (d) the superintendent of each of  
19 the school districts represented in the retirement system or his or her  
20 designee to serve as an ex officio, voting trustee; and (e) two business  
21 persons approved by the board of education qualified in financial affairs  
22 who are not members of the retirement system. The elections of the  
23 trustees who are members of the retirement system shall be arranged for,  
24 managed, and conducted by the board of trustees and, after the initial  
25 terms as otherwise designated, shall be for terms of four years. The  
26 business person trustees shall be recommended to four-year terms by the  
27 trustees who are not business persons and the appointments shall be  
28 approved by the board of education. The board of trustees shall appoint a  
29 qualified individual to fill any vacancy on the board of trustees for the  
30 remainder of the unexpired term. No vacancy or vacancies on the board of  
31 trustees shall impair the power of the remaining trustees to administer

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

1 ~~of more than one Class V school district, the general administration of~~  
2 ~~the retirement system is hereby vested in a Class V Retirement System~~  
3 ~~Board composed of three members of the school board for each~~  
4 ~~participating Class V school district. The board shall appoint, by a~~  
5 ~~majority of all its members, trustees to serve as executive officers to~~  
6 ~~administer the Class V School Employees Retirement Act. Such trustees~~  
7 ~~shall consist of (a) the superintendent of each participating Class V~~  
8 ~~school district, as ex officio trustees, (b) four members of the~~  
9 ~~retirement system, two from the certificated staff, one from the~~  
10 ~~classified staff, and one from the annuitants, (c) three members of the~~  
11 ~~board, and (d) two trustees who are business persons qualified in~~  
12 ~~financial affairs and who are not members of the retirement system. The~~  
13 ~~trustees who are appointed from the board and the membership shall, to~~  
14 ~~the extent feasible, be appointed equally from each participating Class V~~  
15 ~~school district. The trustees shall serve without compensation, but they~~  
16 ~~shall be reimbursed from the funds of the retirement system for expenses~~  
17 ~~that they may incur through service on the board of trustees as provided~~  
18 ~~in sections 81-1174 to 81-1177. A trustee shall serve until a successor~~  
19 ~~qualifies, except that trustees who are members of the retirement system~~  
20 ~~or members of the board shall be disqualified as trustees immediately~~  
21 ~~upon ceasing to be a member of the retirement system or of the board.~~  
22 ~~Each trustee shall be entitled to one vote on the board of trustees, and~~  
23 ~~six trustees shall constitute a quorum for the transaction of any~~  
24 ~~business. The trustees who are appointed from the board and the~~  
25 ~~membership shall be appointed for each fiscal year. The two trustees who~~  
26 ~~are not members of the board or of the retirement system shall be~~  
27 ~~appointed for three fiscal years each. The trustees and the administrator~~  
28 ~~of the retirement system shall administer the retirement system in~~  
29 ~~compliance with the tax qualification requirements applicable to~~  
30 ~~government retirement plans under section 401(a) of the Internal Revenue~~  
31 ~~Code, as defined in section 49-801.01, including: Section 401(a)(9) of~~

1 ~~the Internal Revenue Code relating to the time and manner in which~~  
2 ~~benefits are required to be distributed, including the incidental death~~  
3 ~~benefit distribution requirement of section 401(a)(9)(G) of the Internal~~  
4 ~~Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to~~  
5 ~~the specification of actuarial assumptions; section 401(a)(31) of the~~  
6 ~~Internal Revenue Code relating to direct rollover distributions from~~  
7 ~~eligible retirement plans; and section 401(a)(37) of the Internal Revenue~~  
8 ~~Code relating to the death benefit of a member whose death occurs while~~  
9 ~~performing qualified military service. No member of the Class V~~  
10 ~~Retirement System Board or trustee shall be personally liable, except in~~  
11 ~~cases of willful dishonesty, gross negligence, or intentional violations~~  
12 ~~of law, for actions relating to his or her retirement system duties.~~

13 Sec. 17. Section 79-981, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

15 79-981 The board of trustees ~~education or Class V Retirement System~~  
16 ~~Board~~ shall from time to time establish rules and regulations for the  
17 administration of the retirement system and for the transaction of its  
18 business and shall appoint an administrator of the retirement system. The  
19 board of trustees may contract for such medical and other services as  
20 shall be required to transact the business of the retirement system.  
21 Beginning on the effective date of this act, neither the board of  
22 education nor the board of trustees shall establish any further rules or  
23 regulations related to the investment of the assets of the retirement  
24 system without first consulting with the state investment officer.  
25 Beginning January 1, 2017, all existing rules and regulations related to  
26 the investment of assets of the retirement system terminate. Compensation  
27 for all persons employed by the board of trustees and all other expenses  
28 of the board of trustees necessary for the proper and efficient operation  
29 of the retirement system shall be paid in such amounts as the board of  
30 trustees determines and approves. Beginning January 1, 2017, all expenses  
31 related to the investment of the assets of the retirement system shall be

1 paid in such amounts as the state investment officer determines and  
2 approves.

3 In addition to such duties and other duties arising out of the Class  
4 V School Employees Retirement Act not specifically reserved or assigned  
5 to others, the board of education shall maintain a separate account of  
6 each member's retirement account information as indicated in section  
7 79-989 contribution, the record of which shall be available in a timely  
8 manner to the member and the board of trustees upon request. The board of  
9 trustees shall , compile such data as may be necessary for the required  
10 actuarial valuation, consider and pass on all applications for annuities  
11 or other benefits and have examinations made when advisable of persons  
12 receiving disability benefits, and direct and determine all policies  
13 necessary in the administration of the act.

14 Sec. 18. Section 79-982, Reissue Revised Statutes of Nebraska, is  
15 amended to read:

16 79-982 The board of trustees shall (1) hold regular meetings  
17 annually and such special meetings at such times as may be deemed  
18 necessary, which ~~and all~~ meetings ~~of the trustees~~ shall be open to the  
19 public, (2) keep a record of all the proceedings of such meetings, (3)  
20 prior to January 1, 2017, and subject to the approval of the board of  
21 education, invest all cash income not required for current payments in  
22 securities of the type provided in section 79-9,107 and so reinvest the  
23 proceeds from the sale or redemption of investments, and (4) supervise  
24 the ~~financial~~ affairs of the retirement system related to the  
25 administration of benefits and approve ~~recommend to the board of~~  
26 ~~education~~ any changes in the administration of the retirement system  
27 essential to the actuarial requirements of the retirement system fund.

28 Sec. 19. (1) Beginning January 1, 2017, the board of trustees and  
29 the board of education shall not have the duty or authority to invest the  
30 assets of the retirement system, and the Nebraska Investment Council and  
31 the state investment officer shall have the duty and authority to invest



1 such assets in accordance with the Nebraska State Funds Investment Act.  
2 The board of trustees shall be responsible for administering the non-  
3 investment affairs of the retirement system, including the payment of  
4 plan benefits and management of the actuarial requirements of the  
5 retirement system.

