

AMENDMENTS TO LB820

Introduced by Nebraska Retirement Systems.

1           1. Strike original sections 24 and 45 and insert the following new  
2 sections:

3           **Sec. 22.** Section 79-958, Revised Statutes Supplement, 2025, is  
4 amended to read:

5           79-958 (1)(a) Beginning on September 1, 2012, and prior to July 1,  
6 2025, for the purpose of providing the funds to pay for formula  
7 annuities, every employee shall be required to deposit in the School  
8 Retirement Fund nine and seventy-eight hundredths of one percent of  
9 compensation.

10          (b) Beginning in 2025 and each year thereafter, the employee  
11 contribution rate shall be calculated as of July 1 and based on the  
12 funded ratio of the actuarial value of assets in the School Retirement  
13 Fund in the most recent previous year as reported in the annual actuarial  
14 valuation report for the retirement system prepared for the retirement  
15 board pursuant to section 84-1503.

16          (c)(i) The employee contribution rate that is calculated as of July  
17 1, 2025, shall apply beginning July 1, 2025, and prior to July 1, 2026.

18          (ii) The employee contribution rate that is calculated as of July 1,  
19 2026, shall apply beginning July 1, 2026, and prior to September 1, 2027.

20          (iii) Beginning in 2027 and each year thereafter, the employee  
21 contribution rate that is calculated as of July 1 of such year shall  
22 apply beginning September 1 of such year and prior to September 1 of the  
23 next year after such year.

24          (d) Beginning on July 1, 2025, for the purpose of providing the  
25 funds to pay for formula annuities, every employee shall deposit the  
26 following amounts into the School Retirement Fund:

27          (i) If the funded ratio on the actuarial value of assets in the

1 School Retirement Fund is less than ninety-six percent, nine and three-  
2 quarters of one percent of compensation;

3 (ii) If the funded ratio on the actuarial value of assets in the  
4 School Retirement Fund is ninety-six percent or greater and less than  
5 ninety-eight percent, eight and three-quarters of one percent of  
6 compensation;

7 (iii) If the funded ratio on the actuarial value of assets in the  
8 School Retirement Fund is ninety-eight percent or greater and less than  
9 one hundred percent, eight percent of compensation; and

10 (iv) If the funded ratio on the actuarial value of assets in the  
11 School Retirement Fund is one hundred percent or greater, seven and one-  
12 quarter of one percent of compensation.

13 (e) ~~(e)~~ Deposits under this subsection shall be transmitted at the  
14 same time and in the same manner as required employer contributions.

15 (2) For the purpose of providing the funds to pay for formula  
16 annuities, every employer shall be required to deposit in the School  
17 Retirement Fund one hundred one percent of the required contributions of  
18 the school employees of each employer. Such deposits shall be transmitted  
19 to the retirement board at the same time and in the same manner as such  
20 required employee contributions.

21 (3) The employer shall pick up the member contributions required by  
22 this section for all compensation paid on or after January 1, 1986, and  
23 the contributions so picked up shall be treated as employer contributions  
24 pursuant to section 414(h)(2) of the Internal Revenue Code in determining  
25 federal tax treatment under the code and shall not be included as gross  
26 income of the member until such time as they are distributed or made  
27 available. The contributions, although designated as member  
28 contributions, shall be paid by the employer in lieu of member  
29 contributions. The employer shall pay these member contributions from the  
30 same source of funds which is used in paying earnings to the member. The  
31 employer shall pick up these contributions by a compensation deduction

1 through a reduction in the cash compensation of the member. Member  
2 contributions picked up shall be treated for all purposes of the School  
3 Employees Retirement Act in the same manner and to the same extent as  
4 member contributions made prior to the date picked up.

5 (4) The employer shall pick up the member contributions made through  
6 irrevocable payroll deduction authorizations pursuant to sections 79-921  
7 and 79-933.03 to 79-933.06, and the contributions so picked up shall be  
8 treated as employer contributions in the same manner as contributions  
9 picked up under subsection (3) of this section.

10 **Sec. 25.** Section 79-978, Revised Statutes Supplement, 2025, is  
11 amended to read:

12 79-978 For purposes of the Class V School Employees Retirement Act,  
13 unless the context otherwise requires:

14 (1) Accumulated contributions means the sum of amounts contributed  
15 by a member of the system together with regular interest credited  
16 thereon;

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

24 (3) Actuarial tables means:

25 (a) For determining the actuarial equivalent of any annuities other  
26 than joint and survivorship annuities:

27 (i) For members hired before July 1, 2018, a unisex mortality table  
28 using twenty-five percent of the male mortality and seventy-five percent  
29 of the female mortality from the 1994 Group Annuity Mortality Table with  
30 a One Year Setback and using an interest rate of eight percent compounded  
31 annually; and

