

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 467

Introduced by Nordquist, 7.

Read first time January 20, 2015

Committee: Nebraska Retirement Systems

1 A BILL FOR AN ACT relating to the Nebraska State Patrol Retirement Act;
2 to amend sections 81-2014.01, 81-2017, 81-2026, 81-2027.08, and
3 81-2041, Reissue Revised Statutes of Nebraska; to redefine a term;
4 to change benefit calculation and adjustment; to eliminate certain
5 state contributions as prescribed; to change DROP requirements; to
6 harmonize provisions; to repeal the original sections; and to
7 declare an emergency.
8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 81-2014.01, Reissue Revised Statutes of Nebraska,
2 is amended to read:

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

6 Sec. 2. Section 81-2017, Reissue Revised Statutes of Nebraska, is
7 amended to read:

8 81-2017 (1) ~~Each Commencing July 1, 2010, and until July 1, 2011,~~
9 ~~each officer while in the service of the Nebraska State Patrol shall pay~~
10 ~~or have paid on his or her behalf a sum equal to sixteen percent of his~~
11 ~~or her monthly compensation. Commencing July 1, 2011, and until July 1,~~
12 ~~2013, each officer while in the service of the Nebraska State Patrol~~
13 ~~shall pay or have paid on his or her behalf a sum equal to nineteen~~
14 ~~percent of his or her monthly compensation. Commencing July 1, 2013, each~~
15 ~~officer who commences service prior to July 1, 2015, while in the service~~
16 ~~of the Nebraska State Patrol shall pay or have paid on his or her behalf~~
17 ~~a sum equal to sixteen percent of his or her monthly compensation. Each~~
18 ~~officer who commences service on or after July 1, 2015, while in the~~
19 ~~service of the Nebraska State Patrol, shall pay or have paid on his or~~
20 ~~her behalf a sum equal to eighteen percent of his or her monthly~~
21 ~~compensation. Such amounts shall be deducted monthly by the Director of~~
22 ~~Administrative Services who shall draw a warrant monthly in the amount of~~
23 ~~the total deductions from the compensation of members of the Nebraska~~
24 ~~State Patrol in accordance with subsection (4) of this section, and the~~
25 ~~State Treasurer shall credit the amount of such warrant to the State~~
26 ~~Patrol Retirement Fund. The director shall cause a detailed report of all~~
27 ~~monthly deductions to be made each month to the board.~~

28 (2) In addition, for officers who commence service prior to July 1,
29 2015, commencing July 1, 2010, and until July 1, 2011, there shall be
30 assessed against the appropriation of the Nebraska State Patrol a sum
31 equal to the amount of sixteen percent of each officer's monthly

1 ~~compensation which shall be credited to the State Patrol Retirement Fund.~~
2 ~~Commencing July 1, 2011, and until July 1, 2013, there shall be assessed~~
3 ~~against the appropriation of the Nebraska State Patrol a sum equal to the~~
4 ~~amount of nineteen percent of each officer's monthly compensation which~~
5 ~~shall be credited to the State Patrol Retirement Fund. Commencing July 1,~~
6 ~~2013, there shall be assessed against the appropriation of the Nebraska~~
7 ~~State Patrol a sum equal to the amount of sixteen percent of each~~
8 ~~officer's monthly compensation which shall be credited to the State~~
9 ~~Patrol Retirement Fund. Commencing July 1, 2015, for each officer who~~
10 ~~commences service on or after July 1, 2015, there shall be assessed~~
11 ~~against the appropriation of the Nebraska State Patrol a sum equal to the~~
12 ~~amount of eighteen percent of each officer's monthly compensation which~~
13 ~~shall be credited to the State Patrol Retirement Fund.~~

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

1 unfunded actuarial accrued liability shall be reinitialized and amortized
2 over a thirty-year period as of the actuarial valuation date. If the
3 actuarially required contribution rate exceeds the rate of all
4 contributions required pursuant to the Nebraska State Patrol Retirement
5 Act, there shall be a supplemental appropriation sufficient to pay for
6 the differences between the actuarially required contribution rate and
7 the rate of all contributions required pursuant to the Nebraska State
8 Patrol Retirement Act. Such valuation shall be on the basis of actuarial
9 assumptions recommended by the actuary, approved by the board, and kept
10 on file with the board.