6 (2) On or before July 1, 2016, the board of trustees, or its  
7 designee, and the state investment officer shall enter into a plan for  
8 the transition of the investment authority from the board of trustees to  
9 the Nebraska Investment Council. The plan shall include, but not be  
10 limited to, the following items:

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

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

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

22 (d) The board of trustees shall assign investment authority and  
23 responsibility for investment-related agreements and instruments to the  
24 Nebraska Investment Council by January 1, 2017, as determined by the  
25 state investment officer in his or her sole discretion;

26 (e) The board of trustees shall provide to the state investment  
27 officer by July 1, 2016, a copy of the most recent asset liability study,  
28 and in its sole discretion, the Nebraska Investment Council may require  
29 the preparation of an updated asset liability study;

30 (f) The board of trustees shall provide to the state investment  
31 officer by July 1, 2016, a copy of the most recent actuarial valuation

1 and audited certified annual financial report of the plan; and

2 (g) The identification by the state investment officer and the board  
3 of trustees of items that will need to be addressed prior to the  
4 transition of investment authority on January 1, 2017.

5 (3) All costs, fees, and expenses incurred after the effective date  
6 of this act related to the transition of the investment authority from  
7 the board of trustees and the board of education to the Nebraska  
8 Investment Council and the state investment officer shall be paid from  
9 the assets of a retirement system provided for under the Class V School  
10 Employees Retirement Act and to the extent such costs, fees, and expenses  
11 are incurred by the Nebraska Investment Council or the state investment  
12 officer, they shall be paid in accordance with sections 72-1249 and  
13 72-1249.02. The state investment officer shall provide a quarterly report  
14 to the board of trustees regarding the assets of the retirement system  
15 and related costs, fees, and expenses.

16 Sec. 20. Section 79-983, Reissue Revised Statutes of Nebraska, is  
17 amended to read:

18 79-983 The administrator of the retirement system shall be appointed  
19 by the board of trustees and approved by the board of education. The  
20 administrator of the retirement system shall serve at the pleasure of the  
21 board of trustees. The administrator shall hire, dismiss, and otherwise  
22 supervise the other staff of the retirement system, shall keep the  
23 minutes and records of the retirement system, shall be the executive  
24 officer in charge of the administration of the detailed affairs of the  
25 retirement system, and shall perform such other duties as may be assigned  
26 by the board of education, the Class V Retirement System Board, or the  
27 trustees. The administrator and retirement system staff shall be  
28 employees of the Class V school district, with compensation and the  
29 benefits as available to school district employees determined by the  
30 board of trustees. The retirement system shall reimburse the Class V  
31 school district for all employee costs of salary, employment taxes, and

1 benefits provided to the administrator and retirement system staff. The  
2 administrator shall serve as an ex officio, nonvoting member of the  
3 Nebraska Investment Council and shall not be deemed a fiduciary of the  
4 council.

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

7 79-984 The board of trustees ~~education or Class V Retirement System~~  
8 ~~Board~~ shall contract for the services of an actuary who shall be the  
9 technical advisor of the board of ~~and the~~ trustees on matters regarding  
10 the operation of the retirement system. The selection of the actuary  
11 shall be approved by the board of education. The actuary shall (1) make a  
12 general investigation of the operation of the retirement system annually,  
13 which investigation shall cover mortality, retirement, disability,  
14 employment, turnover, interest, and earnable compensation, and (2)  
15 recommend tables to be used for all required actuarial calculations. The  
16 actuary shall perform such other duties as may be assigned by the board  
17 of trustees.

18 Sec. 22. Section 79-985, Reissue Revised Statutes of Nebraska, is  
19 amended to read:

20 79-985 The board of trustees may contract for the services of a  
21 legal advisor to the board of attorney for the board of education or  
22 ~~Class V Retirement System Board shall be the legal advisor to the~~  
23 trustees.

24 Sec. 23. Section 79-986, Reissue Revised Statutes of Nebraska, is  
25 amended to read:

26 79-986 Prior to January 1, 2017, the ~~The~~ school district, if there  
27 is only one Class V school district in the retirement system, or the  
28 Class V school district designated by the Class V Retirement System  
29 Board, if there is more than one Class V school district in the  
30 retirement system, shall act as the treasurer of the system and the  
31 official custodian of the cash and securities belonging to the retirement

1 system, shall provide adequate safe deposit facilities for the  
2 preservation of such securities, and shall hold such cash and securities  
3 subject to the order of the board of education or Class V Retirement  
4 System Board.

5 Beginning January 1, 2017, the State Treasurer shall act as  
6 treasurer of the retirement system and the official custodian of the cash  
7 and securities belonging to the system, shall provide adequate safe  
8 deposit facilities for the preservation of such securities, and shall  
9 hold such cash and securities subject to the order of the Nebraska  
10 Investment Council.

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

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

23 Beginning January 1, 2017, the State Treasurer as treasurer of the  
24 retirement system shall make payments to the school district upon request  
25 of the administrator of a retirement system provided for under the Class  
26 V School Employees Retirement Act and as directed by the Nebraska Public  
27 Employees Retirement Systems. The school district shall use payments  
28 received from the State Treasurer to make payments for purposes specified  
29 in the Class V School Employees Retirement Act. All banks and custodians  
30 which receive and hold securities and investments for the retirement  
31 system may hold and evidence such securities by book entry account rather

1 than obtaining and retaining the original certificate, indenture, or  
2 governing instrument for such security.

3 Sec. 24. Section 79-987, Reissue Revised Statutes of Nebraska, is  
4 amended to read:

5 79-987 (1) An annual audit of the affairs of the retirement system  
6 shall be conducted in each fiscal year. At the option of the board of  
7 trustees, such audit may be conducted by a certified public accountant or  
8 the Auditor of Public Accounts. The costs of such audit shall be paid  
9 from funds of the retirement system. A copy of such audit shall be filed  
10 with the Auditor of Public Accounts.

11 (2) Each audit year an annual financial audit of the investments of  
12 the retirement system shall be conducted. At the option of the Nebraska  
13 Investment Council, such audit may be conducted by a certified public  
14 accountant or the Auditor of Public Accounts. The costs of such audit  
15 shall be paid from funds of the retirement system. A copy of such audit  
16 shall be filed with the board of trustees and the Auditor of Public  
17 Accounts.