1 (ii) For members hired on or after July 1, 2018, or rehired on or  
2 after July 1, 2018, after termination of employment and being paid a  
3 retirement benefit, the determinations shall be based on a unisex  
4 mortality table and an interest rate specified by (A) the board until  
5 September 1, 2024, or (B) the retirement board beginning on September 1,  
6 2024. Both the mortality table and the interest rate shall be recommended  
7 by the actuary retained pursuant to section 79-984 following an actuarial  
8 experience study, a benefit adequacy study, or a plan valuation. The  
9 mortality table, interest rate, and actuarial factors in effect on the  
10 member's retirement date shall be used to calculate the actuarial  
11 equivalency of any retirement benefit. Such interest rate may be, but is  
12 not required to be, equal to the assumed rate; and

13 (b) For joint and survivorship annuities:

14 (i) For members hired before July 1, 2018, a unisex retiree  
15 mortality table using sixty-five percent of the male mortality and  
16 thirty-five percent of the female mortality from the 1994 Group Annuity  
17 Mortality Table with a One Year Setback and using an interest rate of  
18 eight percent compounded annually and a unisex joint annuitant mortality  
19 table using thirty-five percent of the male mortality and sixty-five  
20 percent of the female mortality from the 1994 Group Annuity Mortality  
21 Table with a One Year Setback and using an interest rate of eight percent  
22 compounded annually; and

23 (ii) For members hired on or after July 1, 2018, or rehired on or  
24 after July 1, 2018, after termination of employment and being paid a  
25 retirement benefit, the determinations shall be based on a unisex  
26 mortality table and an interest rate specified by (A) the board until  
27 September 1, 2024, or (B) the retirement board beginning on September 1,  
28 2024. Both the mortality table and the interest rate shall be recommended  
29 by the actuary retained pursuant to section 79-984 following an actuarial  
30 experience study, a benefit adequacy study, or a plan valuation. The  
31 mortality table, interest rate, and actuarial factors in effect on the

1 member's retirement date shall be used to calculate the actuarial  
2 equivalency of any retirement benefit. Such interest rate may be, but is  
3 not required to be, equal to the assumed rate;

4 (4) Administrator of the retirement system or administrator means  
5 ~~(a) until September 1, 2024, the person administering the retirement~~  
6 ~~system who is appointed by the board or (b) beginning on September 1,~~  
7 ~~2024, the executive director appointed by the retirement board pursuant~~  
8 to section 84-1503;

9 (5) Annuitant means any member receiving an allowance;

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

13 (7) Audit year means the period beginning January 1 in any year and  
14 ending on December 31 of that same year, which is the period of time used  
15 in the preparation of (a) the annual actuarial analysis and valuation and  
16 (b) a financial audit of the retirement system, including the investments  
17 of the retirement system;

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

20 ~~(9) Board means the board of trustees until July 1, 2021, and the~~  
21 ~~board of education beginning July 1, 2021, and until September 1, 2024;~~

22 (9) ~~(10)~~ Board of education means the board or boards of education  
23 of a school district or districts;

24 (10) ~~(11)~~ Board of trustees means:

25 (a) Until September 1, 2024, the entity established pursuant to  
26 section 79-980; and

27 (b) Beginning September 1, 2024, the board of education shall be  
28 deemed to be the successor in interest for all liability associated with  
29 the actions or inactions of the entity identified under subdivision (10)  
30 (a) ~~(11)~~(a) of this section and as specified in the Class V School  
31 Employees Retirement Act;

1            (11)(a) ~~(12)(a)~~ Compensation means gross wages or salaries payable  
2 to the member during a fiscal year and includes (i) overtime pay, (ii)  
3 member contributions to the retirement system that are picked up under  
4 section 414(h) of the Internal Revenue Code, as defined in section  
5 49-801.01, (iii) retroactive salary payments paid pursuant to court  
6 order, arbitration, or litigation and grievance settlements, and (iv)  
7 amounts contributed by the member to plans under sections 125, 403(b),  
8 and 457 of the Internal Revenue Code, as defined in section 49-801.01, or  
9 any other section of the code which defers or excludes such amounts from  
10 income.

11            (b) Compensation does not include (i) fraudulently obtained amounts  
12 as determined by the board, (ii) amounts for accrued unused sick leave or  
13 accrued unused vacation leave converted to cash payments, (iii) insurance  
14 premiums converted into cash payments, (iv) reimbursement for expenses  
15 incurred, (v) fringe benefits, (vi) per diems paid as expenses, (vii)  
16 bonuses for services not actually rendered, (viii) early retirement  
17 inducements, (ix) cash awards, (x) severance pay, or (xi) employer  
18 contributions made for the purposes of separation payments made at  
19 retirement and early retirement inducements.

