

LEGISLATURE OF NEBRASKA
ONE HUNDREDTH LEGISLATURE
FIRST SESSION
LEGISLATIVE BILL 596

FINAL READING

Introduced by Kopplin, 3; Howard, 9

Read first time January 17, 2007

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend section 79-9,113,
2 Reissue Revised Statutes of Nebraska, and sections
3 79-947.01 and 79-958, Revised Statutes Cumulative
4 Supplement, 2006; to change benefit and contribution
5 provisions for school retirement systems as prescribed;
6 to repeal the original sections; and to declare an
7 emergency.
8 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 79-947.01, Revised Statutes Cumulative
2 Supplement, 2006, is amended to read:

3 79-947.01 (1) Beginning July 1, 2000, and each July 1
4 thereafter, current benefits paid to a member or beneficiary shall
5 be adjusted so that the purchasing power of the benefit being
6 paid is not less than seventy-five percent of the purchasing power
7 of the initial benefit. The amount of the adjustment shall be
8 equal to the difference in the percentage change in the Consumer
9 Price Index for Urban Wage Earners and Clerical Workers during the
10 benefit payment period and one hundred thirty-three and one-third
11 percent, such percentage times the initial benefit, less the total
12 of all previous supplemental benefit and cost-of-living adjustments
13 granted. The adjustment pursuant to this subsection shall not cause
14 a current benefit to be reduced.

15 (2) (a) Beginning July 1, 2000, and until July 1, 2001,
16 the current benefit of a member or the beneficiary of such a member
17 shall be increased annually by the lesser of (i) the change in the
18 Consumer Price Index for Urban Wage Earners and Clerical Workers
19 published by the Bureau of Labor Statistics of the United States
20 Department of Labor for the prior year or (ii) two percent.

21 (b) Beginning July 1, 2001, the current benefit to a
22 member or the beneficiary of such a member shall be increased
23 annually by the lesser of (i) the change in the Consumer Price
24 Index for Urban Wage Earners and Clerical Workers published by the
25 Bureau of Labor Statistics of the United States Department of Labor

1 for the prior year or (ii) two and one-half percent.

2 (3) The state shall contribute to the Annuity Reserve
3 Fund an annual level dollar payment certified by the board. For
4 the 1996-97 fiscal year through the 2010-11 fiscal year, the annual
5 level dollar payment certified by the board shall equal 81.7873
6 percent of six million eight hundred ninety-five thousand dollars.

7 (4) The retirement board shall adjust the annual benefit
8 adjustment provided in this section so that the total amount of all
9 cost-of-living adjustments provided to the eligible retiree at the
10 time of the annual benefit adjustment does not exceed the change
11 in the National Consumer Price Index for Urban Wage Earners and
12 Clerical Workers published by the Bureau of Labor Statistics for
13 the period between June 30 of the prior year to June 30 of the
14 present year. If the consumer price index used in this section
15 is discontinued or replaced, a substitute index published by the
16 United States Department of Labor shall be selected by the board
17 which shall be a reasonable representative measurement of the cost
18 of living for retired employees.

19 (5) In addition to the adjustments provided in
20 subsections (1), (2), and (4) of this section, the current benefit
21 to a member or beneficiary of such member, and for which the first
22 payment was dated on or before June 30, 2007, shall be subject to
23 adjustment of the greater of (a) the annuity payable to the member
24 or beneficiary as adjusted, if applicable, under the provisions
25 of subsection (1), (2), or (4) of this section or (b) eighty-five

1 percent of the annuity which results when the original annuity that
2 was paid to the member or beneficiary, before any cost-of-living
3 adjustments under this section, is adjusted by the increase in the
4 Consumer Price Index for Urban Wage Earners and Clerical Workers
5 for the period between the commencement date of the annuity and
6 June 30, 2007.

