

LEGISLATURE OF NEBRASKA

ONE HUNDRED SECOND LEGISLATURE

SECOND SESSION

LEGISLATIVE BILL 916

Introduced by Nebraska Retirement Systems Committee: Nordquist, 7,
Chairperson; Heidemann, 1; Karpisek, 32; Lambert, 2;
Louden, 49; Mello, 5.

Read first time January 10, 2012

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend sections 23-2323.02,
2 24-707, 24-710.05, 79-933.01, 79-956, 79-980, 79-998,
3 79-9,106, 81-2014, 81-2031.03, and 84-1312, Reissue
4 Revised Statutes of Nebraska, sections 23-2309.01,
5 23-2310.05, 23-2321, 84-1310.01, 84-1311.03, and 84-1323,
6 Revised Statutes Cumulative Supplement, 2010, and
7 sections 23-2301, 24-701, 79-902, 81-2026, 81-2041,
8 84-1301, and 84-1503, Revised Statutes Supplement, 2011;
9 to exempt per diems from the definition of compensation;
10 to require an employer to provide certain termination of
11 employment information to the Public Employees Retirement
12 Board; to require repayment of retirement benefits as
13 prescribed; to clarify provisions relating to tax-
14 qualification requirements; to change provisions relating
15 to rollover distributions and death benefits; to exempt
16 any person under the age of eighteen years from the

1 definition of school employee; to redefine termination of
2 employment; to provide duties for the Public Employees
3 Retirement Board relating to the determination of de
4 minimus amounts and tax-qualification requirements; to
5 harmonize provisions; and to repeal the original
6 sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 23-2301, Revised Statutes Supplement,
2 2011, is amended to read:

3 23-2301 For purposes of the County Employees Retirement
4 Act, unless the context otherwise requires:

5 (1) Actuarial equivalent means the equality in value of
6 the aggregate amounts expected to be received under different forms
7 of an annuity payment. The mortality assumption used for purposes of
8 converting the member cash balance account shall be the 1994 Group
9 Annuity Mortality Table using a unisex rate that is fifty percent
10 male and fifty percent female. For purposes of converting the member
11 cash balance account attributable to contributions made prior to
12 January 1, 1984, that were transferred pursuant to the act, the 1994
13 Group Annuity Mortality Table for males shall be used;

14 (2) Annuity means equal monthly payments provided by the
15 retirement system to a member or beneficiary under forms determined
16 by the board beginning the first day of the month after an annuity
17 election is received in the office of the Nebraska Public Employees
18 Retirement Systems or the first day of the month after the employee's
19 termination of employment, whichever is later. The last payment shall
20 be at the end of the calendar month in which the member dies or in
21 accordance with the payment option chosen by the member;

22 (3) Annuity start date means the date upon which a
23 member's annuity is first effective and shall be the first day of the
24 month following the member's termination or following the date the
25 application is received by the board, whichever is later;

1 (4) Cash balance benefit means a member's retirement
2 benefit that is equal to an amount based on annual employee
3 contribution credits plus interest credits and, if vested, employer
4 contribution credits plus interest credits and dividend amounts
5 credited in accordance with subdivision (4)(c) of section 23-2317;

6 (5)(a) Compensation means gross wages or salaries payable
7 to the member for personal services performed during the plan year.
8 Compensation does not include insurance premiums converted into cash
9 payments, reimbursement for expenses incurred, fringe benefits, per
10 diems, or bonuses for services not actually rendered, including, but
11 not limited to, early retirement inducements, cash awards, and
12 severance pay, except for retroactive salary payments paid pursuant
13 to court order, arbitration, or litigation and grievance settlements.
14 Compensation includes overtime pay, member retirement contributions,
15 and amounts contributed by the member to plans under sections 125,
16 403(b), and 457 of the Internal Revenue Code or any other section of
17 the code which defers or excludes such amounts from income.

18 (b) Compensation in excess of the limitations set forth
19 in section 401(a)(17) of the Internal Revenue Code shall be
20 disregarded. For an employee who was a member of the retirement
21 system before the first plan year beginning after December 31, 1995,
22 the limitation on compensation shall not be less than the amount
23 which was allowed to be taken into account under the retirement
24 system as in effect on July 1, 1993;

25 (6) Date of adoption of the retirement system by each

1 county means the first day of the month next following the date of
2 approval of the retirement system by the county board or January 1,
3 1987, whichever is earlier;

4 (7) Date of disability means the date on which a member
5 is determined by the board to be disabled;

6 (8) Defined contribution benefit means a member's
7 retirement benefit from a money purchase plan in which member
8 benefits equal annual contributions and earnings pursuant to section
9 23-2309 and, if vested, employer contributions and earnings pursuant
10 to section 23-2310;

11 (9) Disability means an inability to engage in a
12 substantially gainful activity by reason of any medically
13 determinable physical or mental impairment which can be expected to
14 result in death or be of a long and indefinite duration;

15 (10) Employee means all persons or officers who are
16 employed by a county of the State of Nebraska on a permanent basis,
17 persons or officers employed by or serving in a municipal county
18 formed by at least one county participating in the retirement system,
19 persons employed as provided in section 2-1608, all elected officers
20 of a county, and such other persons or officers as are classified
21 from time to time as permanent employees by the county board of the
22 county by which they are employed, except that employee does not
23 include judges, employees or officers of any county having a
24 population in excess of one hundred fifty thousand inhabitants, or,
25 except as provided in section 23-2306, persons making contributions

1 to the School Employees Retirement System of the State of Nebraska;

2 (11) Employee contribution credit means an amount equal
3 to the member contribution amount required by section 23-2307;

4 (12) Employer contribution credit means an amount equal
5 to the employer contribution amount required by section 23-2308;

6 (13) Final account value means the value of a member's
7 account on the date the account is either distributed to the member
8 or used to purchase an annuity from the plan, which date shall occur
9 as soon as administratively practicable after receipt of a valid
10 application for benefits, but no sooner than forty-five days after
11 the member's termination;

12 (14) Five-year break in service means a period of five
13 consecutive one-year breaks in service;

14 (15) Full-time employee means an employee who is employed
15 to work one-half or more of the regularly scheduled hours during each
16 pay period;

17 (16) Future service means service following the date of
18 adoption of the retirement system;

19 (17) Guaranteed investment contract means an investment
20 contract or account offering a return of principal invested plus
21 interest at a specified rate. For investments made after July 19,
22 1996, guaranteed investment contract does not include direct
23 obligations of the United States or its instrumentalities, bonds,
24 participation certificates or other obligations of the Federal
25 National Mortgage Association, the Federal Home Loan Mortgage

1 Corporation, or the Government National Mortgage Association, or
2 collateralized mortgage obligations and other derivative securities.
3 This subdivision shall not be construed to require the liquidation of
4 investment contracts or accounts entered into prior to July 19, 1996;

5 (18) Interest credit rate means the greater of (a) five
6 percent or (b) the applicable federal mid-term rate, as published by
7 the Internal Revenue Service as of the first day of the calendar
8 quarter for which interest credits are credited, plus one and one-
9 half percent, such rate to be compounded annually;

10 (19) Interest credits means the amounts credited to the
11 employee cash balance account and the employer cash balance account
12 at the end of each day. Such interest credit for each account shall
13 be determined by applying the daily portion of the interest credit
14 rate to the account balance at the end of the previous day. Such
15 interest credits shall continue to be credited to the employee cash
16 balance account and the employer cash balance account after a member
17 ceases to be an employee, except that no such credit shall be made
18 with respect to the employee cash balance account and the employer
19 cash balance account for any day beginning on or after the member's
20 date of final account value. If benefits payable to the member's
21 surviving spouse or beneficiary are delayed after the member's death,
22 interest credits shall continue to be credited to the employee cash
23 balance account and the employer cash balance account until such
24 surviving spouse or beneficiary commences receipt of a distribution
25 from the plan;

1 (20) Member cash balance account means an account equal
2 to the sum of the employee cash balance account and, if vested, the
3 employer cash balance account and dividend amounts credited in
4 accordance with subdivision (4)(c) of section 23-2317;

5 (21) One-year break in service means a plan year during
6 which the member has not completed more than five hundred hours of
7 service;

8 (22) Participation means qualifying for and making the
9 required deposits to the retirement system during the course of a
10 plan year;

11 (23) Part-time employee means an employee who is employed
12 to work less than one-half of the regularly scheduled hours during
13 each pay period;

14 (24) Plan year means the twelve-month period beginning on
15 January 1 and ending on December 31;

16 (25) Prior service means service prior to the date of
17 adoption of the retirement system;

18 (26) Regular interest means the rate of interest earned
19 each calendar year as determined by the retirement board in
20 conformity with actual and expected earnings on the investments
21 through December 31, 1985;

22 (27) Required contribution means the deduction to be made
23 from the compensation of employees as provided in the act;

24 (28) Retirement means qualifying for and accepting the
25 retirement benefit granted under the act after terminating

1 employment;

2 (29) Retirement board or board means the Public Employees
3 Retirement Board;

4 (30) Retirement system means the Retirement System for
5 Nebraska Counties;

6 (31) Service means the actual total length of employment
7 as an employee and is not deemed to be interrupted by (a) temporary
8 or seasonal suspension of service that does not terminate the
9 employee's employment, (b) leave of absence authorized by the
10 employer for a period not exceeding twelve months, (c) leave of
11 absence because of disability, or (d) military service, when properly
12 authorized by the retirement board. Service does not include any
13 period of disability for which disability retirement benefits are
14 received under section 23-2315;

15 (32) Surviving spouse means (a) the spouse married to the
16 member on the date of the member's death or (b) the spouse or former
17 spouse of the member if survivorship rights are provided under a
18 qualified domestic relations order filed with the board pursuant to
19 the Spousal Pension Rights Act. The spouse or former spouse shall
20 supersede the spouse married to the member on the date of the
21 member's death as provided under a qualified domestic relations
22 order. If the benefits payable to the spouse or former spouse under a
23 qualified domestic relations order are less than the value of
24 benefits entitled to the surviving spouse, the spouse married to the
25 member on the date of the member's death shall be the surviving

1 spouse for the balance of the benefits;

2 (33) Termination of employment occurs on the date on
3 which a county which is a member of the retirement system determines
4 that its employer-employee relationship with an employee is
5 dissolved. The county shall notify the board of the date on which
6 such a termination has occurred. Termination of employment does not
7 occur if an employee whose employer-employee relationship with a
8 county is dissolved enters into an employer-employee relationship
9 with the same or another county which participates in the Retirement
10 System for Nebraska Counties and there are less than one hundred
11 twenty days between the date when the employee's employer-employee
12 relationship ceased with the county and the date when the employer-
13 employee relationship commenced with the same or another county which
14 qualifies the employee for participation in the plan. It ~~shall be~~ is
15 the responsibility of the ~~current~~-employer that is involved in the
16 termination of employment to notify the board of such change in
17 employment and provide the board with such information as the board
18 deems necessary. If the board determines that termination of
19 employment has not occurred and a ~~termination-retirement~~ benefit has
20 been paid to a member of the retirement system pursuant to section
21 23-2319, the board shall require the member who has received such
22 benefit to repay the benefit to the retirement system; and

23 (34) Vesting credit means credit for years, or a fraction
24 of a year, of participation in another Nebraska governmental plan for
25 purposes of determining vesting of the employer account.

1 Sec. 2. Section 23-2309.01, Revised Statutes Cumulative
2 Supplement, 2010, is amended to read:

3 23-2309.01 (1) Each member employed and participating in
4 the retirement system prior to January 1, 2003, who has elected not
5 to participate in the cash balance benefit, shall be allowed to
6 allocate all contributions to his or her employee account to various
7 investment options. The investment options shall include, but not be
8 limited to, the following:

9 (a) An investor select account which shall be invested
10 under the direction of the state investment officer with an asset
11 allocation and investment strategy substantially similar to the
12 investment allocations made by the state investment officer for the
13 defined benefit plans under the retirement systems described in
14 subdivision (1)(a) of section 84-1503. Investments shall most likely
15 include domestic and international equities, fixed income
16 investments, and real estate, as well as potentially additional asset
17 classes;

18 (b) A stable return account which shall be invested by or
19 under the direction of the state investment officer in one or more
20 guaranteed investment contracts;

21 (c) An equities account which shall be invested by or
22 under the direction of the state investment officer in equities;

23 (d) A balanced account which shall be invested by or
24 under the direction of the state investment officer in equities and
25 fixed income instruments;

1 (e) An index fund account which shall be invested by or
2 under the direction of the state investment officer in a portfolio of
3 common stocks designed to closely duplicate the total return of the
4 Standard and Poor's division of The McGraw-Hill Companies, Inc. 500
5 Index;

6 (f) A fixed income account which shall be invested by or
7 under the direction of the state investment officer in fixed income
8 instruments;

9 (g) A money market account which shall be invested by or
10 under the direction of the state investment officer in short-term
11 fixed income securities; and

12 (h) Beginning July 1, 2006, an age-based account which
13 shall be invested under the direction of the state investment officer
14 with an asset allocation and investment strategy that changes based
15 upon the age of the member. The board shall develop an account
16 mechanism that changes the investments as the employee nears
17 retirement age. The asset allocation and asset classes utilized in
18 the investments shall move from aggressive, to moderate, and then to
19 conservative as retirement age approaches.

20 If a member fails to select an option or combination of
21 options, all of his or her funds shall be placed in the option
22 described in subdivision (b) of this subsection. Each member shall be
23 given a detailed current description of each investment option prior
24 to making or revising his or her allocation.

25 (2) Members of the retirement system may allocate their

1 contributions to the investment options in percentage increments as
2 set by the board in any proportion, including full allocation to any
3 one option. A member under subdivision ~~(1)~~ (1)(a) of section 23-2321
4 or his or her beneficiary may transfer any portion of his or her
5 funds among the options, except for restrictions on transfers to or
6 from the stable return account pursuant to rule or regulation. The
7 board shall adopt and promulgate rules and regulations for changes of
8 a member's allocation of contributions to his or her accounts after
9 his or her most recent allocation and for transfers from one
10 investment account to another.