18 (3) Beginning May 1, 2017, and each May 1 ~~(2) Beginning March 1,~~  
19 ~~2015, and each March 1~~ thereafter, if such retirement plan is a defined  
20 benefit plan, the board of trustees ~~education~~ shall cause to be prepared  
21 an annual report and the administrator shall file the same with the  
22 Public Employees Retirement Board and submit to the members of the  
23 Nebraska Retirement Systems Committee of the Legislature a copy of such  
24 report. The report submitted to the committee shall be submitted  
25 electronically. The report shall consist of a full actuarial analysis of  
26 each such retirement plan established pursuant to section 79-979. The  
27 analysis shall be prepared by an independent private organization or  
28 public entity employing actuaries who are members of the American Academy  
29 of Actuaries and meet the academy's qualification standards to render a  
30 statement of actuarial opinion, and which organization or entity has  
31 demonstrated expertise to perform this type of analysis and is unrelated

1 to any organization offering investment advice or which provides  
2 investment management services to the retirement plan. The report shall  
3 be presented to the Nebraska Retirement Systems Committee of the  
4 Legislature at a public hearing.

5 Sec. 25. Section 79-989, Reissue Revised Statutes of Nebraska, is  
6 amended to read:

7 79-989 The board of education shall have available records showing  
8 the name, address, title, social security number, beneficiary records,  
9 annual compensation, sex, date of birth, and length of creditable and  
10 noncreditable service in hours, standard hours, contract days, bargaining  
11 unit, and annual contributions of each employee entitled to membership in  
12 the retirement system and such other information as may be reasonably  
13 requested by the board of trustees regarding such member as may be  
14 necessary for actuarial study and valuation and the administration of the  
15 retirement system. This information shall be available in a timely manner  
16 to the board of trustees upon request.

17 Sec. 26. Section 79-990, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

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

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

7 (2) Under such rules and regulations as the board of trustees may  
8 prescribe, any member who was away from his or her position while on a  
9 leave of absence from such position authorized by the board of education  
10 of the school district by which he or she was employed at the time of  
11 such leave of absence or pursuant to any contractual agreement entered  
12 into by such school district may receive credit for any or all time he or  
13 she was on leave of absence. Such time shall be included in creditable  
14 service when determining eligibility for death, disability, termination,  
15 and retirement benefits. The member who receives the credit shall earn  
16 benefits during the leave based on salary at the level received  
17 immediately prior to the leave of absence. Such credit shall be received  
18 if such member pays into the retirement system (a) an amount equal to the  
19 sum of the deductions from his or her salary for the portion of the leave  
20 for which creditable service is desired, (b) any contribution which the  
21 school district would have been required to make for the portion of the  
22 leave for which creditable service is desired had he or she continued to  
23 receive salary at the level received immediately prior to the leave of  
24 absence, and (c) interest on these combined payments from the date such  
25 deductions would have been made to the date of repayment determined by  
26 using the rate of interest ~~established by the board~~ for interest on such  
27 purchases of service credit. Such amounts shall be paid as the board of  
28 trustees may direct, through direct payments to the retirement system or  
29 on an installment basis pursuant to a binding irrevocable payroll  
30 deduction authorization between the member and the school district over a  
31 period not to exceed five years from the date of the termination of his

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

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

31 Sec. 27. Section 79-991, Reissue Revised Statutes of Nebraska, is



1 amended to read:

2 79-991 (1) An employee who becomes a member without prior service  
3 credit may purchase prior service credit, not to exceed the lesser of ten  
4 years or the member's years of membership service, for the period of  
5 service the member was employed by a school district or by an educational  
6 service unit and which is not used in the calculation of any retirement  
7 or disability benefit having been paid, being paid, or payable in the  
8 future to such member under any defined benefit retirement system or  
9 program maintained by such other school district or educational service  
10 unit. The purchase of prior service credit shall be made in accordance  
11 with and subject to the following requirements:

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

31 (b) The member shall pay to the retirement system the total amount

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

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

1 excess prior service that has been purchased by the member to be credited  
2 to such member, the retirement system shall refund to the member, or to  
3 the member's beneficiary if the member's termination is due to his or her  
4 death, the payments that have been made to the retirement system for such  
5 uncredited prior service, together with regular interest on such refund;  
6 and

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

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

1 made as the board of trustees may direct through a single payment to the  
2 retirement system, on an installment basis, including payments pursuant  
3 to a binding irrevocable payroll deduction authorization between the  
4 member and the school district, or by such other method approved by the  
5 board of trustees and permitted by law. If payments are made on an  
6 installment basis, creditable service will be credited only as payment  
7 has been made to the retirement system to purchase each additional one-  
8 tenth-year increment. Interest shall be charged on installment payments  
9 at the rate of interest ~~established by the board~~ for determining interest  
10 on delayed payments by members to the retirement system.

11 Sec. 28. Section 79-992, Reissue Revised Statutes of Nebraska, is  
12 amended to read:

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

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

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

26 (3) Upon termination of the reemployed member, the member shall  
27 receive in addition to the retirement annuity which commenced at the time  
28 of the previous retirement (a) if the member has accrued five years or  
29 more of creditable service after his or her return to employment,  
30 excluding years of prior service acquired pursuant to section 79-990,  
31 79-991, 79-994, 79-995, or 79-997, a retirement annuity as provided in

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

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

21 Sec. 29. Section 79-996, Reissue Revised Statutes of Nebraska, is  
22 amended to read:

23 79-996 ~~(1)~~—The payments provided for by sections 79-993, 79-994,  
24 and 79-997 may be made in equal installments over a period of not to  
25 exceed two years from the date of the election to make such payments. The  
26 payments provided for by section 79-995 may be made in equal installments  
27 over a period of not to exceed three years from the date of election to  
28 make such payments. Any person who elects to make payments on an  
29 installment basis shall be credited with prior service only in six-month  
30 increments and only after payment has been made to the retirement system  
31 to purchase each additional six-month increment.

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

9           Sec. 30. Section 79-998, Reissue Revised Statutes of Nebraska, is  
10 amended to read:

11           79-998 (1) The retirement system may accept as payment for  
12 additional service credit that is purchased pursuant to sections 79-990  
13 to 79-992 an eligible rollover distribution from or on behalf of the  
14 member who is making payments for such service credit if the eligible  
15 rollover distribution does not exceed the amount of payment required for  
16 the service credit being purchased by the member. The eligible rollover  
17 distribution may be contributed to the retirement system by the member or  
18 directly transferred from the plan that is making the eligible rollover  
19 distribution on behalf of the member. Contribution by a member pursuant  
20 to this section may only be made in the form of a cash contribution. For  
21 purposes of this section, an eligible rollover distribution means all or  
22 any portion of an amount that qualifies as an eligible rollover  
23 distribution under the Internal Revenue Code from:

24           (a) A plan of another employer which is qualified under section  
25 401(a) or 403(a) of the Internal Revenue Code;

26           (b) An annuity contract or custodial account described in section  
27 403(b) of the Internal Revenue Code;

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

31           (d) An individual retirement account or annuity described in section

1 408(a) or section 408(b) of the Internal Revenue Code that is eligible to  
2 be rolled over to an employer plan under the Internal Revenue Code.