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

26 Sec. 3. Section 81-2026, Reissue Revised Statutes of Nebraska, is
27 amended to read:

28 81-2026 (1)(a) Any officer qualified for an annuity as provided in
29 section 81-2025 for reasons other than disability shall be entitled to
30 receive a monthly annuity for the remainder of the officer's life. The
31 annuity payments shall continue until the end of the calendar month in

1 which the officer dies. The amount of the annuity shall be a percentage
2 of the officer's final average monthly compensation. For retirement on or
3 after the fifty-fifth birthday of the member or on or after the fiftieth
4 birthday of a member who has been in the employ of the state for twenty-
5 five years, as calculated in section 81-2033, the percentage shall be
6 three percent multiplied by the number of years of creditable service, as
7 calculated in section 81-2033, except that the percentage shall never be
8 greater than seventy-five percent.

9 (b) For retirement pursuant to subsection (2) of section 81-2025 on
10 or after the fiftieth birthday of the member but prior to the fifty-fifth
11 birthday of the member who has been in the employ of the state for less
12 than twenty-five years, as calculated in section 81-2033, the annuity
13 which would apply if the member were age fifty-five at the date of
14 retirement shall be reduced by five-ninths of one percent for each month
15 by which the early retirement date precedes age fifty-five or for each
16 month by which the early retirement date precedes the date upon which the
17 member has served for twenty-five years, whichever is earlier. Any
18 officer who has completed thirty years of creditable service with the
19 Nebraska State Patrol shall have retirement benefits computed as if the
20 officer had reached age fifty-five.

21 (c) For purposes of this computation: τ

22 (i) For an officer who became a member before July 1, 2015, final
23 average monthly compensation shall mean the sum of the officer's total
24 compensation during the three twelve-month periods of service as an
25 officer in which compensation was the greatest divided by thirty-six, and
26 for any officer employed on or before January 4, 1979, the officer's
27 total compensation shall include payments received for unused vacation
28 and sick leave accumulated during the final three years of service; and -

29 (ii) For an officer who became a member for the first time on or
30 after July 1, 2015, final average monthly compensation shall mean the sum
31 of the officer's total compensation during the five twelve-month periods

1 of service as an officer in which compensation was the greatest divided
2 by sixty.

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

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

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

23 (b) If there is a surviving spouse and the surviving spouse has in
24 his or her care a dependent child or children of the officer under
25 nineteen years of age and there is no other dependent child or children
26 of the officer not in the care of the surviving spouse under nineteen
27 years of age, the benefit shall be equal to one hundred percent of the
28 officer's annuity. When there is no remaining dependent child of the
29 officer under nineteen years of age, the benefit shall be seventy-five
30 percent of the amount of the officer's annuity to the surviving spouse
31 for the remainder of the surviving spouse's life;

1 (c) If there is a surviving spouse and the surviving spouse has in
2 his or her care a dependent child or children of the officer under
3 nineteen years of age or there is another dependent child or children of
4 the officer under nineteen years of age not in the care of the surviving
5 spouse, the benefit shall be twenty-five percent of the amount of the
6 officer's annuity to the surviving spouse and seventy-five percent of the
7 amount of the officer's annuity to the dependent children of the officer
8 under nineteen years of age to be divided equally among such dependent
9 children but in no case shall the benefit received by a surviving spouse
10 and dependent children residing with such spouse be less than fifty
11 percent of the amount of the officer's annuity. At such time as any
12 dependent child of the officer attains nineteen years of age, the benefit
13 shall be divided equally among the remaining dependent children of the
14 officer who have not yet attained nineteen years of age. When there is no
15 remaining dependent child of the officer under nineteen years of age, the
16 benefit shall be seventy-five percent of the amount of the officer's
17 annuity to the surviving spouse for the remainder of the surviving
18 spouse's life;

19 (d) If there is no surviving spouse and a dependent child or
20 children of the officer under nineteen years of age, the benefit shall be
21 equal to seventy-five percent of the officer's annuity to the dependent
22 children of the officer under nineteen years of age to be divided equally
23 among such dependent children. At such time as any dependent child of the
24 officer attains nineteen years of age, the benefit shall be divided
25 equally among the remaining dependent children of the officer who have
26 not yet attained nineteen years of age; and

27 (e) If there is no surviving spouse or no dependent child or
28 children of the officer under nineteen years of age, the amount of
29 benefit such officer has received under the Nebraska State Patrol
30 Retirement Act shall be computed. If such amount is less than the
31 contributions to the State Patrol Retirement Fund made by such officer,

1 plus regular interest, the difference shall be paid to the officer's
2 designated beneficiary or estate.