11 (3) The board shall develop a schedule for the allocation
12 of administrative costs of maintaining the various investment options
13 and shall assess the costs so that each member pays a reasonable fee
14 as determined by the board.

15 (4) In order to carry out this section, the board may
16 enter into administrative services agreements for accounting or
17 record-keeping services. No agreement shall be entered into unless
18 the board determines that it will result in administrative economy
19 and will be in the best interests of the county and its participating
20 employees.

21 (5) The state, the board, the state investment officer,
22 the members of the Nebraska Investment Council, or the county shall
23 not be liable for any investment results resulting from the member's
24 exercise of control over the assets in the employee account.

25 Sec. 3. Section 23-2310.05, Revised Statutes Cumulative

1 Supplement, 2010, is amended to read:

2 23-2310.05 (1) Each member employed and participating in
3 the retirement system prior to January 1, 2003, who has elected not
4 to participate in the cash balance benefit, shall be allowed to
5 allocate all contributions to his or her employer account to various
6 investment options. Such investment options shall be the same as the
7 investment options of the employee account as provided in subsection
8 (1) of section 23-2309.01. If a member fails to select an option or
9 combination of options, all of his or her funds in the employer
10 account shall be placed in the balanced account option described in
11 subdivision (1)(d) of section 23-2309.01. Each member shall be given
12 a detailed current description of each investment option prior to
13 making or revising his or her allocation.

14 (2) Each member of the retirement system may allocate
15 contributions to his or her employer account to the investment
16 options in percentage increments as set by the board in any
17 proportion, including full allocation to any one option. A member
18 under subdivision ~~(1)~~ (1)(a) of section 23-2321 or his or her
19 beneficiary may transfer any portion of his or her funds among the
20 options. The board shall adopt and promulgate rules and regulations
21 for changes of a member's allocation of contributions to his or her
22 accounts after his or her most recent allocation and for transfers
23 from one investment account to another.

24 (3) The board shall develop a schedule for the allocation
25 of administrative costs of maintaining the various investment options

1 and shall assess the costs so that each member pays a reasonable fee
2 as determined by the board.

3 (4) In order to carry out the provisions of this section,
4 the board may enter into administrative services agreements for
5 accounting or record-keeping services. No agreement shall be entered
6 into unless the board determines that it will result in
7 administrative economy and will be in the best interests of the state
8 and participating employees.

9 (5) The state, the board, the state investment officer,
10 the members of the Nebraska Investment Council, or the county shall
11 not be liable for any investment results resulting from the member's
12 exercise of control over the assets in the employer account.

13 Sec. 4. Section 23-2321, Revised Statutes Cumulative
14 Supplement, 2010, is amended to read:

15 23-2321 (1) In the event of the death before his or her
16 retirement date of any employee who is a member of the system, the
17 death benefit shall be equal to ~~(1)-(a)~~ for participants in the
18 defined contribution benefit, the total of the employee account and
19 the employer account and ~~(2)-(b)~~ for participants in the cash balance
20 benefit, the benefit provided in section 23-2308.01. The death
21 benefit shall be paid to the member's beneficiary, to an alternate
22 payee pursuant to a qualified domestic relations order as provided in
23 section 42-1107, or to the member's estate if there are no designated
24 beneficiaries. If the beneficiary is not the member's surviving
25 spouse, the death benefit shall be paid as a lump-sum payment or

1 payments, except that the entire account must be distributed by the
2 fifth anniversary of the member's death. If the sole primary
3 beneficiary is the member's surviving spouse, the surviving spouse
4 may elect to receive an annuity calculated as if the member retired
5 and selected a one-hundred-percent joint and survivor annuity
6 effective on the annuity purchase date. If the surviving spouse does
7 not elect the annuity option within one hundred eighty days after the
8 death of the member, the surviving spouse shall receive a lump-sum
9 payment or payments, except that the entire account must be
10 distributed by the fifth anniversary of the member's death.

11 (2) A lump sum death benefit paid to the member's
12 beneficiary, other than the member's estate, that is an eligible
13 distribution may be distributed in the form of a direct transfer to a
14 retirement plan eligible to receive such transfer under the
15 provisions of the Internal Revenue Code.

16 (3) For any member whose death occurs on or after January
17 1, 2007, while performing qualified military service as defined in
18 section 414(u) of the Internal Revenue Code, the member's beneficiary
19 shall be entitled to any additional death benefit that would have
20 been provided, other than the accrual of any benefit relating to the
21 period of qualified military service. The additional death benefit
22 shall be determined as if the member had returned to employment with
23 a participating county and such employment had terminated on the date
24 of the member's death.

25 Sec. 5. Section 23-2323.02, Reissue Revised Statutes of

1 Nebraska, is amended to read:

2 23-2323.02 (1) For purposes of this section and section
3 23-2323.03:

4 (a) Distributee means the member, the member's surviving
5 spouse, or the member's former spouse who is an alternate payee under
6 a qualified domestic relations order as defined in section 414(p) of
7 the Internal Revenue Code;

8 (b) Direct rollover means a payment by the retirement
9 system to the eligible retirement plan or plans specified by the
10 distributee;

11 (c) Eligible retirement plan means (i) an individual
12 retirement account described in section 408(a) of the Internal
13 Revenue Code, (ii) an individual retirement annuity described in
14 section 408(b) of the code, except for an endowment contract, (iii) a
15 qualified plan described in section 401(a) of the code, (iv) an
16 annuity plan described in section 403(a) or 403(b) of the code, (v)
17 an individual retirement plan described in section 408A of the code,
18 and ~~(v)~~—(vi) a plan described in section 457(b) of the code and
19 maintained by a governmental employer. For eligible rollover
20 distributions to a surviving spouse, an eligible retirement plan
21 means subdivisions (1)(c)(i) through ~~(iv)~~—(v) of this section; and

22 (d) Eligible rollover distribution means any distribution
23 to a distributee of all or any portion of the balance to the credit
24 of the distributee in the plan, except such term shall not include
25 any distribution which is one of a series of substantially equal

1 periodic payments, not less frequently than annually, made for the
2 life of the distributee or joint lives of the distributee and the
3 distributee's beneficiary or for the specified period of ten years or
4 more and shall not include any distribution to the extent such
5 distribution is required under section 401(a)(9) of the Internal
6 Revenue Code.

7 (2) For distributions made to a distributee on or after
8 January 1, 1993, a distributee may elect to have any portion of an
9 eligible rollover distribution paid directly to an eligible
10 retirement plan specified by the distributee.

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

20 (4) An eligible rollover distribution on behalf of a
21 designated beneficiary of a member who is not a surviving spouse or
22 former spouse of the member may be transferred to an individual
23 retirement account or annuity described in section 408(a) or section
24 408(b) of the Internal Revenue Code that is established for the
25 purpose of receiving the distribution on behalf of the designated

1 beneficiary and that will be treated as an inherited individual
2 retirement account or individual retirement annuity described in
3 section 408(d)(3)(C) of the Internal Revenue Code.

4 ~~(3)~~(5) The board shall adopt and promulgate rules and
5 regulations for direct rollover procedures which are consistent with
6 section 401(a)(31) of the Internal Revenue Code and which include,
7 but are not limited to, the form and time of direct rollover
8 distributions.

9 Sec. 6. Section 24-701, Revised Statutes Supplement,
10 2011, is amended to read:

11 24-701 For purposes of the Judges Retirement Act, unless
12 the context otherwise requires:

13 (1) Fund means the Nebraska Retirement Fund for Judges;

14 (2) Judge means and includes (a) all duly elected or
15 appointed Chief Justices or judges of the Supreme Court and judges of
16 the district courts of Nebraska who serve in such capacity on and
17 after January 3, 1957, (b)(i) all duly appointed judges of the
18 Nebraska Workmen's Compensation Court who served in such capacity on
19 and after September 20, 1957, and prior to July 17, 1986, and (ii)
20 judges of the Nebraska Workers' Compensation Court who serve in such
21 capacity on and after July 17, 1986, (c) judges of separate juvenile
22 courts, (d) judges of the county courts of the respective counties
23 who serve in such capacity on and after January 5, 1961, (e) judges
24 of the county court and clerk magistrates who were associate county
25 judges and members of the fund at the time of their appointment as

1 clerk magistrates, (f) judges of municipal courts established by
2 Chapter 26, article 1, who served in such capacity on and after
3 October 23, 1967, and prior to July 1, 1985, and (g) judges of the
4 Court of Appeals;

5 (3) Prior service means all the periods of time any
6 person has served as a (a) judge of the Supreme Court or judge of the
7 district court prior to January 3, 1957, (b) judge of the county
8 court prior to January 5, 1961, (c) judge of the Nebraska Workmen's
9 Compensation Court prior to September 20, 1957, (d) judge of the
10 separate juvenile court, or (e) judge of the municipal court prior to
11 October 23, 1967;

12 (4)(a) Current service means the period of service (i)
13 any judge of the Supreme Court or judge of the district court serves
14 in such capacity from and after January 3, 1957, (ii)(A) any judge of
15 the Nebraska Workmen's Compensation Court served in such capacity
16 from and after September 20, 1957, and prior to July 17, 1986, and
17 (B) any judge of the Nebraska Workers' Compensation Court serves in
18 such capacity on and after July 17, 1986, (iii) any county judge
19 serves in such capacity from and after January 5, 1961, (iv) any
20 judge of a separate juvenile court serves in such capacity, (v) any
21 judge of the municipal court served in such capacity subsequent to
22 October 23, 1967, and prior to July 1, 1985, (vi) any judge of the
23 county court or associate county judge serves in such capacity
24 subsequent to January 4, 1973, (vii) any clerk magistrate, who was an
25 associate county judge and a member of the fund at the time of

1 appointment as a clerk magistrate, serves in such capacity from and
2 after July 1, 1986, and (viii) any judge of the Court of Appeals
3 serves in such capacity on or after September 6, 1991.

4 (b) Current service shall not be deemed to be interrupted
5 by (i) temporary or seasonal suspension of service that does not
6 terminate the employee's employment, (ii) leave of absence authorized
7 by the employer for a period not exceeding twelve months, (iii) leave
8 of absence because of disability, or (iv) military service, when
9 properly authorized by the board. Current service does not include
10 any period of disability for which disability retirement benefits are
11 received under section 24-709;

12 (5) Military service means active service of (a) any
13 judge of the Supreme Court or judge of the district court in any of
14 the armed forces of the United States during a war or national
15 emergency prior or subsequent to September 18, 1955, if such service
16 commenced while such judge was holding the office of judge, (b) any
17 judge of the Nebraska Workmen's Compensation Court or the Nebraska
18 Workers' Compensation Court in any of the armed forces of the United
19 States during a war or national emergency prior or subsequent to
20 September 20, 1957, if such service commenced while such judge was
21 holding the office of judge, (c) any judge of the municipal court in
22 any of the armed forces of the United States during a war or national
23 emergency prior or subsequent to October 23, 1967, and prior to July
24 1, 1985, if such service commenced while such judge was holding the
25 office of judge, (d) any judge of the county court or associate

1 county judge in any of the armed forces of the United States during a
2 war or national emergency prior or subsequent to January 4, 1973, if
3 such service commenced while such judge was holding the office of
4 judge, (e) any clerk magistrate, who was an associate county judge
5 and a member of the fund at the time of appointment as a clerk
6 magistrate, in any of the armed forces of the United States during a
7 war or national emergency on or after July 1, 1986, if such service
8 commenced while such clerk magistrate was holding the office of clerk
9 magistrate, and (f) any judge of the Court of Appeals in any of the
10 armed forces of the United States during a war or national emergency
11 on or after September 6, 1991, if such service commenced while such
12 judge was holding the office of judge. The board shall have the power
13 to determine when a national emergency exists or has existed for the
14 purpose of applying this definition and provision;

15 (6) Creditable service means the total number of years
16 served as a judge, including prior service, military service, and
17 current service, computed to the nearest one-twelfth year. For
18 current service prior to the time that the member has contributed the
19 required percentage of salary until the maximum benefit as limited by
20 section 24-710 has been earned, creditable service does not include
21 current service for which member contributions are not made or are
22 withdrawn and not repaid;

23 (7)(a) Compensation means the statutory salary of a judge
24 or the salary being received by such judge pursuant to law.
25 Compensation does not include compensation for unused sick leave or

1 unused vacation leave converted to cash payments, insurance premiums
2 converted into cash payments, reimbursement for expenses incurred,
3 fringe benefits, per diems, or bonuses for services not actually
4 rendered, including, but not limited to, early retirement
5 inducements, cash awards, and severance pay, except for retroactive
6 salary payments paid pursuant to court order, arbitration, or
7 litigation and grievance settlements. Compensation includes overtime
8 pay, member retirement contributions, and amounts contributed by the
9 member to plans under sections 125 and 457 of the Internal Revenue
10 Code as defined in section 49-801.01 or any other section of the code
11 which defers or excludes such amounts from income.