7 Sec. 2. Section 79-958, Revised Statutes Cumulative
8 Supplement, 2006, is amended to read:

9 79-958 (1) ~~Prior to September 1, 2005, and after August~~
10 ~~31, 2007, for the purpose of providing the funds to pay for formula~~
11 ~~annuities, every employee shall be required to deposit in the~~
12 ~~School Retirement Fund seven and twenty-five hundredths percent of~~
13 ~~compensation. Beginning on September 1, 2005, and ending August 31,~~
14 ~~2006, for the purpose of providing the funds to pay for formula~~
15 ~~annuities, every employee shall be required to deposit in the~~
16 ~~School Retirement Fund seven and ninety-eight hundredths percent of~~
17 ~~compensation. Beginning on September 1, 2006, and ending August 31,~~
18 ~~2007, for the purpose of providing the funds to pay for formula~~
19 ~~annuities, every employee shall be required to deposit in the~~
20 ~~School Retirement Fund seven and eighty-three hundredths percent of~~
21 ~~compensation. Beginning on September 1, 2007, for the purpose of~~
22 providing the funds to pay for formula annuities, every employee
23 shall be required to deposit in the School Retirement Fund seven
24 and twenty-eight hundredths percent of compensation. Such deposits
25 shall be transmitted at the same time and in the same manner as

1 required employer contributions.

2 (2) For the purpose of providing the funds to pay for
3 formula annuities, every employer shall be required to deposit
4 in the School Retirement Fund one hundred one percent of the
5 required contributions of the school employees of each employer.
6 Such deposits shall be transmitted to the retirement board at
7 the same time and in the same manner as such required employee
8 contributions.

9 (3) The employer shall pick up the member contributions
10 required by this section for all compensation paid on or after
11 January 1, 1986, and the contributions so picked up shall
12 be treated as employer contributions in determining federal tax
13 treatment under the Internal Revenue Code as defined in section
14 49-801.01, except that the employer shall continue to withhold
15 federal income taxes based upon these contributions until the
16 Internal Revenue Service or the federal courts rule that, pursuant
17 to section 414(h) of the code, these contributions shall not be
18 included as gross income of the member until such time as they
19 are distributed or made available. The employer shall pay these
20 member contributions from the same source of funds which is used
21 in paying earnings to the member. The employer shall pick up these
22 contributions by a compensation deduction through a reduction in
23 the cash compensation of the member. Member contributions picked
24 up shall be treated for all purposes of the School Employees
25 Retirement Act in the same manner and to the same extent as member

1 contributions made prior to the date picked up.

2 (4) The employer shall pick up the member contributions
3 made through irrevocable payroll deduction authorizations pursuant
4 to sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and
5 the contributions so picked up shall be treated as employer
6 contributions in the same manner as contributions picked up under
7 subsection (3) of this section.

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

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

1 one and two-tenths percent of salary or wage earned by the member
2 during each fiscal year, and from two and four-tenths percent to
3 one and forty-four hundredths percent of salary or wage earned by
4 the member during each fiscal year, except that after September
5 1, 1963, and prior to September 1, 1969, all employees of the
6 school district shall contribute an amount equal to the membership
7 contribution which shall be two and three-fourths percent of salary
8 covered by old age and survivors insurance, and five percent above
9 that amount. Commencing September 1, 1969, all employees of the
10 school district shall contribute an amount equal to the membership
11 contribution which shall be two and three-fourths percent of the
12 first seven thousand eight hundred dollars of salary or wages
13 earned each fiscal year and five percent of salary or wages earned
14 above that amount in the same fiscal year. Commencing September
15 1, 1976, all employees of the school district shall contribute
16 an amount equal to the membership contribution which shall be
17 two and nine-tenths percent of the first seven thousand eight
18 hundred dollars of salary or wages earned each fiscal year and
19 five and twenty-five hundredths percent of salary or wages earned
20 above that amount in the same fiscal year. Commencing on September
21 1, 1982, all employees of the school district shall contribute
22 an amount equal to the membership contribution which shall be
23 four and nine-tenths percent of the compensation earned in each
24 fiscal year. Commencing September 1, 1989, all employees of the
25 school district shall contribute an amount equal to the membership