20            (c) Compensation in excess of the limitations set forth in section  
21 401(a)(17) of the Internal Revenue Code, as defined in section 49-801.01,  
22 shall be disregarded;

23            (12) ~~(13)~~ Council means the Nebraska Investment Council created and  
24 acting pursuant to section 72-1237;

25            (13) ~~(14)~~ Creditable service means the sum of the membership service  
26 and the prior service, measured in one-tenth-year increments;

27            (14) ~~(15)~~ Early retirement date means, for members hired prior to  
28 July 1, 2016, who have attained age fifty-five, that month and year  
29 selected by a member having at least ten years of creditable service  
30 which includes a minimum of five years of membership service. Early  
31 retirement date means, for members hired on or after July 1, 2016, that

1 month and year selected by a member having at least five years of  
2 membership service and who has attained age sixty;

3 (15) ~~(16)~~ Early retirement inducement means, but is not limited to:

4 (a) A benefit, bonus, or payment to a member by an employer in  
5 exchange for an agreement by the member to retire with a reduced  
6 retirement benefit;

7 (b) A benefit, bonus, or payment paid to a member by an employer in  
8 addition to the member's retirement benefit;

9 (c) Lump-sum or installment cash payments by an employer, except  
10 payments for accrued unused leave converted to cash payments;

11 (d) An additional salary or wage component of any kind that is being  
12 paid by an employer as an incentive to leave employment and not for  
13 personal services performed for which creditable service is granted;

14 (e) Partial or full employer payment of a member's health, dental,  
15 life, or long-term disability insurance benefits or cash in lieu of such  
16 insurance benefits that extend beyond the member's termination of  
17 employment and contract of employment dates. This subdivision does not  
18 apply to any period during which the member is contributing to the  
19 retirement system and being awarded creditable service; and

20 (f) Any other form of separation payments made by an employer to a  
21 member at termination, including, but not limited to, purchasing  
22 retirement contracts for the member pursuant to section 79-514, or  
23 depositing money for the member in an account established under section  
24 403(b) of the Internal Revenue Code except for payments for accrued  
25 unused leave;

26 (16) ~~(17)~~ Employee means the following enumerated persons receiving  
27 compensation from the school district: (a) Teachers, other than  
28 substitutes, employed on a written contract basis; (b) administrators  
29 employed on a written contract, agreement, or document basis; and (c)  
30 regular employees;

31 (17) ~~(18)~~ Employer means a school district participating in a

1 retirement system established pursuant to the Class V School Employees  
2 Retirement Act;

3 ~~(18)~~ ~~(19)~~ Fiscal year means the period beginning September 1 in any  
4 year and ending on August 31 of the next succeeding year;

5 ~~(19)~~ ~~(20)~~ Hire date or date of hire means the first day of  
6 compensated service subject to retirement contributions;

7 ~~(20)~~ ~~(21)~~ Interest means, for the purchase of service credit, the  
8 purchase of prior service credit, restored refunds, and delayed payments,  
9 the investment return assumption used in the most recent actuarial  
10 valuation;

11 ~~(21)~~ ~~(22)~~ Member means any employee included in the membership of  
12 the retirement system or any former employee who has made contributions  
13 to the system and has not received a refund;

14 ~~(22)~~ ~~(23)~~ Membership service means service on or after September 1,  
15 1951, as an employee of the school district and a member of the system  
16 for which compensation is paid by the school district. Credit for more  
17 than one year of membership service shall not be allowed for service  
18 rendered in any fiscal year. Beginning September 1, 2005, a member shall  
19 be credited with a year of membership service for each fiscal year in  
20 which the member performs one thousand or more hours of compensated  
21 service as an employee of the school district. For an employee who  
22 becomes a member prior to July 1, 2018, an hour of compensated service  
23 shall include any hour for which the member is compensated by the school  
24 district during periods when no service is performed due to vacation or  
25 approved leave. For an employee who becomes a member on or after July 1,  
26 2018, an hour of compensated service shall include any hour for which the  
27 member is compensated by the school district during periods when no  
28 service is performed due to used accrued sick days, used accrued vacation  
29 days, federal and state holidays, and jury duty leave for which the  
30 member is paid full compensation by an employer. If a member performs  
31 less than one thousand hours of compensated service during a fiscal year,

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

6 ~~(23)~~ ~~(24)~~ Military service means service in the uniformed services  
7 as defined in 38 U.S.C. 4301 et seq., as such provision existed on March  
8 27, 1997;

9 ~~(24)~~ ~~(25)~~ Normal retirement date means the end of the month during  
10 which the member attains age sixty-five and has completed at least five  
11 years of membership service;

12 ~~(25)~~ ~~(26)~~ Participation means qualifying for and making required  
13 deposits to the retirement system during the course of a fiscal year;

14 ~~(26)~~ ~~(27)~~ Primary beneficiary means the person or persons entitled  
15 to receive or receiving a benefit by reason of the death of a member;

16 ~~(27)~~ ~~(28)~~ Prior service means service rendered prior to September 1,  
17 1951, for which credit is allowed under section 79-999, service rendered  
18 by retired employees receiving benefits under preexisting systems, and  
19 service for which credit is allowed under sections 79-990, 79-991,  
20 79-994, 79-995, and 79-997;

21 ~~(28)(a)~~ ~~(29)(a)~~ Regular employee means a person hired on a full-time  
22 basis, which basis shall contemplate a work week of not less than thirty  
23 hours, and who is not (i) a teacher employed on a written contract basis  
24 or (ii) an administrator employed on a written contract, agreement, or  
25 document basis.