12 (b) Compensation in excess of the limitations set forth
13 in section 401(a)(17) of the Internal Revenue Code as defined in
14 section 49-801.01 shall be disregarded. For an employee who was a
15 member of the retirement system before the first plan year beginning
16 after December 31, 1995, the limitation on compensation shall not be
17 less than the amount which was allowed to be taken into account under
18 the retirement system as in effect on July 1, 1993;

19 (8) Beneficiary means a person so designated by a judge
20 in the last designation of beneficiary on file with the board or, if
21 no designated person survives or if no designation is on file, the
22 estate of such judge;

23 (9) Normal form annuity means a series of equal monthly
24 payments payable at the end of each calendar month during the life of
25 a retired judge as provided in sections 24-707 and 24-710, except as

1 provided in section 42-1107. The first payment shall include all
2 amounts accrued since the effective date of the award of the annuity.
3 The last payment shall be at the end of the calendar month in which
4 such judge dies. If at the time of death the amount of annuity
5 payments such judge has received is less than contributions to the
6 fund made by such judge, plus regular interest, the difference shall
7 be paid to the beneficiary or estate;

8 (10) Board means the Public Employees Retirement Board;

9 (11) Member means a judge eligible to participate in the
10 retirement system established under the Judges Retirement Act;

11 (12) Original member means a judge who first served as a
12 judge prior to December 25, 1969, who does not elect to become a
13 future member pursuant to subsection (8) of section 24-703 or section
14 24-710.01, and who was retired on or before December 31, 1992;

15 (13) Future member means a judge who first served as a
16 judge on or after December 25, 1969, or means a judge who first
17 served as a judge prior to December 25, 1969, who elects to become a
18 future member on or before June 30, 1970, as provided in subsection
19 (8) of section 24-703 or section 24-710.01;

20 (14) Final average compensation means the average monthly
21 compensation for the three twelve-month periods of service as a judge
22 in which compensation was the greatest or, in the event of a judge
23 serving less than three twelve-month periods, the average monthly
24 compensation for such judge's period of service;

25 (15) Regular interest means interest fixed at a rate

1 equal to the daily treasury yield curve for one-year treasury
2 securities, as published by the Secretary of the Treasury of the
3 United States, that applies on July 1 of each year, which may be
4 credited monthly, quarterly, semiannually, or annually as the board
5 may direct;

6 (16) Normal retirement date means the first day of the
7 month following attainment of age sixty-five;

8 (17) Actuarial equivalence means the equality in value of
9 the aggregate amounts expected to be received under different forms
10 of payment. The determinations are to be based on the 1994 Group
11 Annuity Mortality Table reflecting sex-distinct factors blended using
12 seventy-five percent of the male table and twenty-five percent of the
13 female table. An interest rate of eight percent per annum shall be
14 reflected in making these determinations;

15 (18) Current benefit means (a) until July 1, 2000, the
16 initial benefit increased by all adjustments made pursuant to section
17 24-710.08 and (b) on or after July 1, 2000, the initial benefit
18 increased by all adjustments made pursuant to the Judges Retirement
19 Act;

20 (19) Initial benefit means the retirement benefit
21 calculated at the time of retirement;

22 (20) Plan year means the twelve-month period beginning on
23 July 1 and ending on June 30 of the following year;

24 (21) Retirement system or system means the Nebraska
25 Judges Retirement System as provided in the Judges Retirement Act;

1 (22) Surviving spouse means (a) the spouse married to the
2 member on the date of the member's death or (b) the spouse or former
3 spouse of the member if survivorship rights are provided under a
4 qualified domestic relations order filed with the board pursuant to
5 the Spousal Pension Rights Act. The spouse or former spouse shall
6 supersede the spouse married to the member on the date of the
7 member's death as provided under a qualified domestic relations
8 order. If the benefits payable to the spouse or former spouse under
9 the qualified domestic relations order are less than the value of
10 benefits entitled to the surviving spouse, the spouse married to the
11 member on the date of the member's death shall be the surviving
12 spouse for the balance of the benefits; and

13 (23) Termination of employment occurs on the date on
14 which the State Court Administrator's office determines that the
15 judge's employer-employee relationship with the State of Nebraska is
16 dissolved. The State Court Administrator's office shall notify the
17 board of the date on which such a termination has occurred.
18 Termination of employment does not include ceasing employment as a
19 judge if the judge returns to regular employment as a judge or is
20 employed on a regular basis by another agency of the State of
21 Nebraska and there are less than one hundred twenty days between the
22 date when the judge's employer-employee relationship ceased and the
23 date when the employer-employee relationship recommences. It is the
24 responsibility of the employer that is involved in the termination of
25 employment to notify the board of such change in employment and

1 provide the board with such information as the board deems necessary.
2 If the board determines that termination of employment has not
3 occurred and a retirement benefit has been paid to a member of the
4 retirement system pursuant to section 24-710, the board shall require
5 the member who has received such benefit to repay the benefit to the
6 retirement system.

7 Sec. 7. Section 24-707, Reissue Revised Statutes of
8 Nebraska, is amended to read:

9 24-707 (1) In the event of the death of a judge prior to
10 retirement, if such judge shall have had five or more years of
11 creditable service, the surviving spouse of such judge shall at his
12 or her option, exercised within twelve months after the date of
13 death, be immediately entitled to receive an annuity which shall be
14 equal to the amount that would have accrued to the member had he or
15 she elected to have the retirement annuity paid as a one-hundred-
16 percent joint and survivor annuity payable as long as either the
17 member or the member's spouse should survive and had the member
18 retired (a) on the date of death if his or her age at death is sixty-
19 five years or more or (b) at age sixty-five years if his or her age
20 at death is less than sixty-five years. If such option is not
21 exercised by such surviving spouse within twelve months after the
22 judge's death, if there is no surviving spouse, or if the judge has
23 not served for five years, then the beneficiary, or the estate if the
24 judge has not filed a statement with the board naming a beneficiary,
25 shall be paid a lump sum equal to all contributions to the fund made

1 by such judge plus regular interest.

2 (2) In the event of the death of a judge subsequent to
3 retirement, if such judge has not filed a statement of intent with
4 the board to elect to receive any other form of annuity which may be
5 provided for by section 24-710 or elected to make contributions and
6 receive benefits as provided in section 24-703.03, the amount of
7 annuities such judge has received under the provisions of the Judges
8 Retirement Act shall be computed and, if such amount shall be less
9 than the contributions to the fund made by such judge, plus regular
10 interest, the difference shall be paid to the beneficiary or estate.

11 (3) Benefits to which the surviving spouse, beneficiary,
12 or estate of a judge shall be entitled shall commence immediately
13 upon the death of such judge.

14 (4) A lump sum death benefit paid to the member's
15 beneficiary, other than the member's estate, that is an eligible
16 distribution may be distributed in the form of a direct transfer to a
17 retirement plan eligible to receive such transfer under the
18 provisions of the Internal Revenue Code.

19 (5) For any member whose death occurs on or after January
20 1, 2007, while performing qualified military service as defined in
21 section 414(u) of the Internal Revenue Code, the member's beneficiary
22 shall be entitled to any additional death benefit that would have
23 been provided, other than the accrual of any benefit relating to the
24 period of qualified military service. The additional death benefit
25 shall be determined as if the member had returned to employment with

1 the State of Nebraska and such employment had terminated on the date
2 of the member's death.

3 Sec. 8. Section 24-710.05, Reissue Revised Statutes of
4 Nebraska, is amended to read:

5 24-710.05 (1) For purposes of this section and section
6 24-710.06:

7 (a) Distributee means the member, the member's surviving
8 spouse, or the member's former spouse who is an alternate payee under
9 a qualified domestic relations order as defined in section 414(p) of
10 the Internal Revenue Code;

11 (b) Direct rollover means a payment by the retirement
12 system to the eligible retirement plan or plans specified by the
13 distributee;

14 (c) Eligible retirement plan means (i) an individual
15 retirement account described in section 408(a) of the Internal
16 Revenue Code, (ii) an individual retirement annuity described in
17 section 408(b) of the code, except for an endowment contract, (iii) a
18 qualified plan described in section 401(a) of the code, (iv) an
19 annuity plan described in section 403(a) or 403(b) of the code, (v)
20 an individual retirement plan described in section 408A of the code,
21 and ~~(v)~~—(vi) a plan described in section 457(b) of the code and
22 maintained by a governmental employer. For eligible rollover
23 distributions to a surviving spouse, an eligible retirement plan
24 means subdivisions (1)(c)(i) through ~~(iv)~~—(v) of this section; and

25 (d) Eligible rollover distribution means any distribution

1 to a distributee of all or any portion of the balance to the credit
2 of the distributee in the plan, except such term shall not include
3 any distribution which is one of a series of substantially equal
4 periodic payments, not less frequently than annually, made for the
5 life of the distributee or joint lives of the distributee and the
6 distributee's beneficiary or for the specified period of ten years or
7 more and shall not include any distribution to the extent such
8 distribution is required under section 401(a)(9) of the Internal
9 Revenue Code.

10 (2) For distributions made to a distributee on or after
11 January 1, 1993, a distributee may elect to have any portion of an
12 eligible rollover distribution paid directly to an eligible
13 retirement plan specified by the distributee.

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

23 (4) An eligible rollover distribution on behalf of a
24 designated beneficiary of a member who is not a surviving spouse or
25 former spouse of the member may be transferred to an individual

1 retirement account or annuity described in section 408(a) or section
2 408(b) of the Internal Revenue Code that is established for the
3 purpose of receiving the distribution on behalf of the designated
4 beneficiary and that will be treated as an inherited individual
5 retirement account or individual retirement annuity described in
6 section 408(d)(3)(C) of the Internal Revenue Code.

7 ~~(3)~~-(5) The board shall adopt and promulgate rules and
8 regulations for direct rollover procedures which are consistent with
9 section 401(a)(31) of the Internal Revenue Code and which include,
10 but are not limited to, the form and time of direct rollover
11 distributions.

12 Sec. 9. Section 79-902, Revised Statutes Supplement,
13 2011, is amended to read:

14 79-902 For purposes of the School Employees Retirement
15 Act, unless the context otherwise requires:

16 (1) Accumulated contributions means the sum of all
17 amounts deducted from the compensation of a member and credited to
18 his or her individual account in the School Retirement Fund together
19 with regular interest thereon, compounded monthly, quarterly,
20 semiannually, or annually;

21 (2) Beneficiary means any person in receipt of a school
22 retirement allowance or other benefit provided by the act;

23 (3) Member means any person who has an account in the
24 School Retirement Fund;

25 (4) County school official means (a) until July 1, 2000,

1 the county superintendent or district superintendent and any person
2 serving in his or her office who is required by law to have a
3 teacher's certificate and (b) on or after July 1, 2000, the county
4 superintendent, county school administrator, or district
5 superintendent and any person serving in his or her office who is
6 required by law to have a teacher's certificate;

7 (5) Creditable service means prior service for which
8 credit is granted under sections 79-926 to 79-929, service credit
9 purchased under sections 79-933.03 to 79-933.06 and 79-933.08, and
10 all service rendered while a contributing member of the retirement
11 system. Creditable service includes working days, sick days, vacation
12 days, holidays, and any other leave days for which the employee is
13 paid regular wages as part of the employee's agreement with the
14 employer. Creditable service does not include lump-sum payments to
15 the employee upon termination or retirement in lieu of accrued
16 benefits for such days, eligibility and vesting credit, nor service
17 years for which member contributions are withdrawn and not repaid.
18 Creditable service also does not include service rendered by a member
19 for which the retirement board determines that the member was paid
20 less in compensation than the minimum wage as provided in the Wage
21 and Hour Act or service which the board determines was rendered with
22 the intent to defraud the retirement system;

23 (6) Disability retirement allowance means the annuity
24 paid to a person upon retirement for disability under section 79-952;

25 (7) Employer means the State of Nebraska or any

1 subdivision thereof or agency of the state or subdivision authorized
2 by law to hire school employees or to pay their compensation;

3 (8) Fiscal year means any year beginning July 1 and
4 ending June 30 next following;

5 (9) Regular interest means interest fixed at a rate equal
6 to the daily treasury yield curve for one-year treasury securities,
7 as published by the Secretary of the Treasury of the United States,
8 that applies on July 1 of each year, which may be credited monthly,
9 quarterly, semiannually, or annually as the board may direct;

10 (10) School employee means a contributing member who
11 earns service credit pursuant to section 79-927. For purposes of this
12 section, contributing member means the following persons who receive
13 compensation from a public school: (a) Regular employees; (b) regular
14 employees having retired pursuant to the School Employees Retirement
15 Act who subsequently provide compensated service on a regular basis
16 in any capacity; and (c) regular employees hired by a public school
17 on an ongoing basis to assume the duties of other regular employees
18 who are temporarily absent. Substitute employees, and—temporary
19 employees, and on and after September 1, 2012, employees who have not
20 attained the age of eighteen years shall not be considered school
21 employees;

22 (11) Prior service means service rendered as a school
23 employee in the public schools of the State of Nebraska prior to July
24 1, 1945;

25 (12) Public school means any and all schools offering

1 instruction in elementary or high school grades, as defined in
2 section 79-101, which schools are supported by public funds and are
3 wholly under the control and management of the State of Nebraska or
4 any subdivision thereof, including (a) schools or other entities
5 established, maintained, and controlled by the school boards of local
6 school districts, except Class V school districts, (b) any
7 educational service unit, and (c) any other educational institution
8 wholly supported by public funds, except schools under the control
9 and management of the Board of Trustees of the Nebraska State
10 Colleges, the Board of Regents of the University of Nebraska, or the
11 community college boards of governors for any community college
12 areas;

13 (13) Retirement means qualifying for and accepting a
14 school or disability retirement allowance granted under the School
15 Employees Retirement Act;

16 (14) Retirement board or board means the Public Employees
17 Retirement Board;

18 (15) Retirement system means the School Employees
19 Retirement System of the State of Nebraska;

20 (16) Required deposit means the deduction from a member's
21 compensation as provided for in section 79-958 which shall be
22 deposited in the School Retirement Fund;

23 (17) School year means one fiscal year which includes not
24 less than one thousand instructional hours or, in the case of service
25 in the State of Nebraska prior to July 1, 1945, not less than

1 seventy-five percent of the then legal school year;

2 (18) Service means employment as a school employee and
3 shall not be deemed interrupted by (a) termination at the end of the
4 school year of the contract of employment of an employee in a public
5 school if the employee enters into a contract of employment in any
6 public school, except a school in a Class V school district, for the
7 following school year, (b) temporary or seasonal suspension of
8 service that does not terminate the employee's employment, (c) leave
9 of absence authorized by the employer for a period not exceeding
10 twelve months, (d) leave of absence because of disability, or (e)
11 military service when properly authorized by the retirement board.
12 Service does not include any period of disability for which
13 disability retirement benefits are received under sections 79-951 to
14 79-953;

15 (19) School retirement allowance means the total of the
16 savings annuity and the service annuity or formula annuity paid a
17 person who has retired under sections 79-931 to 79-935. The monthly
18 payments shall be payable at the end of each calendar month during
19 the life of a retired member. The first payment shall include all
20 amounts accrued since the effective date of the award of annuity. The
21 last payment shall be at the end of the calendar month in which such
22 member dies or in accordance with the payment option chosen by the
23 member;

24 (20) Service annuity means payments for life, made in
25 equal monthly installments, derived from appropriations made by the