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

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

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

27 (5) The system, the board of education, the board of trustees, and  
28 their respective members, officers, and employees shall have no  
29 responsibility or liability with respect to the federal and state income  
30 tax consequences of any contribution or transfer to the system pursuant  
31 to this section, and the board of trustees may require as a condition to



1 the system's acceptance of any rollover contribution or transfer  
2 satisfactory evidence that the proposed contribution or transfer is a  
3 qualifying rollover contribution or trustee-to-trustee transfer under the  
4 Internal Revenue Code and reasonable releases or indemnifications from  
5 the member against any and all liabilities which may in any way be  
6 connected with such contribution or transfer.

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

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

24 (8) An eligible rollover distribution on behalf of a designated  
25 beneficiary of a member who is not a surviving spouse or former spouse of  
26 the member may be transferred to an individual retirement account or  
27 annuity described in section 408(a) or section 408(b) of the Internal  
28 Revenue Code that is established for the purpose of receiving the  
29 distribution on behalf of the designated beneficiary and that will be  
30 treated as an inherited individual retirement account or individual  
31 retirement annuity described in section 408(d)(3)(C) of the Internal

1 Revenue Code.

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

4 Sec. 31. Section 79-9,100, Revised Statutes Supplement, 2015, is  
5 amended to read:

6 79-9,100 (1) In lieu of the retirement annuity provided by section  
7 79-999 or 79-9,113, any member who becomes eligible to receive a  
8 retirement annuity after February 20, 1982, under the Class V School  
9 Employees Retirement Act shall receive a formula retirement annuity based  
10 on final average compensation, except that if the monthly formula  
11 retirement annuity based on final average compensation is less than the  
12 monthly retirement annuity specified in section 79-999 or 79-9,113,  
13 accrued to the date of retirement or August 31, 1983, whichever first  
14 occurs, the member shall receive the monthly retirement annuity specified  
15 in section 79-999 or 79-9,113 accrued to the date of retirement or August  
16 31, 1983, whichever first occurs.

17 (2) The monthly formula retirement annuity based on final average  
18 compensation shall be determined by multiplying the number of years of  
19 creditable service for which such member would otherwise receive the  
20 retirement annuity provided by section 79-999 or 79-9,113 by one and one-  
21 half percent of his or her final average compensation. For retirements  
22 after June 15, 1989, and before April 18, 1992, the applicable percentage  
23 shall be one and sixty-five hundredths percent of his or her final  
24 average compensation. For retirements on or after April 18, 1992, and  
25 before June 7, 1995, the applicable percentage shall be one and seventy-  
26 hundredths percent of his or her final average compensation. For  
27 retirements on or after June 7, 1995, and before March 4, 1998, the  
28 applicable percentage shall be one and eighty-hundredths percent of his  
29 or her final average compensation. For retirements on or after March 4,  
30 1998, and before March 22, 2000, the applicable percentage shall be one  
31 and eighty-five hundredths percent of his or her final average

1 compensation. For retirements on or after March 22, 2000, the applicable  
2 percentage shall be two percent of his or her final average compensation.

3 (3) Final average compensation shall be determined:

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

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

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

25 (b) For purposes of this subsection:

26 (i) Capping period means the five plan years preceding the later of  
27 (A) such member's retirement date or (B) such member's final compensation  
28 date; and

29 (ii) Final compensation date means the later of (A) the date on  
30 which a retiring member's final compensation is actually paid or (B) if a  
31 retiring member's final compensation is paid in advance as a lump sum,

1 the date on which such final compensation would have been paid to the  
2 member in the absence of such advance payment.

3 (5) Except as provided in section 32 of this act, for purposes of  
4 this subsection, if ~~For retirements before June 7, 1995, if the annuity~~  
5 ~~begins prior to the sixty-second birthday of the member and the member~~  
6 ~~has not completed thirty-five or more years of creditable service, the~~  
7 ~~annuity at the date it begins shall be the actuarial equivalent of the~~  
8 ~~annuity deferred to the sixty-second birthday of the member. If the~~  
9 annuity begins prior to the sixty-second birthday of the member and the  
10 member has completed thirty-five or more years of creditable service, the  
11 annuity shall not be reduced. For retirements on or after June 7, 1995,  
12 any retirement annuity which begins prior to the sixty-second birthday of  
13 the member shall be reduced by twenty-five hundredths percent for each  
14 month or partial month between the date the annuity begins and the  
15 member's sixty-second birthday. If the annuity begins at a time when:

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

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

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

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

27 (6) For purposes of this section, a member's creditable service and  
28 attained age shall be measured in one-half-year increments.

29 (7) The normal form of the formula retirement annuity based on final  
30 average compensation shall be an annuity payable monthly during the  
31 remainder of the member's life with the provision that in the event of

1 his or her death before sixty monthly payments have been made the monthly  
2 payments will be continued to his or her estate or to the beneficiary he  
3 or she has designated until a total of sixty monthly payments have been  
4 made. A member may elect to receive, in lieu of the normal form of  
5 annuity, an actuarially equivalent annuity in any optional form provided  
6 by section 79-9,101.

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

11 Sec. 32. For employees who become members on or after July 1, 2016:

12 (1) If the annuity begins on or after the sixtieth birthday of the  
13 member and the member has completed at least a total of five years of  
14 creditable service, the annuity shall be reduced by twenty-five  
15 hundredths percent for each month or partial month between the member's  
16 sixtieth birthday and his or her sixty-fifth birthday;

17 (2) A member's attained age shall be measured in one-half-year  
18 increments;

19 (3) Except as provided in section 42-1107, the normal form of the  
20 formula retirement annuity based on final average compensation shall be  
21 an annuity payable monthly during the remainder of the member's life with  
22 the provision that in the event of his or her death before sixty monthly  
23 payments have been made the monthly payments will be continued to his or  
24 her estate or to the beneficiary he or she has designated until a total  
25 of sixty monthly payments have been made. A member may elect to receive,  
26 in lieu of the normal form of annuity, an actuarially equivalent annuity  
27 in any optional form provided by section 79-9,101; and

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

30 Sec. 33. Section 79-9,102, Reissue Revised Statutes of Nebraska, is  
31 amended to read:

1           79-9,102 (1) Notwithstanding any other provision of the Class V  
2 School Employees Retirement Act, no member or beneficiary of the  
3 retirement system shall receive in any calendar year an annuity or other  
4 benefit which would exceed the maximum benefit permitted under section  
5 415 of the Internal Revenue Code, or any successor provision and the  
6 regulations issued thereunder, as they may be amended from time to time,  
7 and as adjusted as of January 1 of each calendar year to the dollar  
8 limitation as determined for such year by the Commissioner of Internal  
9 Revenue pursuant to section 415(d) of the Internal Revenue Code to  
10 reflect cost-of-living adjustments, and the amount of benefit to be paid  
11 to any member or beneficiary by the retirement system shall be adjusted  
12 each calendar year, if necessary, to conform with the maximum benefit  
13 permitted under section 415 of the Internal Revenue Code. The cost-of-  
14 living adjustment to the maximum benefit permitted under section 415 of  
15 the Internal Revenue Code shall apply to determining the maximum benefit  
16 of a member who severed employment or commenced receiving benefits prior  
17 to the effective date of the adjustment.