26 (b) Effective September 1, 2021, a person hired by an employer or  
27 under contract to provide service for less than thirty hours per week but  
28 who provides service for an average of thirty hours or more per week in  
29 each calendar month of any three calendar months of a fiscal year shall,  
30 beginning with the next full payroll period:

31 (i) Commence contributions;

1 (ii) Be deemed a regular employee; and

2 (iii) Remain a deemed regular employee regardless of hours worked  
3 thereafter;

4 (29) ~~(30)~~ Regular interest means interest (a) on the total  
5 contributions of the member prior to the close of the last preceding  
6 fiscal year, (b) compounded annually, and (c)(i) beginning September 1,  
7 2016, at a rate equal to the daily treasury yield curve for one-year  
8 treasury securities, as published by the Secretary of the Treasury of the  
9 United States, that applies on September 1 of each year and (ii) prior to  
10 September 1, 2016, at rates to be determined annually by the board, which  
11 shall have the sole, absolute, and final discretionary authority to make  
12 such determination, except that the rate for any given year in no event  
13 shall exceed the actual percentage of net earnings of the system during  
14 the last preceding fiscal year;

15 (30) ~~(31)~~ Retirement allowance means the total annual retirement  
16 benefit payable to a member for service or disability;

17 (31) ~~(32)~~ Retirement application means beginning on and after  
18 September 1, 2024, the form approved and provided by the retirement  
19 system for acceptance of a member's request for either regular or  
20 disability retirement;

21 (32) ~~(33)~~ Retirement board means the Public Employees Retirement  
22 Board created and acting pursuant to section 84-1501;

23 (33) Retirement date means (a) the first day of the month following  
24 the date upon which a member's request for retirement is received on a  
25 retirement application if the member is eligible for retirement and has  
26 terminated employment or (b) the first day of the month following  
27 termination of employment if the member is eligible for retirement and  
28 has filed an application but has not yet terminated employment; ~~(34)~~

29 ~~Retirement date means the date of retirement of a member for service or~~  
30 ~~disability as fixed by (a) the board for retirements occurring prior to~~  
31 ~~September 1, 2024, or (b) the retirement board for retirements occurring~~

1 ~~on or after September 1, 2024;~~

2       ~~(34) (35)~~ 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       ~~(35) (36)~~ School district means an employer participating in a  
6 retirement system established pursuant to the Class V School Employees  
7 Retirement Act;

8       ~~(36) (37)~~ Secondary beneficiary means the person or persons entitled  
9 to receive or receiving a benefit by reason of the death of all primary  
10 beneficiaries prior to the death of the member. If no primary beneficiary  
11 survives the member, secondary beneficiaries shall be treated in the same  
12 manner as primary beneficiaries;

13       ~~(37) (38)~~ Solvency means the rate of all contributions required  
14 pursuant to the Class V School Employees Retirement Act is equal to or  
15 greater than the actuarially required contribution rate as annotated in  
16 the most recent valuation report prepared by the actuary retained for the  
17 retirement system as provided in section 79-984;

18       ~~(38) (39)~~ State investment officer means the person appointed by the  
19 council pursuant to section 72-1240 and acting pursuant to the Nebraska  
20 State Funds Investment Act;

21       ~~(39) (40)~~ Substitute employee means a person hired by an employer as  
22 a temporary employee to assume the duties of an employee due to a  
23 temporary absence of any employee. Substitute employee does not mean a  
24 person hired as an employee on an ongoing basis to assume the duties of  
25 other employees who are temporarily absent;

26       ~~(40) (41)~~ Temporary employee means a person hired by an employer who  
27 is not an employee and who is hired to provide service for a limited  
28 period of time to accomplish a specific purpose or task. When such  
29 specific purpose or task is complete, the employment of such temporary  
30 employee shall terminate and in no case shall the temporary employment  
31 period exceed one year in duration;

1           (41)(a) ~~(42)(a)~~ Termination of employment or termination occurs on  
2 the date the member experiences a bona fide separation from service of  
3 employment with the member's employer, the date of which separation is  
4 the last day of service under the member's contractual agreement or, if  
5 there is no contract or only partial fulfillment of a contract, as  
6 determined by an employer. A member who experiences a separation from  
7 service shall comply with the return-to-work provisions of section 79-992  
8 if the member returns to work for an employer.