1 State of Nebraska to the retirement system;

2 (21) State deposit means the deposit by the state in the
3 retirement system on behalf of any member;

4 (22) State school official means the Commissioner of
5 Education and his or her professional staff who are required by law
6 or by the State Department of Education to hold a certificate as such
7 term is defined in section 79-807;

8 (23) Savings annuity means payments for life, made in
9 equal monthly payments, derived from the accumulated contributions of
10 a member;

11 (24) Emeritus member means a person (a) who has entered
12 retirement under the provisions of the act, including those persons
13 who have retired since July 1, 1945, under any other regularly
14 established retirement or pension system as contemplated by section
15 79-916, (b) who has thereafter been reemployed in any capacity by a
16 public school, a Class V school district, or a school under the
17 control and management of the Board of Trustees of the Nebraska State
18 Colleges, the Board of Regents of the University of Nebraska, or a
19 community college board of governors or has become a state school
20 official or county school official subsequent to such retirement, and
21 (c) who has applied to the board for emeritus membership in the
22 retirement system. The school district or agency shall certify to the
23 retirement board on forms prescribed by the retirement board that the
24 annuitant was reemployed, rendered a service, and was paid by the
25 district or agency for such services;

1 (25) Actuarial equivalent means the equality in value of
2 the aggregate amounts expected to be received under different forms
3 of payment. The determinations shall be based on the 1994 Group
4 Annuity Mortality Table reflecting sex-distinct factors blended using
5 twenty-five percent of the male table and seventy-five percent of the
6 female table. An interest rate of eight percent per annum shall be
7 reflected in making these determinations except when a lump-sum
8 settlement is made to an estate. If the lump-sum settlement is made
9 to an estate, the interest rate will be determined by the Moody's
10 Triple A Bond Index as of the prior June 30, rounded to the next
11 lower quarter percent;

12 (26) Retirement date means (a) if the member has
13 terminated employment, the first day of the month following the date
14 upon which a member's request for retirement is received on a
15 retirement application provided by the retirement system or (b) if
16 the member has filed an application but has not yet terminated
17 employment, the first day of the month following the date on which
18 the member terminates employment. An application may be filed no more
19 than ninety days prior to the effective date of the member's initial
20 benefit;

21 (27) Disability retirement date means the first day of
22 the month following the date upon which a member's request for
23 disability retirement is received on a retirement application
24 provided by the retirement system if the member has terminated
25 employment in the school system and has complied with sections 79-951

1 to 79-954 as such sections refer to disability retirement;

2 (28) Retirement application means the form approved by
3 the retirement system for acceptance of a member's request for either
4 regular or disability retirement;

5 (29) Eligibility and vesting credit means credit for
6 years, or a fraction of a year, of participation in a Nebraska
7 government plan for purposes of determining eligibility for benefits
8 under the School Employees Retirement Act. Such credit shall not be
9 included as years of creditable service in the benefit calculation;

10 (30)(a) Final average compensation means the sum of the
11 member's total compensation during the three twelve-month periods of
12 service as a school employee in which such compensation was the
13 greatest divided by thirty-six.

14 (b) If a member has such compensation for less than
15 thirty-six months, his or her final average compensation shall be
16 determined by dividing his or her total compensation in all months by
17 the total number of months of his or her creditable service therefor.

18 (c) Payments under the Retirement Incentive Plan pursuant
19 to section 79-855 and Staff Development Assistance pursuant to
20 section 79-856 shall not be included in the determination of final
21 average compensation;

22 (31) Plan year means the twelve-month period beginning on
23 July 1 and ending on June 30 of the following year;

24 (32) Current benefit means ~~(a) until July 1, 2000, the~~
25 ~~initial benefit increased by all adjustments made pursuant to section~~

1 ~~79-947.02 and (b)~~ on or after July 1, 2000, the initial benefit
2 increased by all adjustments made pursuant to the School Employees
3 Retirement Act;

4 (33) Initial benefit means the retirement benefit
5 calculated at the time of retirement;

6 (34) Surviving spouse means (a) the spouse married to the
7 member on the date of the member's death or (b) the spouse or former
8 spouse of the member if survivorship rights are provided under a
9 qualified domestic relations order filed with the board pursuant to
10 the Spousal Pension Rights Act. The spouse or former spouse shall
11 supersede the spouse married to the member on the date of the
12 member's death as provided under a qualified domestic relations
13 order. If the benefits payable to the spouse or former spouse under a
14 qualified domestic relations order are less than the value of
15 benefits entitled to the surviving spouse, the spouse married to the
16 member on the date of the member's death shall be the surviving
17 spouse for the balance of the benefits;

18 (35)(a) Compensation means gross wages or salaries
19 payable to the member for personal services performed during the plan
20 year and includes (i) overtime pay, (ii) member retirement
21 contributions, (iii) retroactive salary payments paid pursuant to
22 court order, arbitration, or litigation and grievance settlements,
23 and (iv) amounts contributed by the member to plans under sections
24 125, 403(b), and 457 of the Internal Revenue Code as defined in
25 section 49-801.01 or any other section of the code which defers or

1 excludes such amounts from income.

2 (b) Compensation does not include (i) fraudulently
3 obtained amounts as determined by the retirement board, (ii) amounts
4 for unused sick leave or unused vacation leave converted to cash
5 payments, (iii) insurance premiums converted into cash payments, (iv)
6 reimbursement for expenses incurred, (v) fringe benefits, (vi) per
7 diems, (vii) bonuses for services not actually rendered, including,
8 but not limited to, early retirement inducements, cash awards, and
9 severance pay, or ~~(vii)~~—(viii) beginning on September 4, 2005,
10 employer contributions made for the purposes of separation payments
11 made at retirement and early retirement inducements as provided for
12 in section 79-514.

13 (c) Compensation in excess of the limitations set forth
14 in section 401(a)(17) of the Internal Revenue Code as defined in
15 section 49-801.01 shall be disregarded. For an employee who was a
16 member of the retirement system before the first plan year beginning
17 after December 31, 1995, the limitation on compensation shall not be
18 less than the amount which was allowed to be taken into account under
19 the retirement system as in effect on July 1, 1993.

20 (d)(i) For purposes of section 79-934, in the
21 determination of compensation for members on or after July 1, 2005,
22 that part of a member's compensation for the plan year which exceeds
23 the member's compensation with the same employer for the preceding
24 plan year by more than seven percent of the compensation base during
25 the sixty months preceding the member's retirement shall be excluded

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

12 (ii) For purposes of subdivision (35)(d) of this section:

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

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

1 and

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

5 (e)(i) In the determination of compensation for members
6 on or after July 1, 2012, until July 1, 2013, that part of a member's
7 compensation for the plan year which exceeds the member's
8 compensation with the same employer for the preceding plan year by
9 more than nine percent of the compensation base during the sixty
10 months preceding the member's retirement shall be excluded.

11 (ii) For purposes of subdivision (35)(e) of this section:

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

16 (B) Compensation base means (I) for current members
17 employed with the same employer, the member's compensation for the
18 plan year ending June 30, 2012, or (II) for members newly hired or
19 hired by a separate employer on or after July 1, 2012, the member's
20 compensation for the first full plan year following the member's date
21 of hiring. Thereafter, the member's compensation base shall be
22 increased each plan year by the lesser of nine percent of the
23 member's preceding plan year's compensation base or the member's
24 actual annual compensation increase during the preceding plan year.

25 (f)(i) In the determination of compensation for members

1 on or after July 1, 2013, that part of a member's compensation for
2 the plan year which exceeds the member's compensation with the same
3 employer for the preceding plan year by more than eight percent of
4 the compensation base during the sixty months preceding the member's
5 retirement shall be excluded.

6 (ii) For purposes of subdivision (35)(f) of this section:

7 (A) Category of school employee means either all
8 employees of the employer who are administrators or certificated
9 teachers, or all employees of the employer who are not administrators
10 or certificated teachers, or both; and

11 (B) Compensation base means (I) for current members
12 employed with the same employer, the member's compensation for the
13 plan year ending June 30, 2013, or (II) for members newly hired or
14 hired by a separate employer on or after July 1, 2013, the member's
15 compensation for the first full plan year following the member's date
16 of hiring. Thereafter, the member's compensation base shall be
17 increased each plan year by the lesser of eight percent of the
18 member's preceding plan year's compensation base or the member's
19 actual annual compensation increase during the preceding plan year;

20 (36) Termination of employment occurs on the date on
21 which the member experiences a bona fide separation from service of
22 employment with the member's current employer, the date of which
23 separation is determined by the employer. The employer shall notify
24 the board of the date on which such a termination has occurred. It is
25 the responsibility of the current employer to notify the board of

1 such change in employment and provide the board with such information
2 as the board deems necessary. If the board determines that
3 termination of employment has not occurred and a retirement benefit
4 has been paid to a member of the retirement system pursuant to
5 section 79-933, the board shall require the member who has received
6 such benefit to repay the benefit to the retirement system. A member
7 shall not be deemed to have terminated employment if the member
8 subsequently provides service to any employer participating in the
9 retirement system provided for in the School Employees Retirement Act
10 within one hundred eighty calendar days after ceasing employment
11 unless such service:

12 (a) Is bona fide unpaid voluntary service or substitute
13 service, provided on an intermittent basis; or

14 (b) Is as provided in subsection (2) of section 79-920.

15 A member shall not be deemed to have terminated
16 employment if the board determines that a purported termination was
17 not a bona fide separation from service with the employer;

18 (37) Disability means an inability to engage in a
19 substantially gainful activity by reason of any medically
20 determinable physical or mental impairment which can be expected to
21 result in death or be of a long and indefinite duration;

22 (38) Substitute employee means a person hired by a public
23 school as a temporary employee to assume the duties of regular
24 employees due to the temporary absence of the regular employees.
25 Substitute employee does not mean a person hired as a regular

1 employee on an ongoing basis to assume the duties of other regular
2 employees who are temporarily absent;

3 (39) Participation means qualifying for and making
4 required deposits to the retirement system during the course of a
5 plan year;

6 (40) Regular employee means an employee hired by a public
7 school or under contract in a regular full-time or part-time position
8 who works a full-time or part-time schedule on an ongoing basis for
9 fifteen or more hours per week. An employee hired as described in
10 this subdivision to provide service for less than fifteen hours per
11 week but who provides service for an average of fifteen hours or more
12 per week in each calendar month of any three calendar months of a
13 plan year shall immediately commence contributions and shall be
14 deemed a regular employee; and

15 (41) Temporary employee means an employee hired by a
16 public school who is not a regular employee and who is hired to
17 provide service for a limited period of time to accomplish a specific
18 purpose or task. When such specific purpose or task is complete, the
19 employment of such temporary employee shall terminate and in no case
20 shall the temporary employment period exceed one year in duration.

21 Sec. 10. Section 79-933.01, Reissue Revised Statutes of
22 Nebraska, is amended to read:

23 79-933.01 (1) For purposes of this section and section
24 79-933.02:

25 (a) Distributee means the member, the member's surviving

1 spouse, or the member's former spouse who is an alternate payee under
2 a qualified domestic relations order as defined in section 414(p) of
3 the Internal Revenue Code;

4 (b) Direct rollover means a payment by the retirement
5 system to the eligible retirement plan or plans specified by the
6 distributee;

7 (c) Eligible retirement plan means (i) an individual
8 retirement account described in section 408(a) of the Internal
9 Revenue Code, (ii) an individual retirement annuity described in
10 section 408(b) of the code, except for an endowment contract, (iii) a
11 qualified plan described in section 401(a) of the code, (iv) an
12 annuity plan described in section 403(a) or 403(b) of the code, (v)
13 an individual retirement plan described in section 408A of the code,
14 and ~~(v)~~-(vi) a plan described in section 457(b) of the code and
15 maintained by a governmental employer. For eligible rollover
16 distributions to a surviving spouse, an eligible retirement plan
17 means subdivisions (1)(c)(i) through ~~(iv)~~-(v) of this section; and

18 (d) Eligible rollover distribution means any distribution
19 to a distributee of all or any portion of the balance to the credit
20 of the distributee in the plan, except such term shall not include
21 any distribution which is one of a series of substantially equal
22 periodic payments, not less frequently than annually, made for the
23 life of the distributee or joint lives of the distributee and the
24 distributee's beneficiary or for the specified period of ten years or
25 more and shall not include any distribution to the extent such

1 distribution is required under section 401(a)(9) of the Internal
2 Revenue Code.

3 (2) For distributions made to a distributee on or after
4 January 1, 1993, a distributee may elect to have any portion of an
5 eligible rollover distribution paid directly to an eligible
6 retirement plan specified by the distributee.

7 (3) A member's surviving spouse or former spouse who is
8 an alternate payee under a qualified domestic relations order and, on
9 or after July 1, 2010, any designated beneficiary of a member who is
10 not a surviving spouse or former spouse who is entitled to receive an
11 eligible rollover distribution from the retirement system may, in
12 accordance with such rules, regulations, and limitations as may be
13 established by the board, elect to have such distribution made in the
14 form of a direct transfer to a retirement plan eligible to receive
15 such transfer under the provisions of the Internal Revenue Code.

16 (4) An eligible rollover distribution on behalf of a
17 designated beneficiary of a member who is not a surviving spouse or
18 former spouse of the member may be transferred to an individual
19 retirement account or annuity described in section 408(a) or section
20 408(b) of the Internal Revenue Code that is established for the
21 purpose of receiving the distribution on behalf of the designated
22 beneficiary and that will be treated as an inherited individual
23 retirement account or individual retirement annuity described in
24 section 408(d)(3)(C) of the Internal Revenue Code.

25 ~~(3)~~-(5) The board shall adopt and promulgate rules and

1 regulations for direct rollover procedures which are consistent with
2 section 401(a)(31) of the Internal Revenue Code and which include,
3 but are not limited to, the form and time of direct rollover
4 distributions.