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

26           (3) This section is intended to meet and incorporate the  
27 requirements of section 415 of the Internal Revenue Code and regulations  
28 under that section that are applicable to governmental plans and shall be  
29 construed in accordance with section 415 of the Internal Revenue Code and  
30 the regulations issued thereunder and shall, by this reference,  
31 incorporate any subsequent changes made to such section as the same may

1 apply to the retirement system.

2 Sec. 34. Section 79-9,103, Reissue Revised Statutes of Nebraska, is  
3 amended to read:

4 79-9,103 (1) Any annuity paid on or after September 1, 1983, to a  
5 member who retired prior to February 21, 1982, pursuant to the Class V  
6 School Employees Retirement Act, or to such member's beneficiary, or to a  
7 person who retired under the provisions of the retirement system  
8 established by statute for employees of Class V school districts in  
9 effect prior to September 1, 1951, or to such person's beneficiary, shall  
10 be adjusted by the increase in the cost of living or wage levels between  
11 the effective date of retirement and June 30, 1983, except that such  
12 increase shall not exceed the sum of one dollar and fifty cents per month  
13 for each year of creditable service and one dollar per month for each  
14 completed year of retirement as measured from the effective date of  
15 retirement to June 30, 1983. No separate adjustment in such annuity shall  
16 be made as a result of the changes made in section 79-9,113 pursuant to  
17 Laws 1983, LB 488. If a joint and survivor annuity was elected, the  
18 increase shall be actuarially adjusted so that the joint and survivor  
19 annuity remains the actuarial equivalent of the life annuity otherwise  
20 payable.

21 (2) In addition to the cost-of-living adjustment provided in  
22 subsection (1) of this section, any annuity paid on or after September 1,  
23 1986, pursuant to the act or pursuant to the provisions of the retirement  
24 system established by statute for employees of Class V school districts  
25 in effect prior to September 1, 1951, and on which the first payment was  
26 dated on or before September 1, 1985, shall be adjusted by the increase  
27 in the cost of living or wage levels between the effective date of  
28 retirement and June 30, 1986, except that such increase shall not exceed  
29 (a) three and one-half percent for annuities first paid on or after  
30 September 1, 1984, (b) seven percent for annuities first paid on or after  
31 September 1, 1983, but before September 1, 1984, or (c) ten and one-half

1 percent for all other annuities.

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

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

26 (5) In addition to the cost-of-living adjustment provided in  
27 subsections (1), (2), (3), and (4) of this section, any annuity paid on  
28 or after September 1, 1995, pursuant to the act or pursuant to the  
29 provisions of the retirement system established by statute for employees  
30 of Class V school districts in effect prior to September 1, 1951, and on  
31 which the first payment was dated on or before October 1, 1994, shall be



1 adjusted by the increase in the cost of living or wage levels between the  
2 effective date of retirement and June 30, 1995, except that such increase  
3 shall not exceed (a) three percent for annuities first paid after October  
4 1, 1993, (b) six percent for annuities first paid after October 1, 1992,  
5 but on or before October 1, 1993, or (c) nine percent for all other  
6 annuities.

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

20 (7) In addition to the cost-of-living adjustment provided in  
21 subsections (1), (2), (3), (4), (5), and (6) of this section, any annuity  
22 paid on or after September 1, 1998, pursuant to the act or pursuant to  
23 the provisions of the retirement system established by statute for  
24 employees of Class V school districts in effect prior to September 1,  
25 1951, and on which the first payment was dated on or before October 3,  
26 1997, shall be adjusted by the increase in the cost of living or wage  
27 levels between the effective date of retirement and June 30, 1998, except  
28 that such increase shall not exceed (a) three percent for annuities first  
29 paid after October 1, 1996, (b) six percent for annuities first paid  
30 after October 1, 1995, but on or before October 1, 1996, or (c) nine  
31 percent for all other annuities.

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

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

25           (10) Beginning September 1, 1999, the actuary shall make an annual  
26 valuation of the assets and liabilities of the system. If the annual  
27 valuation made by the actuary, as approved by the board of trustees,  
28 indicates that the system has sufficient actuarial surplus to provide for  
29 a cost-of-living adjustment in addition to the adjustment made pursuant  
30 to subsection (8) or (9) of this section, the board of trustees may, in  
31 its discretion, declare by resolution that each annuity being paid

1 pursuant to the act, or pursuant to the provisions of the retirement  
2 system established by statute for employees of Class V school districts  
3 in effect prior to September 1, 1951, and on which the first payment was  
4 dated on or before October 3 of the year such resolution is adopted,  
5 shall be increased beginning as of the January 1 following the date of  
6 the board's resolution by such percentage as may be declared by the board  
7 of trustees, except that such increase for any such annuity shall not  
8 exceed the increase in the consumer price index from the date such  
9 annuity first became payable through the applicable valuation date as  
10 reduced by the aggregate cost-of-living adjustments previously made to  
11 the annuity pursuant to this section.

12 (11) Except for the adjustments pursuant to subsection (13) of this  
13 section, the consumer price index to be used for determining any cost-of-  
14 living adjustment under this section shall be the Consumer Price Index -  
15 All Urban Consumers, as published by the Bureau of Labor Statistics of  
16 the United States Department of Labor. If this consumer price index is  
17 discontinued or replaced, a substitute index published by the United  
18 States Department of Labor shall be selected by the board, ~~upon~~  
19 ~~recommendation~~ of the trustees, which shall be a reasonable  
20 representative measurement of the cost of living for retired employees.  
21 An annuity as increased by any cost-of-living adjustment made under this  
22 section shall be considered the base annuity amount for the purpose of  
23 future adjustments pursuant to this section. In no event shall any cost-  
24 of-living adjustment be deemed to affect or increase the amount of the  
25 base retirement annuity of a member as determined under section 79-999 or  
26 79-9,100.

27 (12) Any decision or determination by the board of trustees (a) to  
28 declare or not declare a cost-of-living adjustment, (b) as to whether the  
29 annual valuation indicates a sufficient actuarial surplus to provide for  
30 a cost-of-living adjustment, or (c) pursuant to the selection of a  
31 substitute index shall be made in the sole, absolute, and final

1 discretion of the board of trustees and shall not be subject to challenge  
2 by any member or beneficiary. In no event shall the Legislature be  
3 constrained or limited in amending the system or increasing the benefits  
4 of members under the system, nor shall the board of education or board of  
5 ~~of~~ trustees be constrained from supporting any such change to the system,  
6 notwithstanding the effect of any such change upon the actuarial surplus  
7 of the system and the ability of the board of trustees to declare future  
8 cost-of-living adjustments.