9           (b) A member shall not be deemed to have incurred a termination of  
10 employment if the board determines that, based on the facts and  
11 circumstances, (i) a claimed termination of employment was not a bona  
12 fide separation from service with the employer; (ii) a member was  
13 compensated for a full contractual period when the member stopped working  
14 prior to the end date of the member's employment as determined by the  
15 member's contract or labor agreement; or (iii) a member prearranged a  
16 return to work that violates the Class V School Employees Retirement Act.

17           (c) Nothing in this subdivision (41) ~~(42)~~ precludes an employer from  
18 adopting a policy which limits or denies employees who have experienced a  
19 separation from service from working as a volunteer or substitute  
20 employee within one hundred eighty days after the employee experiences a  
21 separation from service;

22           (42) ~~(43)~~ Transfer of management means the transition and transfer  
23 of the general management, administration, and operation of the  
24 retirement system from the board of trustees, board of education, and  
25 school district to the retirement board as described in the Class V  
26 School Employees Retirement Act. Transfer of management does not include:

27           (a) Transfer of the school district's funding obligations described  
28 in the Class V School Employees Retirement Act or assumption of financial  
29 liability for such funding obligations by (i) the State of Nebraska, (ii)  
30 the retirement board, (iii) the Nebraska Public Employees Retirement  
31 Systems, (iv) any other state entity with duties related to

1 administration of the retirement system, or (v) the council for its  
2 investment duties regarding the assets of the retirement system; or

3 (b) Merger or consolidation of any Class V school employees  
4 retirement system established under the Class V School Employees  
5 Retirement Act with the School Employees Retirement System of the State  
6 of Nebraska or any other retirement system administered by the retirement  
7 board;

8 ~~(43)~~ ~~(44)~~ Trustee means a trustee provided for in section 79-980;  
9 and

10 ~~(44)~~ ~~(45)~~ Voluntary service or volunteer means providing bona fide  
11 unpaid service to an employer.

12 **Sec. 26.** Section 79-978.01, Reissue Revised Statutes of Nebraska, is  
13 amended to read:

14 79-978.01 Sections 79-978 to 79-9,124 and section 27 of this act  
15 shall be known and may be cited as the Class V School Employees  
16 Retirement Act.

17 **Sec. 27.** For any retirement allowance of a member under the Class V  
18 School Employees Retirement Act:

19 (1) Monthly payments become effective on the first day of a calendar  
20 month and shall be paid to the member on the last business day of such  
21 month;

22 (2) The first such payment shall include all amounts of money that  
23 accrued since the effective date of the award of the annuity; and

24 (3) The last such payment shall be paid:

25 (a) On the last business day of the calendar month in which the  
26 member dies; or

27 (b) In accordance with the payment option chosen by the member.

28 **Sec. 32.** Section 79-9,103, Revised Statutes Supplement, 2025, is  
29 amended to read:

30 79-9,103 (1) Any annuity paid on or after September 1, 1983, to a  
31 member who retired prior to February 21, 1982, pursuant to the Class V

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

16 (2) In addition to the cost-of-living adjustment provided in  
17 subsection (1) of this section, any annuity paid on or after September 1,  
18 1986, pursuant to the act or pursuant to the provisions of the retirement  
19 system established by statute for employees of Class V school districts  
20 in effect prior to September 1, 1951, and on which the first payment was  
21 dated on or before September 1, 1985, shall be adjusted by the increase  
22 in the cost of living or wage levels between the effective date of  
23 retirement and June 30, 1986, except that such increase shall not exceed  
24 (a) three and one-half percent for annuities first paid on or after  
25 September 1, 1984, (b) seven percent for annuities first paid on or after  
26 September 1, 1983, but before September 1, 1984, or (c) ten and one-half  
27 percent for all other annuities.

28 (3) In addition to the cost-of-living adjustments provided in  
29 subsections (1) and (2) of this section, any annuity paid on or after  
30 September 1, 1989, pursuant to the act or pursuant to the provisions of  
31 the retirement system established by statute for employees of Class V

1 school districts in effect prior to September 1, 1951, and on which the  
2 first payment was dated on or before September 1, 1988, shall be adjusted  
3 by the increase in the cost of living or wage levels between the  
4 effective date of retirement and June 30, 1989, except that such increase  
5 shall not exceed (a) three percent for annuities first paid on or after  
6 September 1, 1987, (b) six percent for annuities first paid on or after  
7 September 1, 1986, but before September 1, 1987, or (c) nine percent for  
8 all other annuities.

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

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

1 annuities.