5 Sec. 11. Section 79-956, Reissue Revised Statutes of
6 Nebraska, is amended to read:

7 79-956 (1) If a member dies before retirement, his or her
8 accumulated contributions shall be paid to his or her estate, to an
9 alternate payee pursuant to a qualified domestic relations order as
10 provided in section 42-1107, or to the person he or she has nominated
11 by designation duly executed and filed with the retirement board.
12 Except for payment to an alternative payee pursuant to a qualified
13 domestic relations order, if no legal representative or beneficiary
14 applies for such accumulated contributions within five years
15 following the date of the deceased member's death, the contributions
16 shall be distributed in accordance with the Uniform Disposition of
17 Unclaimed Property Act.

18 (2) When the deceased member has not less than twenty
19 years of creditable service regardless of age or dies on or after his
20 or her sixty-fifth birthday and leaves a surviving spouse who has
21 been designated as beneficiary and who, as of the date of the
22 member's death, is the sole surviving primary beneficiary, such
23 beneficiary may elect, within twelve months after the death of the
24 member, to receive an annuity which shall be equal to the amount that
25 would have accrued to the member had he or she elected to have the

1 retirement annuity paid as a one-hundred-percent joint and survivor
2 annuity payable as long as either the member or the member's spouse
3 should survive and had the member retired (a) on the date of death if
4 his or her age at death is sixty-five years or more or (b) at age
5 sixty-five years if his or her age at death is less than sixty-five
6 years.

7 (3) When the deceased member who was a school employee on
8 or after May 1, 2001, has not less than five years of creditable
9 service and less than twenty years of creditable service and dies
10 before his or her sixty-fifth birthday and leaves a surviving spouse
11 who has been designated in writing as beneficiary and who, as of the
12 date of the member's death, is the sole surviving primary
13 beneficiary, such beneficiary may elect, within twelve months after
14 the death of the member, to receive (a) a refund of the member's
15 contribution account balance with interest plus an additional one
16 hundred one percent of the member's contribution account balance with
17 interest or (b) an annuity payable monthly for the surviving spouse's
18 lifetime which shall be equal to the benefit amount that had accrued
19 to the member at the date of the member's death, commencing when the
20 member would have reached age sixty, or the member's age at death if
21 greater, reduced by three percent for each year payments commence
22 before the member would have reached age sixty-five, and adjusted for
23 payment in the form of a one-hundred-percent joint and survivor
24 annuity.

25 (4) If the requirements of subsection (2) or (3) of this

1 section are not met, then the beneficiary or the estate, if the
2 member has not filed a statement with the board naming a beneficiary,
3 shall be paid a lump sum equal to all contributions to the fund made
4 by such member plus regular interest, except that commencing on
5 January 1, 2006, an application for benefits under subsection (2) or
6 (3) of this section shall be deemed to have been timely filed if the
7 application is received by the retirement system within twelve months
8 after the date of the death of the member.

9 (5) Benefits to which a surviving spouse, beneficiary, or
10 estate of a member shall be entitled pursuant to this section shall
11 commence immediately upon the death of such member.

12 (6) A lump sum death benefit paid to the member's
13 beneficiary, other than the member's estate, that is an eligible
14 distribution may be distributed in the form of a direct transfer to a
15 retirement plan eligible to receive such transfer under the
16 provisions of the Internal Revenue Code.

17 (7) For any member whose death occurs on or after January
18 1, 2007, while performing qualified military service as defined in
19 section 414(u) of the Internal Revenue Code, the member's beneficiary
20 shall be entitled to any additional death benefit that would have
21 been provided, other than the accrual of any benefit relating to the
22 period of qualified military service. The additional death benefit
23 shall be determined as if the member had returned to employment with
24 the employer and such employment had terminated on the date of the
25 member's death.

1 Sec. 12. Section 79-980, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 79-980 (1) At any time that the retirement system
4 consists of only one Class V school district, the general
5 administration of the retirement system is hereby vested in the board
6 of education. The board shall appoint, by a majority of all its
7 members, ten trustees to serve as executive officers to administer
8 the Class V School Employees Retirement Act. Such trustees shall
9 consist of (a) the superintendent of schools, as ex officio trustee,
10 (b) four members of the retirement system, two from the certificated
11 staff, one from the classified staff, and one from the annuitants,
12 (c) three members of the board of education, and (d) two trustees who
13 are business persons qualified in financial affairs and who are not
14 members of the retirement system. The trustees shall serve without
15 compensation, but they shall be reimbursed from the funds of the
16 retirement system for expenses that they may incur through service on
17 the board of trustees as provided in sections 81-1174 to 81-1177. A
18 trustee shall serve until a successor qualifies, except that trustees
19 who are members of the retirement system or members of the board of
20 education shall be disqualified as trustees immediately upon ceasing
21 to be a member of the retirement system or of the board of education.
22 Each trustee shall be entitled to one vote on the board of trustees,
23 and six trustees shall constitute a quorum for the transaction of any
24 business. The trustees who are appointed from the board of education
25 and the membership shall be appointed for each fiscal year. The two

1 trustees who are not members of the board of education or of the
2 retirement system shall be appointed for three fiscal years each. The
3 trustees and the administrator of the retirement system shall
4 administer the retirement system in compliance with the tax-
5 qualification requirements applicable to government retirement plans
6 under section 401(a) of the Internal Revenue Code, as defined in
7 section 49-801.01.

8 (2) At any time that the retirement system consists of
9 more than one Class V school district, the general administration of
10 the retirement system is hereby vested in a Class V Retirement System
11 Board composed of three members of the school board for each
12 participating Class V school district. The board shall appoint, by a
13 majority of all its members, trustees to serve as executive officers
14 to administer the Class V School Employees Retirement Act. Such
15 trustees shall consist of (a) the superintendent of each
16 participating Class V school district, as ex officio trustees, (b)
17 four members of the retirement system, two from the certificated
18 staff, one from the classified staff, and one from the annuitants,
19 (c) three members of the board, and (d) two trustees who are business
20 persons qualified in financial affairs and who are not members of the
21 retirement system. The trustees who are appointed from the board and
22 the membership shall, to the extent feasible, be appointed equally
23 from each participating Class V school district. The trustees shall
24 serve without compensation, but they shall be reimbursed from the
25 funds of the retirement system for expenses that they may incur

1 through service on the board of trustees as provided in sections
2 81-1174 to 81-1177. A trustee shall serve until a successor
3 qualifies, except that trustees who are members of the retirement
4 system or members of the board shall be disqualified as trustees
5 immediately upon ceasing to be a member of the retirement system or
6 of the board. Each trustee shall be entitled to one vote on the board
7 of trustees, and six trustees shall constitute a quorum for the
8 transaction of any business. The trustees who are appointed from the
9 board and the membership shall be appointed for each fiscal year. The
10 two trustees who are not members of the board or of the retirement
11 system shall be appointed for three fiscal years each. The trustees
12 and the administrator of the retirement system shall administer the
13 retirement system in compliance with the tax-qualification
14 requirements applicable to government retirement plans under section
15 401(a) of the Internal Revenue Code, as defined in section 49-801.01,
16 including: Section 401(a)(9) of the Internal Revenue Code relating to
17 the time and manner in which benefits are required to be distributed,
18 including the incidental death benefit distribution requirement of
19 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(16)
20 of the Internal Revenue Code relating to the specification of
21 actuarial assumptions; section 401(a)(31) of the Internal Revenue
22 Code relating to direct rollover distributions from eligible
23 retirement plans; and section 401(a)(37) of the Internal Revenue Code
24 relating to the death benefit of a member whose death occurs while
25 performing qualified military service.

1 Sec. 13. Section 79-998, Reissue Revised Statutes of
2 Nebraska, is amended to read:

3 79-998 (1) The retirement system may accept as payment
4 for additional service credit that is purchased pursuant to sections
5 79-990 to 79-992 an eligible rollover distribution from or on behalf
6 of the member who is making payments for such service credit if the
7 eligible rollover distribution does not exceed the amount of payment
8 required for the service credit being purchased by the member. The
9 eligible rollover distribution may be contributed to the retirement
10 system by the member or directly transferred from the plan that is
11 making the eligible rollover distribution on behalf of the member.
12 Contribution by a member pursuant to this section may only be made in
13 the form of a cash contribution. For purposes of this section, an
14 eligible rollover distribution means all or any portion of an amount
15 that qualifies as an eligible rollover distribution under the
16 Internal Revenue Code from:

17 ~~(1)~~ (a) A plan of another employer which is qualified
18 under section 401(a) or 403(a) of the Internal Revenue Code;

19 ~~(2)~~ (b) An annuity contract or custodial account
20 described in section 403(b) of the Internal Revenue Code;

21 ~~(3)~~ (c) An eligible deferred compensation plan under
22 section 457(b) of the Internal Revenue Code which is maintained by a
23 governmental employer described in section 457(e)(1)(A) of the
24 Internal Revenue Code; or

25 ~~(4)~~ (d) An individual retirement account or annuity

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

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

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

19 (4) Cash and other properties contributed or transferred
20 to the system pursuant to this section shall be deposited and held as
21 a commingled asset of the system and shall not be separately
22 accounted for or invested for the member's benefit. Contributions or
23 direct transfers made by or on behalf of any member pursuant to this
24 section shall be treated as qualifying payments under sections 79-990
25 to 79-992 and as employee contributions for all other purposes of the

1 Class V School Employees Retirement Act except in determining federal
2 and state tax treatment of distributions from the system.

3 (5) The system, the board, the trustees, and their
4 respective members, officers, and employees shall have no
5 responsibility or liability with respect to the federal and state
6 income tax consequences of any contribution or transfer to the system
7 pursuant to this section, and the trustees may require as a condition
8 to the system's acceptance of any rollover contribution or transfer
9 satisfactory evidence that the proposed contribution or transfer is a
10 qualifying rollover contribution or trustee-to-trustee transfer under
11 the Internal Revenue Code and reasonable releases or indemnifications
12 from the member against any and all liabilities which may in any way
13 be connected with such contribution or transfer.

14 (6) Effective January 1, 1993, any member who is to
15 receive an eligible rollover distribution, as defined in the Internal
16 Revenue Code, from the system may, in accordance with such rules,
17 regulations, and limitations as may be established by the trustees,
18 elect to have such distribution made in the form of a direct transfer
19 to a retirement plan eligible to receive such transfer under the
20 provisions of the Internal Revenue Code. Any such election shall be
21 made in the form and within the time periods established by the
22 trustees.

23 (7) A member's surviving spouse or former spouse who is
24 an alternate payee under a qualified domestic relations order and, on
25 or after September 1, 2010, any designated beneficiary of a member

1 who is not a surviving spouse or former spouse who is entitled to
2 receive an eligible rollover distribution from the system may, in
3 accordance with such rules, regulations, and limitations as may be
4 established by the trustees, elect to have such distribution made in
5 the form of a direct transfer to a retirement plan eligible to
6 receive such transfer under the provisions of the Internal Revenue
7 Code.

8 (8) An eligible rollover distribution on behalf of a
9 designated beneficiary of a member who is not a surviving spouse or
10 former spouse of the member may be transferred to an individual
11 retirement account or annuity described in section 408(a) or section
12 408(b) of the Internal Revenue Code that is established for the
13 purpose of receiving the distribution on behalf of the designated
14 beneficiary and that will be treated as an inherited individual
15 retirement account or individual retirement annuity described in
16 section 408(d)(3)(C) of the Internal Revenue Code.

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

19 Sec. 14. Section 79-9,106, Reissue Revised Statutes of
20 Nebraska, is amended to read:

21 79-9,106 (1) Upon the death of a member who has not yet
22 retired and who has twenty years or more of creditable service, the
23 member's primary beneficiary shall receive a survivorship annuity in
24 accordance with subdivision (1) of section 79-9,101 if the primary
25 beneficiary is (a) the member's spouse or (b) one other designated

1 beneficiary whose attained age in the calendar year of the member's
2 death is no more than ten years less than the attained age of the
3 member in such calendar year. The amount of such actuarially
4 equivalent annuity shall be calculated using the attained ages of the
5 member and the beneficiary and be based on the annuity earned to the
6 date of the member's death without reduction due to any early
7 commencement of benefits. Within sixty days from the date of the
8 member's death, if the member has not previously filed with the
9 administrator of the retirement system a form requiring that only the
10 survivorship annuity be paid, the beneficiary may request to receive
11 in a lump sum an amount equal to the member's accumulated
12 contributions. If prior to the member's death, the member files with
13 the administrator of the retirement system a form requiring that the
14 beneficiary receive a lump-sum settlement in lieu of the survivorship
15 annuity, the beneficiary shall receive, in lieu of the survivorship
16 annuity, a lump-sum settlement in an amount equal to the member's
17 accumulated contributions notwithstanding any other provision of this
18 section.

19 (2) Upon the death of a member who has not yet retired
20 and who has less than twenty years of creditable service or upon the
21 death of a member who has not yet retired and who has twenty years or
22 more of creditable service but whose beneficiary does not meet the
23 criteria in subsection (1) of this section, the member's beneficiary
24 or, if no beneficiary has been named, the member's estate shall
25 receive in a lump sum an amount equal to the member's accumulated

1 contributions.

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

7 (4) For any member whose death occurs on or after January
8 1, 2007, while performing qualified military service as defined in
9 section 414(u) of the Internal Revenue Code, the member's beneficiary
10 shall be entitled to any additional death benefit that would have
11 been provided, other than the accrual of any benefit relating to the
12 period of qualified military service. The additional death benefit
13 shall be determined as if the member had returned to employment with
14 the school district and such employment had terminated on the date of
15 the member's death.