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

6 (5) Upon the death of an officer before retirement, benefits shall
7 be provided as if the officer had retired for reasons of disability on
8 the date of such officer's death, calculated as follows:

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

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

22 (c) If there is a surviving spouse and the surviving spouse has in
23 his or her care a dependent child or children of the officer under
24 nineteen years of age or there is another dependent child or children of
25 the officer under nineteen years of age not in the care of the surviving
26 spouse, the benefit shall be twenty-five percent of the amount of the
27 officer's annuity to the surviving spouse and seventy-five percent of the
28 amount of the officer's annuity to the dependent children of the officer
29 under nineteen years of age to be divided equally among such dependent
30 children but in no case shall the benefit received by a surviving spouse
31 and dependent children residing with such spouse be less than fifty

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

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

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

20 (6) A lump-sum death benefit paid to the member's beneficiary, other
21 than the member's estate, that is an eligible distribution may be
22 distributed in the form of a direct transfer to a retirement plan
23 eligible to receive such transfer under the provisions of the Internal
24 Revenue Code.

25 (7) For any member whose death occurs on or after January 1, 2007,
26 while performing qualified military service as defined in section 414(u)
27 of the Internal Revenue Code, the member's beneficiary shall be entitled
28 to any additional death benefit that would have been provided, other than
29 the accrual of any benefit relating to the period of qualified military
30 service. The additional death benefit shall be determined as if the
31 member had returned to employment with the Nebraska State Patrol and such

1 employment had terminated on the date of the member's death.

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

5 Sec. 4. Section 81-2027.08, Reissue Revised Statutes of Nebraska, is
6 amended to read:

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

19 (2) The current benefit paid to a retired member or beneficiary
20 under this subsection shall be adjusted so that the purchasing power of
21 the benefit being paid is not less than sixty percent of the purchasing
22 power of the initial benefit. The purchasing power of the initial benefit
23 in any year following the year in which the initial benefit commenced
24 shall be calculated by dividing the United States Department of Labor,
25 Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners
26 and Clerical Workers factor on June 30 of the current year by the
27 Consumer Price Index for Urban Wage Earners and Clerical Workers factor
28 on June 30 of the year in which the benefit commenced. The result shall
29 be multiplied by the product that results when the amount of the initial
30 benefit is multiplied by sixty percent. In any year in which applying the
31 adjustment provided in subsection (3) of this section results in a

1 benefit which would be less than sixty percent of the purchasing power of
2 the initial benefit as calculated in this subsection, the adjustment
3 shall instead be equal to the percentage change in the Consumer Price
4 Index for Urban Wage Earners and Clerical Workers factor from the prior
5 year to the current year.

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

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

22 (b) In order for a retired member or beneficiary to receive the
23 cost-of-living adjustment calculation method in this subsection, the
24 retired member or beneficiary shall be (i) a retired member or
25 beneficiary who has been receiving a retirement benefit for at least five
26 years if the member had at least twenty-five years of creditable service,
27 (ii) a member who has been receiving a disability retirement benefit for
28 at least five years pursuant to section 81-2025, or (iii) a beneficiary
29 who has been receiving a death benefit pursuant to section 81-2026 for at
30 least five years, if the member's or beneficiary's monthly accrual rate
31 is less than or equal to the minimum accrual rate as determined by this

1 subsection.

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

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

12 (e) Beginning July 1, 2010, the minimum accrual rate under this
13 subsection was forty dollars and sixteen cents. Beginning July 1, 2011,
14 the minimum accrual rate under this subsection was forty-one dollars and
15 seventy-nine cents. Beginning July 1, 2012, the minimum accrual rate
16 under this subsection was forty-two dollars and forty-five cents.
17 Beginning July 1, 2013, the board shall annually adjust the minimum
18 accrual rate to reflect the cumulative percentage change in the Consumer
19 Price Index for Urban Wage Earners and Clerical Workers from the last
20 adjustment of the minimum accrual rate.