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

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

27 ~~(8)(a) (8)~~ Beginning January 1, 2000, and on January 1 of every year  
28 thereafter, for employees of Class V school districts who were members  
29 prior to July 1, 2013, a cost-of-living adjustment shall be made for any  
30 formula annuity being paid pursuant to the act, or pursuant to the  
31 provisions of the retirement system established by statute for employees

1 of Class V school districts in effect prior to September 1, 1951, and on  
2 which the first payment was dated on or before October 3 preceding the  
3 ~~such January 1~~ adjustment date.

4 (b)(i) Beginning January 1, 2000, and on and before January 1, 2026,  
5 such adjustment shall occur on January 1 of each year.

6 (ii) Beginning September 1, 2026, such adjustment shall occur on  
7 September 1 of each year.

8 (c) The cost-of-living adjustment for any such annuity shall be the  
9 lesser of:

10 (i) ~~One (a) one~~ and one-half percent; or

11 (ii) ~~The (b) the~~ increase in the consumer price index from the date  
12 such annuity first became payable through the August 31 preceding the  
13 ~~January 1~~ adjustment date as reduced by the aggregate cost-of-living  
14 adjustments previously made to the annuity pursuant to this section.

15 (9)(a) ~~(9) Beginning January 1, 2014, and on January 1 of every year~~  
16 ~~thereafter,~~ for employees of Class V school districts who became members  
17 on or after July 1, 2013, a cost-of-living adjustment shall be made for  
18 any formula annuity being paid pursuant to the act and on which the first  
19 payment was dated on or before October 3 preceding the ~~such January 1~~  
20 adjustment date.

21 (b)(i) Beginning January 1, 2014, and on and before January 1, 2026,  
22 such adjustment shall occur on January 1 of each year.

23 (ii) Beginning September 1, 2026, such adjustment shall occur on  
24 September 1 of each year.

25 (c) The cost-of-living adjustment for any such annuity shall be the  
26 lesser of:

27 (i) ~~One (a) one~~ percent; or

28 (ii) ~~The (b) the~~ increase in the consumer price index from the date  
29 such annuity first became payable through the August 31 preceding the  
30 ~~January 1~~ adjustment date as reduced by the aggregate cost-of-living  
31 adjustments previously made to the annuity pursuant to this section.

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

19           (11) Except for the adjustments pursuant to subsection (13) of this  
20 section, the consumer price index to be used for determining any cost-of-  
21 living adjustment under this section shall be the Consumer Price Index -  
22 All Urban Consumers, as published by the Bureau of Labor Statistics of  
23 the United States Department of Labor. If this consumer price index is  
24 discontinued or replaced, a substitute index published by the United  
25 States Department of Labor shall be selected by the board if before  
26 September 1, 2024, or by the retirement board if on or after September 1,  
27 2024. Any substitute index selected shall be a reasonable representative  
28 measurement of the cost of living for retired employees. An annuity as  
29 increased by any cost-of-living adjustment made under this section shall  
30 be considered the base annuity amount for the purpose of future  
31 adjustments pursuant to this section. In no event shall any cost-of-

1 living adjustment be deemed to affect or increase the amount of the base  
2 retirement annuity of a member as determined under section 79-999 or  
3 79-9,100.

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

18 (13)(a) ~~(13)~~ The Legislature finds and declares that:

19 (i) ~~There~~ there exists in this state a pressing need to attract and  
20 retain qualified and dedicated public school employees and that one of  
21 the factors prospective public school employees consider when seeking or  
22 continuing public school employment is the retirement system and benefits  
23 the employment provides; -

24 (ii) ~~Over~~ ~~The Legislature further finds that over~~ the past decades,  
25 as reflected by the Medical Price Index published by the United States  
26 Department of Labor, the cost of medical care, including the cost of  
27 medications and insurance coverages, has increased at a rate in excess of  
28 that by which the Consumer Price Index - All Urban Consumers has  
29 increased; and -

30 (iii) ~~There~~ ~~The Legislature further finds and declares that there~~  
31 accordingly exists a need to adjust the amount of retirement benefits

1 paid to retired public school employees in order to assist them in  
2 meeting the increased cost of medical care.

3 (b) Therefor, in addition to the cost-of-living adjustments provided  
4 in subsections (1) through (12) of this section: 7

5 (i) ~~Commencing~~ ~~commencing~~ on October 3, 2001, and on October 3 of  
6 every year thereafter until cost-of-living adjustments under subdivision  
7 (13)(b)(ii) of this section apply, a medical cost-of-living adjustment  
8 shall be paid to any annuitant who became a member prior to July 1, 2016,  
9 and has been paid an annuity from the retirement system for at least ten  
10 years through the ~~October 3~~ adjustment date.

11 (ii) On September 1, 2026, and on September 1 of every year  
12 thereafter, a medical cost-of-living adjustment shall be paid to any  
13 annuitant who became a member prior to July 1, 2016, and has been paid an  
14 annuity from the retirement system for at least ten years through the  
15 September 1 adjustment date.