16 Sec. 15. Section 81-2014, Reissue Revised Statutes of
17 Nebraska, is amended to read:

18 81-2014 For purposes of the Nebraska State Patrol
19 Retirement Act:

20 (1) Actuarial equivalent means the equality in value of
21 the aggregate amounts expected to be received under different forms
22 of payment or to be received at an earlier retirement age than the
23 normal retirement age. The determinations shall be based on the 1994
24 Group Annuity Mortality Table reflecting sex-distinct factors blended
25 using seventy-five percent of the male table and twenty-five percent

1 of the female table. An interest rate of eight percent per annum
2 shall be reflected in making the determinations until such percent is
3 amended by the Legislature;

4 (2) Board means the Public Employees Retirement Board;

5 (3)(a) Compensation means gross wages or salaries payable
6 to the member for personal services performed during the plan year.
7 Compensation does not include insurance premiums converted into cash
8 payments, reimbursement for expenses incurred, fringe benefits, per
9 diems, or bonuses for services not actually rendered, including, but
10 not limited to, early retirement inducements, cash awards, and
11 severance pay, except for retroactive salary payments paid pursuant
12 to court order, arbitration, or litigation and grievance settlements.
13 For any officer employed after January 4, 1979, compensation does not
14 include compensation for unused sick leave or unused vacation leave
15 converted to cash payments. Compensation includes overtime pay,
16 member retirement contributions, and amounts contributed by the
17 member to plans under sections 125 and 457 of the Internal Revenue
18 Code as defined in section 49-801.01 or any other section of the code
19 which defers or excludes such amounts from income.

20 (b) Compensation in excess of the limitations set forth
21 in section 401(a)(17) of the Internal Revenue Code as defined in
22 section 49-801.01 shall be disregarded. For an employee who was a
23 member of the retirement system before the first plan year beginning
24 after December 31, 1995, the limitation on compensation shall not be
25 less than the amount which was allowed to be taken into account under

1 the retirement system as in effect on July 1, 1993;

2 (4) Creditable service means service granted pursuant to
3 section 81-2034 and all service rendered while a contributing member
4 of the retirement system. Creditable service includes working days,
5 sick days, vacation days, holidays, and any other leave days for
6 which the officer is paid regular wages. Creditable service does not
7 include eligibility and vesting credit nor service years for which
8 member contributions are withdrawn and not repaid;

9 (5) Current benefit means ~~(a) until July 1, 2000, the~~
10 ~~initial benefit increased by all adjustments made pursuant to section~~
11 ~~81-2027.04 and (b) on or after July 1, 2000, the initial benefit~~
12 increased by all adjustments made pursuant to the Nebraska State
13 Patrol Retirement Act;

14 (6) DROP means the deferred retirement option plan as
15 provided in section 81-2041;

16 (7) DROP period means the amount of time the member
17 elects to participate in DROP which shall be for a period not to
18 exceed five years from and after the date of the member's DROP
19 election;

20 (8) Eligibility and vesting credit means credit for
21 years, or a fraction of a year, of participation in a Nebraska
22 government plan for purposes of determining eligibility for benefits
23 under the Nebraska State Patrol Retirement Act. Such credit shall be
24 used toward the vesting percentage pursuant to subsection (2) of
25 section 81-2031 but shall not be included as years of service in the

1 benefit calculation;

2 (9) Initial benefit means the retirement benefit
3 calculated at the time of retirement;

4 (10) Officer means an officer provided for in sections
5 81-2001 to 81-2009;

6 (11) Plan year means the twelve-month period beginning on
7 July 1 and ending on June 30 of the following year;

8 (12) Regular interest means interest fixed at a rate
9 equal to the daily treasury yield curve for one-year treasury
10 securities, as published by the Secretary of the Treasury of the
11 United States, that applies on July 1 of each year, which may be
12 credited monthly, quarterly, semiannually, or annually as the board
13 may direct;

14 (13) Retirement system or system means the Nebraska State
15 Patrol Retirement System as provided in the act;

16 (14) Service means employment as a member of the Nebraska
17 State Patrol and shall not be deemed to be interrupted by (a)
18 temporary or seasonal suspension of service that does not terminate
19 the employee's employment, (b) leave of absence authorized by the
20 employer for a period not exceeding twelve months, (c) leave of
21 absence because of disability, or (d) military service, when properly
22 authorized by the board. Service does not include any period of
23 disability for which disability retirement benefits are received
24 under subsection (1) of section 81-2025;

25 (15) Surviving spouse means (a) the spouse married to the

1 member on the date of the member's death if married for at least one
2 year prior to death or if married on the date of the member's
3 retirement or (b) the spouse or former spouse of the member if
4 survivorship rights are provided under a qualified domestic relations
5 order filed with the board pursuant to the Spousal Pension Rights
6 Act. The spouse or former spouse shall supersede the spouse married
7 to the member on the date of the member's death as provided under a
8 qualified domestic relations order. If the benefits payable to the
9 spouse or former spouse under a qualified domestic relations order
10 are less than the value of benefits entitled to the surviving spouse,
11 the spouse married to the member on the date of the member's death
12 shall be the surviving spouse for the balance of the benefits; and

13 (16) Termination of employment occurs on the date on
14 which the Nebraska State Patrol determines that the officer's
15 employer-employee relationship with the patrol is dissolved. The
16 Nebraska State Patrol shall notify the board of the date on which
17 such a termination has occurred. Termination of employment does not
18 include ceasing employment with the Nebraska State Patrol if the
19 officer returns to regular employment with the Nebraska State Patrol
20 or another agency of the State of Nebraska and there are less than
21 one hundred twenty days between the date when the employee's
22 employer-employee relationship ceased and the date when the employer-
23 employee relationship commenced with the Nebraska State Patrol or
24 another state agency. It is the responsibility of the employer that
25 is involved in the termination of employment to notify the board of

1 such change in employment and provide the board with such information
2 as the board deems necessary. If the board determines that
3 termination of employment has not occurred and a retirement benefit
4 has been paid to a member of the retirement system pursuant to
5 section 81-2026, the board shall require the member who has received
6 such benefit to repay the benefit to the retirement system.

7 Sec. 16. Section 81-2026, Revised Statutes Supplement,
8 2011, is amended to read:

9 81-2026 (1)(a) Any officer qualified for an annuity as
10 provided in section 81-2025 for reasons other than disability shall
11 be entitled to receive a monthly annuity for the remainder of the
12 officer's life. The annuity payments shall continue until the end of
13 the calendar month in which the officer dies. The amount of the
14 annuity shall be a percentage of the officer's final average monthly
15 compensation. For retirement on or after the fifty-fifth birthday of
16 the member or on or after the fiftieth birthday of a member who has
17 been in the employ of the state for twenty-five years, as calculated
18 in section 81-2033, the percentage shall be three percent multiplied
19 by the number of years of creditable service, as calculated in
20 section 81-2033, except that the percentage shall never be greater
21 than seventy-five percent.

22 (b) For retirement pursuant to subsection (2) of section
23 81-2025 on or after the fiftieth birthday of the member but prior to
24 the fifty-fifth birthday of the member who has been in the employ of
25 the state for less than twenty-five years, as calculated in section

1 81-2033, the annuity which would apply if the member were age fifty-
2 five at the date of retirement shall be reduced by five-ninths of one
3 percent for each month by which the early retirement date precedes
4 age fifty-five or for each month by which the early retirement date
5 precedes the date upon which the member has served for twenty-five
6 years, whichever is earlier. Any officer who has completed thirty
7 years of creditable service with the Nebraska State Patrol shall have
8 retirement benefits computed as if the officer had reached age fifty-
9 five.

10 (c) For purposes of this computation, final average
11 monthly compensation shall mean the sum of the officer's total
12 compensation during the three twelve-month periods of service as an
13 officer in which compensation was the greatest divided by thirty-six,
14 and for any officer employed on or before January 4, 1979, the
15 officer's total compensation shall include payments received for
16 unused vacation and sick leave accumulated during the final three
17 years of service.

18 (2) Any officer qualified for an annuity as provided in
19 section 81-2025 for reasons of disability shall be entitled to
20 receive a monthly annuity for the remainder of the period of
21 disablement as provided in sections 81-2028 to 81-2030. The amount of
22 the annuity shall be fifty percent of the officer's monthly
23 compensation at the date of disablement if the officer has completed
24 seventeen or fewer years of creditable service. If the officer has
25 completed more than seventeen years of creditable service, the amount

1 of the annuity shall be three percent of the final monthly
2 compensation at the date of disablement multiplied by the total years
3 of creditable service but not to exceed seventy-five percent of the
4 final average monthly compensation as defined in subsection (1) of
5 this section. The date of disablement shall be the date on which the
6 benefits as provided in section 81-2028 have been exhausted.

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

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

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

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

20 (d) If there is no surviving spouse and a dependent child
21 or children of the officer under nineteen years of age, the benefit
22 shall be equal to seventy-five percent of the officer's annuity to
23 the dependent children of the officer under nineteen years of age to
24 be divided equally among such dependent children. At such time as any
25 dependent child of the officer attains nineteen years of age, the

1 benefit shall be divided equally among the remaining dependent
2 children of the officer who have not yet attained nineteen years of
3 age; and

4 (e) If there is no surviving spouse or no dependent child
5 or children of the officer under nineteen years of age, the amount of
6 benefit such officer has received under the Nebraska State Patrol
7 Retirement Act shall be computed. If such amount is less than the
8 contributions to the State Patrol Retirement Fund made by such
9 officer, plus regular interest, the difference shall be paid to the
10 officer's designated beneficiary or estate.

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

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

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

23 (b) If there is a surviving spouse and the surviving
24 spouse has in his or her care a dependent child or children of the
25 officer under nineteen years of age and there is no other dependent

1 child or children of the officer not in the care of the surviving
2 spouse under nineteen years of age, the benefit shall be equal to one
3 hundred percent of the officer's annuity. When there is no remaining
4 dependent child of the officer under nineteen years of age, the
5 benefit shall be seventy-five percent of the amount of the officer's
6 annuity to the surviving spouse for the remainder of the surviving
7 spouse's life;

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

1 surviving spouse's life;

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

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

14 (6) A lump sum death benefit paid to the member's
15 beneficiary, other than the member's estate, that is an eligible
16 distribution may be distributed in the form of a direct transfer to a
17 retirement plan eligible to receive such transfer under the
18 provisions of the Internal Revenue Code.

19 (7) For any member whose death occurs on or after January
20 1, 2007, while performing qualified military service as defined in
21 section 414(u) of the Internal Revenue Code, the member's beneficiary
22 shall be entitled to any additional death benefit that would have
23 been provided, other than the accrual of any benefit relating to the
24 period of qualified military service. The additional death benefit
25 shall be determined as if the member had returned to employment with

1 the Nebraska State Patrol and such employment had terminated on the
2 date of the member's death.

3 ~~(6)~~-(8) Any changes made to this section by Laws 2004, LB
4 1097, shall apply only to retirements, disabilities, and deaths
5 occurring on or after July 16, 2004.

6 Sec. 17. Section 81-2031.03, Reissue Revised Statutes of
7 Nebraska, is amended to read:

8 81-2031.03 (1) For purposes of this section and section
9 81-2031.04:

10 (a) Distributee means the member, the member's surviving
11 spouse, or the member's former spouse who is an alternate payee under
12 a qualified domestic relations order as defined in section 414(p) of
13 the Internal Revenue Code;

14 (b) Direct rollover means a payment by the retirement
15 system to the eligible retirement plan or plans specified by the
16 distributee;

17 (c) Eligible retirement plan means (i) an individual
18 retirement account described in section 408(a) of the Internal
19 Revenue Code, (ii) an individual retirement annuity described in
20 section 408(b) of the code, except for an endowment contract, (iii) a
21 qualified plan described in section 401(a) of the code, (iv) an
22 annuity plan described in section 403(a) or 403(b) of the code, (v)
23 an individual retirement plan described in section 408A of the code,
24 and ~~(v)~~-(vi) a plan described in section 457(b) of the code and
25 maintained by a governmental employer. For eligible rollover

1 distributions to a surviving spouse, an eligible retirement plan
2 means subdivisions (1)(c)(i) through ~~(iv)~~(v) of this section; and

3 (d) Eligible rollover distribution means any distribution
4 to a distributee of all or any portion of the balance to the credit
5 of the distributee in the plan, except such term shall not include
6 any distribution which is one of a series of substantially equal
7 periodic payments, not less frequently than annually, made for the
8 life of the distributee or joint lives of the distributee and the
9 distributee's beneficiary or for the specified period of ten years or
10 more and shall not include any distribution to the extent such
11 distribution is required under section 401(a)(9) of the Internal
12 Revenue Code.

13 (2) For distributions made to a distributee on or after
14 January 1, 1993, a distributee may elect to have any portion of an
15 eligible rollover distribution paid directly to an eligible
16 retirement plan specified by the distributee.

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

1 (4) An eligible rollover distribution on behalf of a
2 designated beneficiary of a member who is not a surviving spouse or
3 former spouse of the member may be transferred to an individual
4 retirement account or annuity described in section 408(a) or section
5 408(b) of the Internal Revenue Code that is established for the
6 purpose of receiving the distribution on behalf of the designated
7 beneficiary and that will be treated as an inherited individual
8 retirement account or individual retirement annuity described in
9 section 408(d)(3)(C) of the Internal Revenue Code.

10 ~~(3)~~-(5) The board shall adopt and promulgate rules and
11 regulations for direct rollover procedures which are consistent with
12 section 401(a)(31) of the Internal Revenue Code and which include,
13 but are not limited to, the form and time of direct rollover
14 distributions.

15 Sec. 18. Section 81-2041, Revised Statutes Supplement,
16 2011, is amended to read:

17 81-2041 (1) Any member who meets the participation
18 requirements of subsection (2) of this section may participate in
19 DROP. DROP provides that subsequent to attaining normal age and
20 service retirement eligibility, a member may voluntarily choose to
21 participate in DROP upon its adoption which, for purposes of this
22 section, shall be the earlier of September 1, 2008, or the first of
23 the month following a favorable letter determination by the Internal
24 Revenue Service. If the member chooses to participate in DROP, the
25 member shall be deemed to have retired, but the member may continue

1 in active employment for up to a five-year period. During the DROP
2 period, the member's retirement benefit payments shall be deposited
3 into the DROP account for the benefit of the member until the member
4 actually retires from active employment at or before the expiration
5 of the DROP period. Thereafter, future retirement benefit payments
6 shall be made directly to the member, and the member shall have
7 access to all funds in the DROP account designated for the benefit of
8 the member.

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

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

17 (b) A member who elects to enter DROP shall be entitled
18 to receive regular age and service retirement benefits in accordance
19 with section 81-2026. A member is entitled to remain in DROP for a
20 maximum of five years subsequent to the date of the member's DROP
21 election. A member may separate from service and thereby exit DROP at
22 any time during the DROP period. On or before the completion of the
23 DROP period, the member must separate from active employment and exit
24 DROP. During the DROP period, a member's retirement benefit shall be
25 payable to the DROP account vendor designated in the member's name.