21 (5) Beginning July 1, 2011, and each July 1 thereafter, each retired
22 member or beneficiary shall receive the sum of the annual benefit
23 adjustment and such retiree's total monthly benefit less withholding,
24 which sum shall be the retired member's or beneficiary's adjusted total
25 monthly benefit. Each retired member or beneficiary shall receive the
26 adjusted total monthly benefit until the expiration of the annuity option
27 selected by the member or until the retired member or beneficiary again
28 qualifies for the annual benefit adjustment, whichever occurs first.

29 (6) The annual benefit adjustment pursuant to this section shall not
30 cause a current benefit to be reduced, and a retired member or
31 beneficiary shall never receive less than the adjusted total monthly

1 benefit until the annuity option selected by the member expires.

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

12 (8) This section applies to an officer who became a member before
13 July 1, 2015 ~~The state shall contribute to the State Patrol Retirement~~
14 ~~Fund an annual level dollar payment certified by the board. For the~~
15 ~~2011-12 fiscal year through the 2012-13 fiscal year, the annual level~~
16 ~~dollar payment certified by the board shall equal 3.04888 percent of six~~
17 ~~million eight hundred ninety five thousand dollars.~~

18 Sec. 5. (1) On each July 1, the board shall determine the number of
19 retired members or beneficiaries described in subsection (3) of this
20 section in the retirement system and shall make an annual benefit
21 adjustment for each retired member or beneficiary.

22 (2)(a) Except as provided in subdivision (1)(b) of this section, the
23 benefit paid to a retired member or beneficiary under this section shall
24 be increased annually by the lesser of (i) the percentage change in the
25 Consumer Price Index for Urban Wage Earners and Clerical Workers for the
26 period between June 30 of the prior year to June 30 of the present year
27 or (ii) one percent.

28 (b) If the unfunded accrued actuarial liability under the entry age
29 actuarial cost method is less than zero on an actuarial valuation date,
30 and on the basis of all data in the possession of the retirement board,
31 including such mortality and other tables as are recommended by the

1 actuary engaged by the retirement board and adopted by the retirement
2 board, the retirement board may elect to increase the cost-of-living
3 adjustment for all members to a maximum of two and one-half percent as
4 long as it would not increase the actuarial contribution rate above
5 ninety percent of the actual contribution rate.

6 (3) In order for a retired member or beneficiary to receive the
7 annual benefit adjustment in this section, the retired member or
8 beneficiary shall be (a) a retired member or beneficiary who has been
9 receiving a retirement benefit for at least five years if the member had
10 at least twenty-five years of creditable service, (b) a member who has
11 been receiving a disability retirement benefit for at least five years
12 pursuant to section 81-2025, or (c) a beneficiary who has been receiving
13 a death benefit pursuant to section 81-2026 for at least five years.

14 (4) Each retired member or beneficiary shall receive the sum of the
15 annual benefit adjustment and such retiree's total monthly benefit less
16 withholding, which sum shall be the retired member's or beneficiary's
17 adjusted total monthly benefit. Each retired member or beneficiary shall
18 receive the adjusted total monthly benefit until the expiration of the
19 annuity option selected by the member or until the next annual benefit
20 adjustment, whichever occurs first.

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

25 (6) The board shall adjust the annual benefit adjustment so that the
26 cost-of-living adjustment provided to the retired member or beneficiary
27 at the time of the annual benefit adjustment does not exceed the change
28 in the Consumer Price Index for Urban Wage Earners and Clerical Workers
29 for the period between June 30 of the prior year to June 30 of the
30 present year. If the consumer price index used in this section is
31 discontinued or replaced, a substitute index published by the United

1 States Department of Labor shall be selected by the board which shall be
2 a reasonable representative measurement of the cost of living for retired
3 employees.

4 (7) This section applies to an officer who first became a member on
5 or after July 1, 2015.