9 (13) The Legislature finds and declares that there exists in this  
10 state a pressing need to attract and retain qualified and dedicated  
11 public school employees and that one of the factors prospective public  
12 school employees consider when seeking or continuing public school  
13 employment is the retirement system and benefits the employment provides.  
14 The Legislature further finds that over the past decades, as reflected by  
15 the Medical Price Index published by the United States Department of  
16 Labor, the cost of medical care, including the cost of medications and  
17 insurance coverages, has increased at a rate in excess of that by which  
18 the Consumer Price Index - All Urban Consumers has increased. The  
19 Legislature further finds and declares that there accordingly exists a  
20 need to adjust the amount of retirement benefits paid to retired public  
21 school employees in order to assist them in meeting the increased cost of  
22 medical care. Therefor, in addition to the cost-of-living adjustments  
23 provided in subsections (1) through (12) of this section, commencing on  
24 October 3, 2001, and on October 3 of every year thereafter, a medical  
25 cost-of-living adjustment shall be paid to any annuitant who became a  
26 member prior to July 1, 2016, and has been paid an annuity from the  
27 retirement system for at least ten years through the October 3 adjustment  
28 date. The cost-of-living adjustment shall be paid in the form of a  
29 supplemental annuity providing monthly payments equal to the amount which  
30 results when (a) the fraction, not to exceed one, that results when the  
31 annuitant's years of creditable service at his or her retirement date is

1 divided by twenty, is multiplied by (b) the product of ten dollars times  
2 the number of years, including attained one-half years, that such  
3 annuitant has received annuity payments from the retirement system  
4 through the October 3 adjustment date. The supplemental annuity being  
5 paid to an annuitant shall increase by ten dollars on October 3 of each  
6 subsequent year to reflect the additional year of annuity payments to the  
7 annuitant until the total amount of the supplemental annuity is two  
8 hundred fifty dollars. In no event shall the medical cost-of-living  
9 adjustment for any annuitant pursuant to this subsection result in the  
10 payment of a supplemental annuity exceeding two hundred fifty dollars per  
11 month. The supplemental annuity paid to an annuitant pursuant to this  
12 subsection shall cease at the death of the annuitant regardless of the  
13 form of retirement annuity being paid to the annuitant at the time of his  
14 or her death.

15 Sec. 35. Section 79-9,105, Reissue Revised Statutes of Nebraska, is  
16 amended to read:

17 79-9,105 (1) Any member with five or more years of creditable  
18 service, excluding years of prior service acquired pursuant to section  
19 79-990, 79-991, 79-994, 79-995, or 79-997, who becomes totally disabled  
20 for further performance of duty on or after March 22, 2000, may be  
21 approved for deferred disability retirement by the board of trustees. In  
22 the case of such deferred disability retirement, the member, during the  
23 period specified in subsection (3) of this section, shall be credited  
24 with creditable service for each year or portion thereof, to be  
25 determined in accordance with ~~board~~ policies of the board of trustees  
26 governing creditable service, that the member defers retirement, up to a  
27 maximum of thirty-five years of total creditable service, including  
28 creditable service accrued before the member became totally disabled. The  
29 member approved for deferred disability retirement may at any time of the  
30 member's choosing request the deferral to end and retirement annuity  
31 payments to begin. The retirement annuity of such member shall be based

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

23 (2) Notwithstanding the provisions of subsection (1) of this  
24 section, the payment of the retirement annuity of a member may not be  
25 deferred later than the member's required beginning date as defined in  
26 section 401(a)(9) of the Internal Revenue Code, as defined in section  
27 49-801.01. If the payment of a disabled member's retirement annuity is  
28 required to commence before the member has elected to end his or her  
29 deferred disability retirement, the amount of benefit that would have  
30 accrued pursuant to subsection (1) of this section in the fiscal year of  
31 the member's required beginning date, and in each subsequent fiscal year

1 through the year of the member's election to end the deferred disability  
2 retirement period, shall be reduced, but not below zero, by the actuarial  
3 equivalent of the payments which were paid to the member during each such  
4 fiscal year and after the member's required beginning date. The  
5 retirement annuity of any member that commences before the end of the  
6 member's deferred disability retirement shall be adjusted as of each  
7 September 1 pursuant to the requirements of this subsection.

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

19 (4) The payment of any retirement annuity to a disabled member,  
20 which begins to be paid under this section (a) before the member's sixty-  
21 second birthday or (b) at a time before the sum of the member's attained  
22 age and creditable service is eighty-five or more, shall be suspended if  
23 the board of trustees determines at any time before the member's sixty-  
24 second birthday that the member's total disability has ceased. Payment of  
25 the retirement annuity of such member as determined under this section  
26 shall recommence at the member's early retirement date or normal  
27 retirement date but shall be subject to reduction at such time as  
28 specified in section 79-9,100.

29 Sec. 36. Section 79-9,107, Reissue Revised Statutes of Nebraska, is  
30 amended to read:

31 79-9,107 The funds of the retirement system which are not required

1 for current operations shall be invested and reinvested (1) before  
2 January 1, 2017, by the board of trustees subject to the approval of the  
3 board of education or Class V Retirement System Board as provided in  
4 sections 79-9,108 to 79-9,111 and (2) on and after January 1, 2017, by  
5 the Nebraska Investment Council and the state investment officer in  
6 accordance with the Nebraska State Funds Investment Act without the  
7 approval of the board of education or board of trustees. Except as  
8 otherwise provided in the Class V School Employees Retirement Act, no  
9 trustee and no member of the board of education shall have any direct  
10 interest in the income, gains, or profits of any investment made by the  
11 board of trustees, nor shall any such person receive any pay or emolument  
12 for services in connection with any such investment. Neither the state  
13 investment officer nor any ~~no~~ trustee, ~~or~~ member of the board of of  
14 education, nor member of the Nebraska Investment Council shall become an  
15 endorser or surety or in any manner an obligor for money loaned by or  
16 borrowed from the retirement system. Any person who violates any of these  
17 restrictions shall be guilty of a Class II misdemeanor.

18 Sec. 37. Section 79-9,108, Reissue Revised Statutes of Nebraska, is  
19 amended to read:

20 79-9,108 (1) Prior to January 1, 2017, the board of The trustees,  
21 with approval of the board of education or Class V Retirement System  
22 Board, shall invest and reinvest funds of the retirement system.  
23 Beginning January 1, 2017, the funds of the retirement system shall be  
24 invested and reinvested solely by the Nebraska Investment Council and the  
25 state investment officer in accordance with the Nebraska State Funds  
26 Investment Act.