1 Amounts transferred or paid to a participating member's DROP account
2 shall not constitute annual additions under section 415 of the
3 Internal Revenue Code;

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

25 (d) No member shall be allowed to continue making the

1 required contributions while the member is enrolled in DROP;

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

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

15 (g) Any member that is enrolled in DROP shall be
16 responsible for directing the DROP account designated for the benefit
17 of the member by investing the account in any DROP investment
18 options. There shall be no guaranteed rate of investment return on
19 DROP account assets. Any losses, charges, or expenses incurred by the
20 participating DROP member in such member's DROP account by virtue of
21 the investment options selected by the participating DROP member
22 shall not be made up by the retirement system but all of the same
23 shall be born by the participating DROP member. The retirement
24 system, the state, the board, and the state investment officer shall
25 not be responsible for any investment results under the DROP

1 agreement. Transfers between investment options shall be in
2 accordance with the rules and regulations of DROP. A DROP account
3 shall be established for each participating DROP member. Such DROP
4 account shall be adjusted no less frequently than annually for the
5 member's retirement benefit distributions and net investment earnings
6 and losses;

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

10 (i) Cost-of-living adjustments as provided for in section
11 81-2027.08 shall not be applied to retirement benefits during the
12 DROP period.

13 Sec. 19. Section 84-1301, Revised Statutes Supplement,
14 2011, is amended to read:

15 84-1301 For purposes of the State Employees Retirement
16 Act, unless the context otherwise requires:

17 (1) Actuarial equivalent means the equality in value of
18 the aggregate amounts expected to be received under different forms
19 of an annuity payment. The mortality assumption used for purposes of
20 converting the member cash balance account shall be the 1994 Group
21 Annuity Mortality Table using a unisex rate that is fifty percent
22 male and fifty percent female. For purposes of converting the member
23 cash balance account attributable to contributions made prior to
24 January 1, 1984, that were transferred pursuant to the act, the 1994
25 Group Annuity Mortality Table for males shall be used;

1 (2) Annuity means equal monthly payments provided by the
2 retirement system to a member or beneficiary under forms determined
3 by the board beginning the first day of the month after an annuity
4 election is received in the office of the Nebraska Public Employees
5 Retirement Systems or the first day of the month after the employee's
6 termination of employment, whichever is later. The last payment shall
7 be at the end of the calendar month in which the member dies or in
8 accordance with the payment option chosen by the member;

9 (3) Annuity start date means the date upon which a
10 member's annuity is first effective and shall be the first day of the
11 month following the member's termination or following the date the
12 application is received by the board, whichever is later;

13 (4) Cash balance benefit means a member's retirement
14 benefit that is equal to an amount based on annual employee
15 contribution credits plus interest credits and, if vested, employer
16 contribution credits plus interest credits and dividend amounts
17 credited in accordance with subdivision (4)(c) of section 84-1319;

18 (5)(a) Compensation means gross wages or salaries payable
19 to the member for personal services performed during the plan year.
20 Compensation does not include insurance premiums converted into cash
21 payments, reimbursement for expenses incurred, fringe benefits, per
22 diems, or bonuses for services not actually rendered, including, but
23 not limited to, early retirement inducements, cash awards, and
24 severance pay, except for retroactive salary payments paid pursuant
25 to court order, arbitration, or litigation and grievance settlements.

1 Compensation includes overtime pay, member retirement contributions,
2 and amounts contributed by the member to plans under sections 125,
3 403(b), and 457 of the Internal Revenue Code or any other section of
4 the code which defers or excludes such amounts from income.

5 (b) Compensation in excess of the limitations set forth
6 in section 401(a)(17) of the Internal Revenue Code shall be
7 disregarded. For an employee who was a member of the retirement
8 system before the first plan year beginning after December 31, 1995,
9 the limitation on compensation shall not be less than the amount
10 which was allowed to be taken into account under the retirement
11 system as in effect on July 1, 1993;

12 (6) Date of disability means the date on which a member
13 is determined to be disabled by the board;

14 (7) Defined contribution benefit means a member's
15 retirement benefit from a money purchase plan in which member
16 benefits equal annual contributions and earnings pursuant to section
17 84-1310 and, if vested, employer contributions and earnings pursuant
18 to section 84-1311;

19 (8) Disability means an inability to engage in a
20 substantially gainful activity by reason of any medically
21 determinable physical or mental impairment which can be expected to
22 result in death or to be of long-continued and indefinite duration;

23 (9) Employee means any employee of the State Board of
24 Agriculture who is a member of the state retirement system on July 1,
25 1982, and any person or officer employed by the State of Nebraska

1 whose compensation is paid out of state funds or funds controlled or
2 administered by a state department through any of its executive or
3 administrative officers when acting exclusively in their respective
4 official, executive, or administrative capacities. Employee does not
5 include (a) judges as defined in section 24-701, (b) members of the
6 Nebraska State Patrol, except for those members of the Nebraska State
7 Patrol who elected pursuant to section 60-1304 to remain members of
8 the State Employees Retirement System of the State of Nebraska, (c)
9 employees of the University of Nebraska, (d) employees of the state
10 colleges, (e) employees of community colleges, (f) employees of the
11 Department of Labor employed prior to July 1, 1984, and paid from
12 funds provided pursuant to Title III of the federal Social Security
13 Act or funds from other federal sources, except that if the
14 contributory retirement plan or contract let pursuant to section
15 48-609 is terminated, such employees shall become employees for
16 purposes of the State Employees Retirement Act on the first day of
17 the first pay period following the termination of such contributory
18 retirement plan or contract, (g) employees of the State Board of
19 Agriculture who are not members of the state retirement system on
20 July 1, 1982, (h) the Nebraska National Guard air and army
21 technicians, (i) persons eligible for membership under the School
22 Employees Retirement System of the State of Nebraska who have not
23 elected to become members of the retirement system pursuant to
24 section 79-920 or been made members of the system pursuant to such
25 section, except that those persons so eligible and who as of

1 September 2, 1973, are contributing to the State Employees Retirement
2 System of the State of Nebraska shall continue as members of such
3 system, or (j) employees of the Coordinating Commission for
4 Postsecondary Education who are eligible for and have elected to
5 become members of a qualified retirement program approved by the
6 commission which is commensurate with retirement programs at the
7 University of Nebraska. Any individual appointed by the Governor may
8 elect not to become a member of the State Employees Retirement System
9 of the State of Nebraska;

10 (10) Employee contribution credit means an amount equal
11 to the member contribution amount required by section 84-1308;

12 (11) Employer contribution credit means an amount equal
13 to the employer contribution amount required by section 84-1309;

14 (12) Final account value means the value of a member's
15 account on the date the account is either distributed to the member
16 or used to purchase an annuity from the plan, which date shall occur
17 as soon as administratively practicable after receipt of a valid
18 application for benefits, but no sooner than forty-five days after
19 the member's termination;

20 (13) Five-year break in service means five consecutive
21 one-year breaks in service;

22 (14) Full-time employee means an employee who is employed
23 to work one-half or more of the regularly scheduled hours during each
24 pay period;

25 (15) Fund means the State Employees Retirement Fund

1 created by section 84-1309;

2 (16) Guaranteed investment contract means an investment
3 contract or account offering a return of principal invested plus
4 interest at a specified rate. For investments made after July 19,
5 1996, guaranteed investment contract does not include direct
6 obligations of the United States or its instrumentalities, bonds,
7 participation certificates or other obligations of the Federal
8 National Mortgage Association, the Federal Home Loan Mortgage
9 Corporation, or the Government National Mortgage Association, or
10 collateralized mortgage obligations and other derivative securities.
11 This subdivision shall not be construed to require the liquidation of
12 investment contracts or accounts entered into prior to July 19, 1996;

13 (17) Interest credit rate means the greater of (a) five
14 percent or (b) the applicable federal mid-term rate, as published by
15 the Internal Revenue Service as of the first day of the calendar
16 quarter for which interest credits are credited, plus one and one-
17 half percent, such rate to be compounded annually;

18 (18) Interest credits means the amounts credited to the
19 employee cash balance account and the employer cash balance account
20 at the end of each day. Such interest credit for each account shall
21 be determined by applying the daily portion of the interest credit
22 rate to the account balance at the end of the previous day. Such
23 interest credits shall continue to be credited to the employee cash
24 balance account and the employer cash balance account after a member
25 ceases to be an employee, except that no such credit shall be made

1 with respect to the employee cash balance account and the employer
2 cash balance account for any day beginning on or after the member's
3 date of final account value. If benefits payable to the member's
4 surviving spouse or beneficiary are delayed after the member's death,
5 interest credits shall continue to be credited to the employee cash
6 balance account and the employer cash balance account until such
7 surviving spouse or beneficiary commences receipt of a distribution
8 from the plan;

9 (19) Member cash balance account means an account equal
10 to the sum of the employee cash balance account and, if vested, the
11 employer cash balance account and dividend amounts credited in
12 accordance with subdivision (4)(c) of section 84-1319;

13 (20) One-year break in service means a plan year during
14 which the member has not completed more than five hundred hours of
15 service;

16 (21) Participation means qualifying for and making the
17 required deposits to the retirement system during the course of a
18 plan year;

19 (22) Part-time employee means an employee who is employed
20 to work less than one-half of the regularly scheduled hours during
21 each pay period;

22 (23) Plan year means the twelve-month period beginning on
23 January 1 and ending on December 31;

24 (24) Prior service means service before January 1, 1964;

25 (25) Regular interest means the rate of interest earned

1 each calendar year commencing January 1, 1975, as determined by the
2 retirement board in conformity with actual and expected earnings on
3 the investments through December 31, 1984;

4 (26) Required contribution means the deduction to be made
5 from the compensation of employees as provided in section 84-1308;

6 (27) Retirement means qualifying for and accepting the
7 retirement benefit granted under the State Employees Retirement Act
8 after terminating employment;

9 (28) Retirement board or board means the Public Employees
10 Retirement Board;

11 (29) Retirement system means the State Employees
12 Retirement System of the State of Nebraska;

13 (30) Service means the actual total length of employment
14 as an employee and shall not be deemed to be interrupted by (a)
15 temporary or seasonal suspension of service that does not terminate
16 the employee's employment, (b) leave of absence authorized by the
17 employer for a period not exceeding twelve months, (c) leave of
18 absence because of disability, or (d) military service, when properly
19 authorized by the retirement board. Service does not include any
20 period of disability for which disability retirement benefits are
21 received under section 84-1317;

22 (31) State department means any department, bureau,
23 commission, or other division of state government not otherwise
24 specifically defined or exempted in the act, the employees and
25 officers of which are not already covered by a retirement plan;

1 (32) Surviving spouse means (a) the spouse married to the
2 member on the date of the member's death or (b) the spouse or former
3 spouse of the member if survivorship rights are provided under a
4 qualified domestic relations order filed with the board pursuant to
5 the Spousal Pension Rights Act. The spouse or former spouse shall
6 supersede the spouse married to the member on the date of the
7 member's death as provided under a qualified domestic relations
8 order. If the benefits payable to the spouse or former spouse under a
9 qualified domestic relations order are less than the value of
10 benefits entitled to the surviving spouse, the spouse married to the
11 member on the date of the member's death shall be the surviving
12 spouse for the balance of the benefits;

13 (33) Termination of employment occurs on the date on
14 which the agency which employs the member determines that the
15 member's employer-employee relationship with the State of Nebraska is
16 dissolved. The agency which employs the member shall notify the board
17 of the date on which such a termination has occurred. Termination of
18 employment does not occur if an employee whose employer-employee
19 relationship with the State of Nebraska is dissolved enters into an
20 employer-employee relationship with the same or another agency of the
21 State of Nebraska and there are less than one hundred twenty days
22 between the date when the employee's employer-employee relationship
23 ceased with the state and the date when the employer-employee
24 relationship commenced with the same or another agency. It ~~shall be~~
25 is the responsibility of the current employer that is involved in the

1 termination of employment to notify the board of such change in
2 employment and provide the board with such information as the board
3 deems necessary. If the board determines that termination of
4 employment has not occurred and a ~~termination~~retirement benefit has
5 been paid to a member of the retirement system pursuant to section
6 84-1321, the board shall require the member who has received such
7 benefit to repay the benefit to the retirement system; and

8 (34) Vesting credit means credit for years, or a fraction
9 of a year, of participation in another Nebraska governmental plan for
10 purposes of determining vesting of the employer account.

11 Sec. 20. Section 84-1310.01, Revised Statutes Cumulative
12 Supplement, 2010, is amended to read:

13 84-1310.01 (1) Each member employed and participating in
14 the retirement system prior to January 1, 2003, who has elected not
15 to participate in the cash balance benefit, shall be allowed to
16 allocate all contributions to his or her employee account to various
17 investment options. Such investment options shall include, but not be
18 limited to, the following:

19 (a) An investor select account which shall be invested
20 under the direction of the state investment officer with an asset
21 allocation and investment strategy substantially similar to the
22 investment allocations made by the state investment officer for the
23 defined benefit plans under the retirement systems described in
24 subdivision (1)(a) of section 84-1503. Investments shall most likely
25 include domestic and international equities, fixed income

1 investments, and real estate, as well as potentially additional asset
2 classes;

3 (b) A stable return account which shall be invested by or
4 under the direction of the state investment officer in one or more
5 guaranteed investment contracts;

6 (c) An equities account which shall be invested by or
7 under the direction of the state investment officer in equities;

8 (d) A balanced account which shall be invested by or
9 under the direction of the state investment officer in equities and
10 fixed income instruments;

11 (e) An index fund account which shall be invested by or
12 under the direction of the state investment officer in a portfolio of
13 common stocks designed to closely duplicate the total return of the
14 Standard and Poor's division of The McGraw-Hill Companies, Inc. 500
15 Index;

16 (f) A fixed income account which shall be invested by or
17 under the direction of the state investment officer in fixed income
18 instruments;

19 (g) A money market account which shall be invested by or
20 under the direction of the state investment officer in short-term
21 fixed income securities; and

22 (h) Beginning on July 1, 2006, an age-based account which
23 shall be invested under the direction of the state investment officer
24 with an asset allocation and investment strategy that changes based
25 upon the age of the member. The board shall develop an account

1 mechanism that changes the investments as the employee nears
2 retirement age. The asset allocation and asset classes utilized in
3 the investments shall move from aggressive, to moderate, and then to
4 conservative as retirement age approaches.