6 Sec. 6. Section 81-2041, Reissue Revised Statutes of Nebraska, is
7 amended to read:

8 81-2041 (1) Any member who meets the participation requirements of
9 subsection (2) of this section may participate in DROP. DROP provides
10 that subsequent to attaining normal age and service retirement
11 eligibility, a member may voluntarily choose to participate in DROP upon
12 its adoption which, for purposes of this section, shall be the earlier of
13 September 1, 2008, or the first of the month following a favorable letter
14 determination by the Internal Revenue Service. If the member chooses to
15 participate in DROP, the member shall be deemed to have retired but shall
16 not be deemed to be terminated, and the member may continue in active
17 employment for up to a five-year period. During the DROP period, the
18 member's retirement benefit payments shall be deposited into the DROP
19 account for the benefit of the member until the member actually retires
20 from active employment at or before the expiration of the DROP period.
21 Thereafter, future retirement benefit payments shall be made directly to
22 the member, and the member shall have access to all funds in the DROP
23 account designated for the benefit of the member. DROP funds shall be
24 held and invested in a defined contribution account under section 414(k)
25 of the Internal Revenue Code and shall meet the limitations in section
26 415 of the code.

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

29 (a) A member shall be eligible to enter DROP at any time subsequent
30 to the date when the member has (i) attained normal retirement age and
31 (ii) completed twenty-five years of service. Members having attained

1 normal retirement age and completed twenty-five years of service on or
2 before the date of adoption of DROP shall be eligible to enter DROP at
3 any future date;

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

15 (c) A member electing to enter DROP shall choose an annuity payment
16 option. After the option is chosen, the member shall not be entitled to
17 any retirement benefit changes, for reasons including, but not limited
18 to, wage increases, promotions, and demotions, except that the
19 restriction on retirement benefit changes shall not apply in the event of
20 duty-related death or duty-related disability. The benefit amount shall
21 be fixed as of the date of election and shall be payable as if the
22 employee retired on that date and separated from active employment. Upon
23 the death of a member during the DROP period, monthly benefits shall be
24 provided as a percentage of the amount of the member's annuity as set
25 forth in subsection (3) of section 81-2026 based upon the annuity benefit
26 calculation made at commencement of the DROP period. In addition, the
27 balance of the DROP account, if any, shall be provided to the beneficiary
28 or beneficiaries of the member in accordance with subsection (6) of
29 section 81-2026 or, if no beneficiary is provided, to the estate of the
30 member. Upon the disability of a member during the DROP period, the
31 member shall be deemed to have completed the DROP period, shall begin

1 receiving the annuity benefit as calculated at the commencement of the
2 DROP period, and shall be paid the balance of the DROP account, if any;

3 (d) Except as provided in subdivision (2)(e) of this section, No
4 member shall be allowed to continue making the required contributions
5 while the member is enrolled in DROP;

6 (e) Members who enter DROP on and after July 1, 2020, shall be
7 required to continue making the required contributions while the member
8 is enrolled in DROP;

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

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

20 (h g) Any member that is enrolled in DROP shall be responsible for
21 directing the DROP account designated for the benefit of the member by
22 investing the account in any DROP investment options. There shall be no
23 guaranteed rate of investment return on DROP account assets. Any losses,
24 charges, or expenses incurred by the participating DROP member in such
25 member's DROP account by virtue of the investment options selected by the
26 participating DROP member shall not be made up by the retirement system
27 but all of the same shall be borne by the participating DROP member. The
28 retirement system, the state, the board, and the state investment officer
29 shall not be responsible for any investment results under the DROP
30 agreement. Transfers between investment options shall be in accordance
31 with the rules and regulations of DROP. A DROP account shall be

1 established for each participating DROP member. Such DROP account shall
2 be adjusted no less frequently than annually for the member's retirement
3 benefit distributions and net investment earnings and losses;

4 (i h) If the DROP account is subject to administrative or other fees
5 or charges, such fees or charges shall be charged to the participating
6 DROP member's DROP account; and

7 (j ±) Cost-of-living adjustments as provided for in section
8 81-2027.08 or section 5 of this act shall not be applied to retirement
9 benefits during the DROP period.

10 Sec. 7. Original sections 81-2014.01, 81-2017, 81-2026, 81-2027.08,
11 and 81-2041, Reissue Revised Statutes of Nebraska, are repealed.

12 Sec. 8. Since an emergency exists, this act takes effect when
13 passed and approved according to law.