16 (c)(i) The medical cost-of-living adjustment shall be paid in the  
17 form of a supplemental annuity providing monthly payments equal to the  
18 amount that ~~which~~ results when (A) ~~(a)~~ the fraction, not to exceed one,  
19 that results when the annuitant's years of creditable service at his or  
20 her retirement date is divided by twenty, is multiplied by (B) ~~(b)~~ the  
21 product of ten dollars times the number of years, including attained one-  
22 half years, that such annuitant has received annuity payments from the  
23 retirement system through the medical cost-of-living ~~October 3~~ adjustment  
24 date.

25 (ii) The supplemental annuity being paid to an annuitant shall  
26 increase by ten dollars on the medical cost-of-living adjustment date  
27 ~~October 3~~ of each subsequent year to reflect the additional year of  
28 annuity payments to the annuitant until the total amount of the  
29 supplemental annuity is two hundred fifty dollars.

30 (iii) In no event shall the medical cost-of-living adjustment for  
31 any annuitant pursuant to this subsection result in the payment of a

1 supplemental annuity exceeding two hundred fifty dollars per month.

2 (d) The supplemental annuity paid to an annuitant pursuant to this  
3 subsection shall cease at the death of the annuitant regardless of the  
4 form of retirement annuity being paid to the annuitant at the time of his  
5 or her death.

6 **Sec. 42.** Section 81-2025, Reissue Revised Statutes of Nebraska, is  
7 amended to read:

8 81-2025 (1) Every officer who has been in the employ of the state as  
9 such and who becomes disabled and physically unfit to perform the duties  
10 of an officer shall be entitled to retire and receive an annuity as  
11 provided by law.

12 (2) Every officer who has been in the employ of the state as such  
13 for ten years or more, as calculated in section 81-2033, and has attained  
14 the age of fifty years or more shall be entitled to retire and receive an  
15 annuity as provided by law. The right to retire at the age of fifty years  
16 shall be at the option of the officer but such retirement shall be  
17 mandatory upon the officer attaining the age of sixty-five ~~sixty~~ years.

18 (3) Any officer who has attained the age of sixty-five ~~sixty~~ years  
19 upon his or her separation from state service but who has not been in the  
20 employ of the state for ten years as such shall be entitled to the  
21 annuity as provided for in the Nebraska State Patrol Retirement Act.

22 (4) Every officer who has been in the employ of the state as such  
23 for twenty-five years or more, as calculated in section 81-2033, and has  
24 attained the age of fifty years shall be entitled to retire and receive  
25 an annuity as provided by law. The right to retire at the age of fifty  
26 years with twenty-five years or more of creditable service shall be at  
27 the option of the officer but such retirement shall be mandatory upon the  
28 officer attaining the age of sixty-five ~~sixty~~ years.

29 (5) Every officer who has been in the employ of the state as such  
30 for thirty years or more, as calculated in section 81-2033, shall be  
31 entitled to retire and receive an annuity as provided by law. The right

1 to retire with thirty years or more of creditable service shall be at the  
2 option of the officer but such retirement shall be mandatory upon the  
3 officer attaining the age of sixty-five ~~sixty~~ years.

4 (6) Payment of any benefit provided under the act shall not be  
5 deferred later than the required beginning date.

6 (7) The effective date of retirement payments shall be the first day  
7 of the month following (a) the date a member qualifies for retirement as  
8 provided in this section or (b) the date upon which a member's request  
9 for retirement is received on an application form provided by the system,  
10 whichever is later. An application may be filed no more than one hundred  
11 twenty days in advance of qualifying for retirement.

12 (8) The board shall make reasonable efforts to locate the officer or  
13 the officer's beneficiary and distribute benefits by the required  
14 beginning date. If the board is unable to make such a distribution, the  
15 account shall be distributed pursuant to the Uniform Disposition of  
16 Unclaimed Property Act and no amounts may be applied to increase the  
17 benefits any officer would otherwise receive under the Nebraska State  
18 Patrol Retirement Act.

19 **Sec. 43.** Section 81-2041, Reissue Revised Statutes of Nebraska, is  
20 amended to read:

21 81-2041 (1) Any officer ~~who became a member prior to July 1, 2016,~~  
22 ~~and~~ who meets the participation requirements of subsection (2) of this  
23 section may participate in DROP. DROP provides that subsequent to  
24 attaining normal age and service retirement eligibility, a member may  
25 voluntarily choose to participate in DROP upon its adoption which, for  
26 purposes of this section, shall be the earlier of September 1, 2008, or  
27 the first of the month following a favorable letter determination by the  
28 Internal Revenue Service. If the member chooses to participate in DROP,  
29 the member shall be deemed to have retired but shall not be deemed to be  
30 terminated, and the member may continue in active employment for up to a  
31 five-year period. During the DROP period, the member's retirement benefit

1 payments shall be deposited into the DROP account for the benefit of the  
2 member until the member actually retires from active employment at or  
3 before the expiration of the DROP period. Thereafter, future retirement  
4 benefit payments shall be made directly to the member, and the member  
5 shall have access to all funds in the DROP account designated for the  
6 benefit of the member. DROP funds shall be held and invested in a defined  
7 contribution account under section 414(k) of the Internal Revenue Code  
8 and shall meet the limitations in section 415 of the code.