27 (2) Prior to January 1, 2017, a A professional investment manager  
28 may be employed by the board of trustees subject to approval of the board  
29 of education or Class V Retirement System Board. The professional  
30 investment manager shall be responsible for the purchase, sale, exchange,  
31 investment, or reinvestment of such funds subject to guidelines



1 determined by the board of trustees. Prior to January 1, 2017, the The  
2 trustees shall each month submit a report to the board of education or  
3 Class V Retirement System Board with respect to the investment of funds.  
4 The board of education or Class V Retirement System Board shall approve  
5 or disapprove the investments in the report, and in the event of  
6 disapproval of any investment, the board of trustees shall direct the  
7 sale of all or part of such investment or establish future policy with  
8 respect to that type of investment. Beginning January 1, 2017, the funds  
9 of the retirement system shall be invested and reinvested by the Nebraska  
10 Investment Council and the state investment officer, who may employ  
11 advisers, counsel, managers, and other professionals in accordance with  
12 the Nebraska State Funds Investment Act.

13 (3) Beginning January 1, 2017, the board of trustees, the board of  
14 education, and the Class V Retirement System Board shall not have any  
15 duty, responsibility, or authority for the investment and reinvestment of  
16 the funds of the retirement system, or any investment decision, contract,  
17 rule, or regulation related thereto.

18 Sec. 38. Section 79-9,109, Reissue Revised Statutes of Nebraska, is  
19 amended to read:

20 79-9,109 Prior to January 1, 2017, in ~~In~~ the event of default in  
21 the payment of principal of, or interest on, the investments made, the  
22 board of trustees are authorized to institute the proper proceedings to  
23 collect such matured principal or interest, and may, with approval of the  
24 board of education or Class V Retirement System Board, accept for  
25 exchange purposes, refunding bonds or other evidences of indebtedness  
26 with interest rates to be agreed upon with the obligor. Prior to January  
27 1, 2017, the board of ~~The~~ trustees, with the approval of the board of  
28 education or Class V Retirement System Board, are further authorized to  
29 make such compromises, adjustments, or disposition of the past-due  
30 interest or principal as are in default, or to make such compromises and  
31 adjustments as to future payments of interest or principal as deemed

1 advisable for the purpose of protecting the investment.

2 Sec. 39. Section 79-9,111, Reissue Revised Statutes of Nebraska, is  
3 amended to read:

4 79-9,111 The board of trustees shall invest the funds of the  
5 retirement system in investments of the nature which individuals of  
6 prudence, discretion, and intelligence acquire or retain in dealing with  
7 the property of another. Such investments shall not be made for  
8 speculation but for investment, considering the probable safety of their  
9 capital as well as the probable income to be derived. The board of  
10 trustees shall not purchase investments on margin or enter into any  
11 futures contract or other contract obligation which requires the payment  
12 of margin or enter into any similar contractual arrangement which may  
13 result in losses in excess of the amount paid or deposited with respect  
14 to such investment or contract, unless such transaction constitutes a  
15 hedging transaction or is incurred for the purpose of portfolio or risk  
16 management for the funds and investments of the system. Prior to January  
17 1, 2017, the board of ~~The~~ trustees may write covered call options or put  
18 options. Prior to January 1, 2017, the retirement system ~~The~~ trustees  
19 shall establish written guidelines for any such option, purchase, or  
20 contract obligation. Any such option, purchase, or contract obligation  
21 shall be governed by the prudent investment rule stated in this section  
22 for investment of the funds of the system. The board of trustees may lend  
23 any security if cash, United States Government obligations, or United  
24 States Government agency obligations with a market value equal to or  
25 exceeding the market value of the security lent are received as  
26 collateral. Prior to January 1, 2017, if ~~If~~ shares of stock are purchased  
27 under this section, all proxies may be voted by the board of trustees  
28 prior to January 1, 2017. As of January 1, 2017, the funds of the  
29 retirement system shall be invested solely by the Nebraska Investment  
30 Council and the state investment officer in accordance with the Nebraska  
31 State Funds Investment Act. The state investment officer may lend

1 securities and vote proxies in accordance with the standard set forth in  
2 section 72-1246.

3 Sec. 40. Section 79-9,113, Reissue Revised Statutes of Nebraska, is  
4 amended to read:

5 79-9,113 (1)(a) If, at any future time, a majority of the eligible  
6 members of the retirement system votes to be included under an agreement  
7 providing old age and survivors insurance under the Social Security Act  
8 of the United States, the contributions to be made by the member and the  
9 school district for membership service, from and after the effective date  
10 of the agreement with respect to services performed subsequent to  
11 December 31, 1954, shall each be reduced from five to three percent but  
12 not less than three percent of the member's salary per annum, and the  
13 credits for membership service under this system, as provided in section  
14 79-999, shall thereafter be reduced from one and one-half percent to  
15 nine-tenths of one percent and not less than nine-tenths of one percent  
16 of salary or wage earned by the member during each fiscal year, and from  
17 one and sixty-five hundredths percent to one percent and not less than  
18 one percent of salary or wage earned by the member during each fiscal  
19 year and from two percent to one and two-tenths percent of salary or wage  
20 earned by the member during each fiscal year, and from two and four-  
21 tenths percent to one and forty-four hundredths percent of salary or wage  
22 earned by the member during each fiscal year, except that after September  
23 1, 1963, and prior to September 1, 1969, all employees of the school  
24 district shall contribute an amount equal to the membership contribution  
25 which shall be two and three-fourths percent of salary covered by old age  
26 and survivors insurance, and five percent above that amount. Commencing  
27 September 1, 1969, all employees of the school district shall contribute  
28 an amount equal to the membership contribution which shall be two and  
29 three-fourths percent of the first seven thousand eight hundred dollars  
30 of salary or wages earned each fiscal year and five percent of salary or  
31 wages earned above that amount in the same fiscal year. Commencing

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

29 (b) The contributions by the school district in any fiscal year  
30 beginning on or after September 1, 1999, shall be the greater of (i) one  
31 hundred percent of the contributions by the employees for such fiscal

1 year or (ii) such amount as may be necessary to maintain the solvency of  
2 the system, as determined annually by the board of education upon  
3 recommendation of the actuary and the board of trustees.

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

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

1 and demands whatsoever for services rendered by such employee during the  
2 period covered by such payment except as to benefits provided under the  
3 Class V School Employees Retirement Act.

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

29 (f) Members of this system having the service qualifications of  
30 members of the School Employees Retirement System of the State of  
31 Nebraska, as provided by section 79-926, who are members prior to July 1,

1 2016, shall receive the state service annuity provided by sections 79-933  
2 to 79-935 and 79-951.