1 contribution which shall be five and eight-tenths percent of the
2 compensation earned in each fiscal year. Commencing September
3 1, 1995, all employees of the school district shall contribute
4 an amount equal to the membership contribution which shall be
5 six and three-tenths percent of the compensation earned in each
6 fiscal year. Commencing September 1, 2007, all employees of the
7 school district shall contribute an amount equal to the membership
8 contribution which shall be seven and three-tenths percent of the
9 compensation paid in each fiscal year. The contributions by the
10 school district in any fiscal year beginning on or after September
11 1, 1999, shall be the greater of (a) one hundred percent of
12 the contributions by the employees for such fiscal year or (b)
13 such amount as may be necessary to maintain the solvency of the
14 system, as determined annually by the board upon recommendation
15 of the actuary and the trustees. The contributions by the school
16 district in any fiscal year beginning on or after September 1,
17 2007, shall be the greater of (i) one hundred and one percent of
18 the contributions by the employees for such fiscal year or (ii)
19 such amount as may be necessary to maintain the solvency of the
20 system, as determined annually by the board upon recommendation
21 of the actuary and the trustees. The employee's contribution shall
22 be made in the form of a monthly deduction from compensation as
23 provided in subsection (2) of this section. Every employee who
24 is a member of the system shall be deemed to consent and agree
25 to such deductions and shall receipt in full for compensation,

1 and payment to such employee of compensation less such deduction
2 shall constitute a full and complete discharge of all claims and
3 demands whatsoever for services rendered by such employee during
4 the period covered by such payment except as to benefits provided
5 under the Class V School Employees Retirement Act. After September
6 1, 1963, and prior to September 1, 1969, all employees shall
7 be credited with a membership service annuity which shall be
8 nine-tenths of one percent of salary or wage covered by old age
9 and survivors insurance and one and one-half percent of salary or
10 wages above that amount, except that those employees who retire
11 on or after August 31, 1969, shall be credited with a membership
12 service annuity which shall be one percent of salary or wages
13 covered by old age and survivors insurance and one and sixty-five
14 hundredths percent of salary or wages above that amount for service
15 performed after September 1, 1963, and prior to September 1, 1969.
16 Commencing September 1, 1969, all employees shall be credited
17 with a membership service annuity which shall be one percent
18 of the first seven thousand eight hundred dollars of salary or
19 wages earned by the employee during each fiscal year and one and
20 sixty-five hundredths percent of salary or wages earned above that
21 amount in the same fiscal year, except that all employees retiring
22 on or after August 31, 1976, shall be credited with a membership
23 service annuity which shall be one and forty-four hundredths
24 percent of the first seven thousand eight hundred dollars of salary
25 or wages earned by the employee during such fiscal year and two

1 and four-tenths percent of salary or wages earned above that amount
2 in the same fiscal year and the retirement annuities of employees
3 who have not retired prior to September 1, 1963, and who elected
4 under the provisions of section 79-988 as such section existed
5 immediately prior to February 20, 1982, not to become members
6 of the system shall not be less than they would have been had
7 they remained under any preexisting system to date of retirement.
8 Members of this system having the service qualifications of members
9 of the School Retirement System of the State of Nebraska, as
10 provided by section 79-926, shall receive the state service annuity
11 provided by sections 79-933 to 79-935 and 79-951.

12 (2) The school district shall pick up the employee
13 contributions required by this section for all compensation paid
14 on or after January 1, 1985, and the contributions so picked up
15 shall be treated as employer contributions in determining federal
16 tax treatment under the Internal Revenue Code, except that the
17 school district shall continue to withhold federal income taxes
18 based upon these contributions until the Internal Revenue Service
19 or the federal courts rule that, pursuant to section 414(h)
20 of the Internal Revenue Code, these contributions shall not be
21 included as gross income of the employee until such time as
22 they are distributed or made available. The school district shall
23 pay these employee contributions from the same source of funds
24 which is used in paying earnings to the employee. The school
25 district shall pick up these contributions by a salary deduction

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

19 Sec. 4. Original section 79-9,113, Reissue Revised
20 Statutes of Nebraska, and sections 79-947.01 and 79-958, Revised
21 Statutes Cumulative Supplement, 2006, are repealed.

22 Sec. 5. Since an emergency exists, this act takes effect
23 when passed and approved according to law.