5 If a member fails to select an option or combination of
6 options, all of his or her funds shall be placed in the option
7 described in subdivision (b) of this subsection. Each member shall be
8 given a detailed current description of each investment option prior
9 to making or revising his or her allocation.

10 (2) Members of the retirement system may allocate their
11 contributions to the investment options in percentage increments as
12 set by the board in any proportion, including full allocation to any
13 one option. A member under subdivision ~~(1)~~(1)(a) of section 84-1323
14 or his or her beneficiary may transfer any portion of his or her
15 funds among the options, except for restrictions on transfers to or
16 from the stable return account pursuant to rule or regulation. The
17 board shall adopt and promulgate rules and regulations for changes of
18 a member's allocation of contributions to his or her accounts after
19 his or her most recent allocation and for transfers from one
20 investment account to another.

21 (3) The board shall develop a schedule for the allocation
22 of administrative costs of maintaining the various investment options
23 and shall assess the costs so that each member pays a reasonable fee
24 as determined by the board.

25 (4) In order to carry out the provisions of this section,

1 the board may enter into administrative services agreements for
2 accounting or record-keeping services. No agreement shall be entered
3 into unless the board determines that it will result in
4 administrative economy and will be in the best interests of the state
5 and its participating employees.

6 (5) The state, the board, the state investment officer,
7 the members of the Nebraska Investment Council, or the agency shall
8 not be liable for any investment results resulting from the member's
9 exercise of control over the assets in the employee account.

10 Sec. 21. Section 84-1311.03, Revised Statutes Cumulative
11 Supplement, 2010, is amended to read:

12 84-1311.03 (1) Each member employed and participating in
13 the retirement system prior to January 1, 2003, who has elected not
14 to participate in the cash balance benefit, shall be allowed to
15 allocate all contributions to his or her employer account to various
16 investment options. Such investment options shall be the same as the
17 investment options of the employee account as provided in subsection
18 (1) of section 84-1310.01. If a member fails to select an option or
19 combination of options, all of his or her funds in the employer
20 account shall be placed in the balanced account option described in
21 subdivision (1)(d) of section 84-1310.01. Each member shall be given
22 a detailed current description of each investment option prior to
23 making or revising his or her allocation.

24 (2) Each member of the retirement system may allocate
25 contributions to his or her employer account to the investment

1 options in percentage increments as set by the board in any
2 proportion, including full allocation to any one option. A member
3 under subdivision ~~(1)~~—(1)(a) of section 84-1323 or his or her
4 beneficiary may transfer any portion of his or her funds among the
5 options. The board shall adopt and promulgate rules and regulations
6 for changes of a member's allocation of contributions to his or her
7 accounts after his or her most recent allocation and for transfers
8 from one investment account to another.

9 (3) The board shall develop a schedule for the allocation
10 of administrative costs of maintaining the various investment options
11 and shall assess the costs so that each member pays a reasonable fee
12 as determined by the board.

13 (4) In order to carry out the provisions of this section,
14 the board may enter into administrative services agreements for
15 accounting or record-keeping services. No agreement shall be entered
16 into unless the board determines that it will result in
17 administrative economy and will be in the best interests of the state
18 and its participating employees.

19 (5) The state, the board, the state investment officer,
20 the members of the Nebraska Investment Council, or the agency shall
21 not be liable for any investment results resulting from the member's
22 exercise of control over the assets in the employer account.

23 Sec. 22. Section 84-1312, Reissue Revised Statutes of
24 Nebraska, is amended to read:

25 84-1312 (1) For purposes of this section and section

1 84-1313:

2 (a) Distributee means the member, the member's surviving
3 spouse, or the member's former spouse who is an alternate payee under
4 a qualified domestic relations order as defined in section 414(p) of
5 the Internal Revenue Code;

6 (b) Direct rollover means a payment by the retirement
7 system to the eligible retirement plan or plans specified by the
8 distributee;

9 (c) Eligible retirement plan means (i) an individual
10 retirement account described in section 408(a) of the Internal
11 Revenue Code, (ii) an individual retirement annuity described in
12 section 408(b) of the code, except for an endowment contract, (iii) a
13 qualified plan described in section 401(a) of the code, (iv) an
14 annuity plan described in section 403(a) or 403(b) of the code, (v)
15 an individual retirement plan described in section 408A of the code,
16 and ~~(v)~~ (vi) a plan described in section 457(b) of the code and
17 maintained by a governmental employer. For eligible rollover
18 distributions to a surviving spouse, an eligible retirement plan
19 means subdivisions (1)(c)(i) through ~~(iv)~~ (v) of this section; and

20 (d) Eligible rollover distribution means any distribution
21 to a distributee of all or any portion of the balance to the credit
22 of the distributee in the plan, except such term shall not include
23 any distribution which is one of a series of substantially equal
24 periodic payments, not less frequently than annually, made for the
25 life of the distributee or joint lives of the distributee and the

1 distributee's beneficiary or for the specified period of ten years or
2 more and shall not include any distribution to the extent such
3 distribution is required under section 401(a)(9) of the Internal
4 Revenue Code.

5 (2) For distributions made to a distributee on or after
6 January 1, 1993, a distributee may elect to have any portion of an
7 eligible rollover distribution paid directly to an eligible
8 retirement plan specified by the distributee.

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

18 (4) An eligible rollover distribution on behalf of a
19 designated beneficiary of a member who is not a surviving spouse or
20 former spouse of the member may be transferred to an individual
21 retirement account or annuity described in section 408(a) or section
22 408(b) of the Internal Revenue Code that is established for the
23 purpose of receiving the distribution on behalf of the designated
24 beneficiary and that will be treated as an inherited individual
25 retirement account or individual retirement annuity described in

1 section 408(d)(3)(C) of the Internal Revenue Code.

2 ~~(3)~~(5) The board shall adopt and promulgate rules and
3 regulations for direct rollover procedures which are consistent with
4 section 401(a)(31) of the Internal Revenue Code and which include,
5 but are not limited to, the form and time of direct rollover
6 distributions.

7 Sec. 23. Section 84-1323, Revised Statutes Cumulative
8 Supplement, 2010, is amended to read:

9 84-1323 (1) In the event of the death before his or her
10 retirement date of any employee who is a member of the system, the
11 death benefit shall be equal to ~~(1)~~(a) for participants in the
12 defined contribution benefit, the total of the employee account and
13 the employer account and ~~(2)~~(b) for participants in the cash balance
14 benefit, the benefit provided in section 84-1309.02. The death
15 benefit shall be paid to the member's beneficiary, to an alternate
16 payee pursuant to a qualified domestic relations order as provided in
17 section 42-1107, or to the member's estate if there are no designated
18 beneficiaries. If the beneficiary is not the member's surviving
19 spouse, the death benefit shall be paid as a lump-sum payment or
20 payments, except that the entire account must be distributed by the
21 fifth anniversary of the member's death. If the sole primary
22 beneficiary is the member's surviving spouse, the surviving spouse
23 may elect to receive an annuity calculated as if the member retired
24 and selected a one-hundred-percent joint and survivor annuity
25 effective on the annuity purchase date. If the surviving spouse does

1 not elect the annuity option within one hundred eighty days after the
2 death of the member, the surviving spouse shall receive a lump-sum
3 payment or payments, except that the entire account must be
4 distributed by the fifth anniversary of the member's death.

5 (2) A lump sum death benefit paid to the member's
6 beneficiary, other than the member's estate, that is an eligible
7 distribution may be distributed in the form of a direct transfer to a
8 retirement plan eligible to receive such transfer under the
9 provisions of the Internal Revenue Code.

10 (3) For any member whose death occurs on or after January
11 1, 2007, while performing qualified military service as defined in
12 section 414(u) of the Internal Revenue Code, the member's beneficiary
13 shall be entitled to any additional death benefit that would have
14 been provided, other than the accrual of any benefit relating to the
15 period of qualified military service. The additional death benefit
16 shall be determined as if the member had returned to employment with
17 the State of Nebraska and such employment had terminated on the date
18 of the member's death.

19 Sec. 24. Section 84-1503, Revised Statutes Supplement,
20 2011, is amended to read:

21 84-1503 (1) It shall be the duty of the Public Employees
22 Retirement Board:

23 (a) To administer the retirement systems provided for in
24 the County Employees Retirement Act, the Judges Retirement Act, the
25 Nebraska State Patrol Retirement Act, the School Employees Retirement

1 Act, and the State Employees Retirement Act. The agency for the
2 administration of the retirement systems and under the direction of
3 the board shall be known and may be cited as the Nebraska Public
4 Employees Retirement Systems;

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

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

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

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

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

1 (g) To adopt and implement procedures for reporting
2 information by employers, as well as testing and monitoring
3 procedures in order to verify the accuracy of such information. The
4 information necessary to determine membership shall be provided by
5 the employer. The board shall adopt and promulgate rules and
6 regulations and prescribe such forms necessary to carry out this
7 subdivision. Nothing in this subdivision shall be construed to
8 require the board to conduct onsite audits of political subdivisions
9 for compliance with statutes, rules, and regulations governing the
10 retirement systems listed in subdivision (1)(a) of this section
11 regarding membership and contributions; and

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

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

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

23 (b) To determine the eligibility of an individual to be a
24 member of the retirement system and other questions of fact in the
25 event of a dispute between an individual and the individual's

1 employer;

2 (c) To adopt and promulgate rules and regulations for the
3 management of the board;

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

6 (e) To obtain, by a competitive, formal, and sealed
7 bidding process through the materiel division of the Department of
8 Administrative Services, actuarial services on behalf of the State of
9 Nebraska as may be necessary in the administration and development of
10 the retirement systems. Any contract for actuarial services shall
11 contain a provision allowing the actuary, without prior approval of
12 the board, to perform actuarial studies of the systems as requested
13 by entities other than the board, if notice, which does not identify
14 the entity or substance of the request, is given to the board, all
15 costs are paid by the requesting entity, results are provided to the
16 board, the Nebraska Retirement Systems Committee of the Legislature,
17 and the Legislative Fiscal Analyst upon being made public, and such
18 actuarial studies do not interfere with the actuary's ongoing
19 responsibility to the board. The term of the contract shall be for up
20 to three years. A competitive, formal, and sealed bidding process
21 shall be completed at least once every three years, unless the board
22 determines that such a process would not be cost effective under the
23 circumstances and that the actuarial services performed have been
24 satisfactory, in which case the contract may also contain an option
25 for renewal without a competitive, formal, and sealed bidding process

1 for up to three additional years. An actuary under contract for the
2 State of Nebraska shall be a member of the American Academy of
3 Actuaries;

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

10 (g) To adopt and promulgate rules and regulations to
11 carry out the provisions of each retirement system described in
12 subdivision (1)(a) of this section, which ~~shall include, includes,~~
13 but is not ~~be~~-limited to, the crediting of military service, direct
14 rollover distributions, and the acceptance of rollovers;

15 (h) To obtain, by a competitive, formal, and sealed
16 bidding process through the materiel division of the Department of
17 Administrative Services, auditing services for a separate compliance
18 audit of the retirement systems to be completed by December 31, 2012,
19 and from time to time thereafter at the request of the Nebraska
20 Retirement Systems Committee of the Legislature, to be completed not
21 more than every four years but not less than every ten years. The
22 compliance audit shall be in addition to the annual audit conducted
23 by the Auditor of Public Accounts. The compliance audit shall
24 include, but not be limited to, an examination of records, files, and
25 other documents and an evaluation of all policies and procedures to

1 determine compliance with all state and federal laws. A copy of the
2 compliance audit shall be given to the Governor, the board, and the
3 Nebraska Retirement Systems Committee of the Legislature and shall be
4 presented to the committee at a public hearing;

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

17 (j) To administer all retirement system plans in a manner
18 which will maintain each plan's status as a qualified plan pursuant
19 to the Internal Revenue Code, as defined in section 49-801.01,
20 including: Section 401(a)(9) of the Internal Revenue Code relating to
21 the time and manner in which benefits are required to be distributed,
22 including the incidental death benefit distribution requirement of
23 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(16)
24 of the Internal Revenue Code relating to the specification of
25 actuarial assumptions; section 401(a)(31) of the Internal Revenue

1 Code relating to direct rollover distributions from eligible
2 retirement plans; and section 401(a)(37) of the Internal Revenue Code
3 relating to the death benefit of a member whose death occurs while
4 performing qualified military service. The board shall adopt and
5 promulgate rules and regulations necessary or appropriate to maintain
6 such status including, but not limited to, rules or regulations which
7 restrict discretionary or optional contributions to a plan or which
8 limit distributions from a plan.

9 (3) By March 31 of each year, the board shall prepare a
10 written plan of action and shall present such plan to the Nebraska
11 Retirement Systems Committee of the Legislature at a public hearing.
12 The plan shall include, but not be limited to, the board's funding
13 policy, the administrative costs and other fees associated with each
14 fund and plan overseen by the board, member education and
15 informational programs, the director's duties and limitations, an
16 organizational structure of the office of the Nebraska Public
17 Employees Retirement Systems, and the internal control structure of
18 such office to ensure compliance with state and federal laws.

19 Sec. 25. Original sections 23-2323.02, 24-707, 24-710.05,
20 79-933.01, 79-956, 79-980, 79-998, 79-9,106, 81-2014, 81-2031.03, and
21 84-1312, Reissue Revised Statutes of Nebraska, sections 23-2309.01,
22 23-2310.05, 23-2321, 84-1310.01, 84-1311.03, and 84-1323, Revised
23 Statutes Cumulative Supplement, 2010, and sections 23-2301, 24-701,
24 79-902, 81-2026, 81-2041, 84-1301, and 84-1503, Revised Statutes
25 Supplement, 2011, are repealed.