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

31 Sec. 41. Section 79-9,115, Reissue Revised Statutes of Nebraska, is

1 amended to read:

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

20 (2) Beginning on the effective date of this act, any expenses with  
21 respect to the transfer and assumption by the Nebraska Investment Council  
22 of the duty and authority to invest the assets of a retirement system  
23 provided for under the Class V School Employees Retirement Act shall be  
24 charged to the Class V School Employees Retirement Fund. Such expenses  
25 shall be paid without the approval of the Class V Retirement System Board  
26 or board of trustees.

27 Sec. 42. Section 79-9,117, Reissue Revised Statutes of Nebraska, is  
28 amended to read:

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



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

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

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

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

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

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

31 (7) A nominal registration fee may be charged each person attending

1 a preretirement planning program to cover the costs for meals, meeting  
2 rooms, or other expenses incurred under such program.

3 Sec. 43. The Class V Retirement System Payment Processing Fund is  
4 created for the purpose of transferring funds as specified in section  
5 79-986. The fund shall consist of the amounts transferred from the  
6 custodial bank that holds the assets of a retirement system provided for  
7 under the Class V School Employees Retirement Act to make payments for  
8 purposes specified in the Class V School Employees Retirement Act. The  
9 funds shall reside with the Nebraska Public Employees Retirement Systems  
10 for the sole purpose of conducting the transactions necessary to  
11 implement this section. Any money in the fund available for investment  
12 shall be invested by the state investment officer pursuant to the  
13 Nebraska Capital Expansion Act and the Nebraska State Funds Investment  
14 Act.

15 The Nebraska Public Employees Retirement Systems, Public Employees  
16 Retirement Board, State Treasurer, Nebraska Investment Council, and  
17 employees of each of such agencies shall not have responsibility to  
18 review or verify the accuracy of the requests for transfer of funds for  
19 payments and shall not be liable for any claims, suits, losses, damages,  
20 fees, and costs related to the payment of such benefits, refunds, and  
21 expenses.

22 Sec. 44. Section 84-1503, Revised Statutes Supplement, 2015, is  
23 amended to read:

24 84-1503 (1) It shall be the duty of the Public Employees Retirement  
25 Board:

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

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

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

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

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

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

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

1 (h) To prescribe and furnish forms for the public retirement system  
2 plan reports required to be filed pursuant to sections 2-3228, 12-101,  
3 14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,  
4 23-3526, 71-1631.02, and 79-987.

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

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

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

13 (c) To adopt and promulgate rules and regulations for the management  
14 of the board;

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

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

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

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

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

24 (h) To obtain, by a competitive, formal, and sealed bidding process  
25 through the materiel division of the Department of Administrative  
26 Services, auditing services for a separate compliance audit of the  
27 retirement systems to be completed by December 31, 2020, and from time to  
28 time thereafter at the request of the Nebraska Retirement Systems  
29 Committee of the Legislature, to be completed not more than every four  
30 years but not less than every ten years. The compliance audit shall be in  
31 addition to the annual audit conducted by the Auditor of Public Accounts.

1 The compliance audit shall include, but not be limited to, an examination  
2 of records, files, and other documents and an evaluation of all policies  
3 and procedures to determine compliance with all state and federal laws. A  
4 copy of the compliance audit shall be given to the Governor, the board,  
5 and the Nebraska Retirement Systems Committee of the Legislature and  
6 shall be presented to the committee at a public hearing;

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

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

30 (k) To administer all retirement system plans in a manner which will  
31 maintain each plan's status as a qualified plan pursuant to the Internal

1 Revenue Code, as defined in section 49-801.01, including: Section 401(a)  
2 (9) of the Internal Revenue Code relating to the time and manner in which  
3 benefits are required to be distributed, including the incidental death  
4 benefit distribution requirement of section 401(a)(9)(G) of the Internal  
5 Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to  
6 the specification of actuarial assumptions; section 401(a)(31) of the  
7 Internal Revenue Code relating to direct rollover distributions from  
8 eligible retirement plans; section 401(a)(37) of the Internal Revenue  
9 Code relating to the death benefit of a member whose death occurs while  
10 performing qualified military service; and section 401(a) of the Internal  
11 Revenue Code by meeting the requirements of section 414(d) of the  
12 Internal Revenue Code relating to the establishment of retirement plans  
13 for governmental employees of a state or political subdivision thereof.  
14 The board shall adopt and promulgate rules and regulations necessary or  
15 appropriate to maintain such status including, but not limited to, rules  
16 or regulations which restrict discretionary or optional contributions to  
17 a plan or which limit distributions from a plan.

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

28 (4) It shall be the duty of the Public Employees Retirement Board to  
29 direct the State Treasurer to transfer funds, as an expense of the Class  
30 V School Employees Retirement System, to and from the Class V Retirement  
31 System Payment Processing Fund and the Class V School Employees

1 Retirement Fund for the benefit of a retirement system provided for under  
2 the Class V School Employees Retirement Act to implement the provisions  
3 of section 79-986. The agency for the administration of this provision  
4 and under the direction of the board shall be known and may be cited as  
5 the Nebraska Public Employees Retirement Systems.

6       Sec. 45. Sections 16 and 48 of this act become operative on July 1,  
7 2016. Sections 29 and 49 of this act become operative on September 1,  
8 2016. The other sections of this act become operative on their effective  
9 date.

10       Sec. 46. If any section in this act or any part of any section is  
11 declared invalid or unconstitutional, the declaration shall not affect  
12 the validity or constitutionality of the remaining portions.

13       Sec. 47. Original sections 72-1237, 72-1239, 72-1249, 72-1249.02,  
14 79-916, 79-931, 79-935, 79-954, 79-966, 79-978.01, 79-979, 79-981,  
15 79-982, 79-983, 79-984, 79-985, 79-986, 79-987, 79-989, 79-990, 79-991,  
16 79-992, 79-998, 79-9,102, 79-9,103, 79-9,105, 79-9,107, 79-9,108,  
17 79-9,109, 79-9,111, 79-9,113, 79-9,115, and 79-9,117, Reissue Revised  
18 Statutes of Nebraska, section 72-1243, Revised Statutes Cumulative  
19 Supplement, 2014, and sections 72-1239.01, 79-934, 79-978, 79-9,100, and  
20 84-1503, Revised Statutes Supplement, 2015, are repealed.

21       Sec. 48. Original section 79-980, Reissue Revised Statutes of  
22 Nebraska, is repealed.

23       Sec. 49. Original section 79-996, Reissue Revised Statutes of  
24 Nebraska, is repealed.

25       Sec. 50. The following section is outright repealed: Section  
26 79-988.01, Reissue Revised Statutes of Nebraska.

27       Sec. 51. Since an emergency exists, this act takes effect when  
28 passed and approved according to law.