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

11 (a) A member shall be eligible to enter DROP at any time subsequent  
12 to the date when the member has (i) attained normal retirement age and  
13 (ii) completed twenty-five years of service. Members having attained  
14 normal retirement age and completed twenty-five years of service on or  
15 before the date of adoption of DROP shall be eligible to enter DROP at  
16 any future date;

17 (b) A member who elects to enter DROP shall be entitled to receive  
18 regular age and service retirement benefits in accordance with section  
19 81-2026. A member is entitled to remain in DROP for a maximum of five  
20 years subsequent to the date of the member's DROP election. A member may  
21 separate from service and thereby exit DROP at any time during the DROP  
22 period. On or before the completion of the DROP period, the member must  
23 separate from active employment and exit DROP. During the DROP period, a  
24 member's retirement benefit shall be payable to the DROP account vendor  
25 designated in the member's name. Amounts transferred or paid to a  
26 participating member's DROP account shall not constitute annual additions  
27 under section 415 of the Internal Revenue Code;

28 (c) A member electing to enter DROP shall choose an annuity payment  
29 option. After the option is chosen, the member shall not be entitled to  
30 any retirement benefit changes, for reasons including, but not limited  
31 to, wage increases, promotions, and demotions, except that the

1 restriction on retirement benefit changes shall not apply in the event of  
2 duty-related death or duty-related disability. The benefit amount shall  
3 be fixed as of the date of election and shall be payable as if the  
4 employee retired on that date and separated from active employment. Upon  
5 the death of a member during the DROP period, monthly benefits shall be  
6 provided as a percentage of the amount of the member's annuity as set  
7 forth in subsection (3) of section 81-2026 based upon the annuity benefit  
8 calculation made at commencement of the DROP period. In addition, the  
9 balance of the DROP account, if any, shall be provided to the beneficiary  
10 or beneficiaries of the member in accordance with subsection (6) of  
11 section 81-2026 or, if no beneficiary is provided, to the estate of the  
12 member. Upon the disability of a member during the DROP period, the  
13 member shall be deemed to have completed the DROP period, shall begin  
14 receiving the annuity benefit as calculated at the commencement of the  
15 DROP period, and shall be paid the balance of the DROP account, if any;

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

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

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

29 (g) Any member that is enrolled in DROP shall be responsible for  
30 directing the DROP account designated for the benefit of the member by  
31 investing the account in any DROP investment options. There shall be no

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

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

16 (i) Cost-of-living adjustments or payments as provided for in  
17 section 81-2027.08 or 81-2027.09 and 81-2027.10 shall not be applied to  
18 retirement benefits during the DROP period. ~~;~~ and

19 ~~(j) Any officer who became a member on or after July 1, 2016, is~~  
20 ~~specifically prohibited from participating in DROP.~~

21 **Sec. 51.** Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15,  
22 16, 17, 18, 19, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34,  
23 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, and 52 of  
24 this act become operative three calendar months after the adjournment of  
25 this legislative session. The other sections of this act become operative  
26 on their effective date.

27 **Sec. 52.** Original sections 23-2305.01, 23-2312, 24-705, 42-1111,  
28 79-905, 79-906, 79-907, 79-930, 79-963, 79-978.01, 79-979.01, 79-983,  
29 79-989, 79-992, 79-9,113, 79-9,115, 79-9,121, 81-2019, 81-2019.01,  
30 81-2021, 81-2022, 81-2025, 81-2041, 84-1305.01, 84-1305.02, 84-1503,  
31 84-1503.03, and 84-1512, Reissue Revised Statutes of Nebraska, sections

1 24-704, 24-704.01, 24-710, 72-1237, and 72-1239, Revised Statutes  
2 Cumulative Supplement, 2024, and sections 4-108, 23-2306, 24-703,  
3 24-703.01, 49-617, 79-904.01, 79-915, 79-916, 79-966, 79-978, 79-9,103,  
4 79-9,118, 81-2016, 84-1307, and 84-1504, Revised Statutes Supplement,  
5 2025, are repealed.

6 **Sec. 53.** Original section 79-958, Revised Statutes Supplement,  
7 2025, is repealed.

8 **Sec. 54.** Since an emergency exists, this act takes effect when  
9 passed and approved according to law.

10 2. Renumber the remaining sections accordingly.