

E AND R AMENDMENTS TO LB1042

Introduced by Murante, 49, Chairman Enrollment and Review

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

3 Section 1. Section 79-902, Revised Statutes Supplement,
4 2013, is amended to read:

5 79-902 For purposes of the School Employees Retirement
6 Act, unless the context otherwise requires:

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

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

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

16 (4) County school official means (a) until July 1, 2000,
17 the county superintendent or district superintendent and any person
18 serving in his or her office who is required by law to have
19 a teacher's certificate and (b) on or after July 1, 2000, the
20 county superintendent, county school administrator, or district
21 superintendent and any person serving in his or her office who is
22 required by law to have a teacher's certificate;

23 (5) Creditable service means prior service for which

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11 withdrawn and not repaid.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

17 (6) Disability retirement allowance means the annuity
18 paid to a person upon retirement for disability under section
19 79-952;

20 (7) Employer means the State of Nebraska or any
21 subdivision thereof or agency of the state or subdivision
22 authorized by law to hire school employees or to pay their
23 compensation;

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

26 (9) Regular interest means interest fixed at a rate equal
27 to the daily treasury yield curve for one-year treasury securities,

1 as published by the Secretary of the Treasury of the United States,
2 that applies on July 1 of each year, which may be credited monthly,
3 quarterly, semiannually, or annually as the board may direct;

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

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

19 (12) Public school means any and all schools offering
20 instruction in elementary or high school grades, as defined in
21 section 79-101, which schools are supported by public funds and are
22 wholly under the control and management of the State of Nebraska
23 or any subdivision thereof, including (a) schools or other entities
24 established, maintained, and controlled by the school boards of
25 local school districts, except Class V school districts, (b) any
26 educational service unit, and (c) any other educational institution
27 wholly supported by public funds, except schools under the control

1 and management of the Board of Trustees of the Nebraska State
2 Colleges, the Board of Regents of the University of Nebraska, or
3 the community college boards of governors for any community college
4 areas;

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

8 (14) Retirement board or board means the Public Employees
9 Retirement Board;

10 (15) Retirement system means the School Employees
11 Retirement System of the State of Nebraska;

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

15 (17) School year means one fiscal year which includes
16 not less than one thousand instructional hours or, in the case of
17 service in the State of Nebraska prior to July 1, 1945, not less
18 than seventy-five percent of the then legal school year;

19 (18) Service means employment as a school employee and
20 shall not be deemed interrupted by (a) termination at the end of
21 the school year of the contract of employment of an employee in a
22 public school if the employee enters into a contract of employment
23 in any public school, except a school in a Class V school district,
24 for the following school year, (b) temporary or seasonal suspension
25 of service that does not terminate the employee's employment,
26 (c) leave of absence authorized by the employer for a period
27 not exceeding twelve months, (d) leave of absence because of

1 disability, or (e) military service when properly authorized by
2 the retirement board. Service does not include any period of
3 disability for which disability retirement benefits are received
4 under sections 79-951 to 79-953;

5 (19) School retirement allowance means the total of the
6 savings annuity and the service annuity or formula annuity paid a
7 person who has retired under sections 79-931 to 79-935. The monthly
8 payments shall be payable at the end of each calendar month during
9 the life of a retired member. The first payment shall include all
10 amounts accrued since the effective date of the award of annuity.
11 The last payment shall be at the end of the calendar month in which
12 such member dies or in accordance with the payment option chosen by
13 the member;

14 (20) Service annuity means payments for life, made in
15 equal monthly installments, derived from appropriations made by the
16 State of Nebraska to the retirement system;

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

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

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

26 (24) Emeritus member means a person (a) who has entered
27 retirement under the provisions of the act, including those persons

1 who have retired since July 1, 1945, under any other regularly
2 established retirement or pension system as contemplated by section
3 79-916, (b) who has thereafter been reemployed in any capacity
4 by a public school, a Class V school district, or a school
5 under the control and management of the Board of Trustees of the
6 Nebraska State Colleges, the Board of Regents of the University of
7 Nebraska, or a community college board of governors or has become
8 a state school official or county school official subsequent to
9 such retirement, and (c) who has applied to the board for emeritus
10 membership in the retirement system. The school district or agency
11 shall certify to the retirement board on forms prescribed by the
12 retirement board that the annuitant was reemployed, rendered a
13 service, and was paid by the district or agency for such services;

14 (25) Actuarial equivalent means the equality in value of
15 the aggregate amounts expected to be received under different forms
16 of payment. The determinations shall be based on the 1994 Group
17 Annuity Mortality Table reflecting sex-distinct factors blended
18 using twenty-five percent of the male table and seventy-five
19 percent of the female table. An interest rate of eight percent
20 per annum shall be reflected in making these determinations except
21 when a lump-sum settlement is made to an estate. If the lump-sum
22 settlement is made to an estate, the interest rate will be
23 determined by the Moody's Triple A Bond Index as of the prior June
24 30, rounded to the next lower quarter percent;

25 (26) Retirement date means (a) if the member has
26 terminated employment, the first day of the month following the
27 date upon which a member's request for retirement is received on

1 a retirement application provided by the retirement system or (b)
2 if the member has filed a retirement application but has not yet
3 terminated employment, the first day of the month following the
4 date on which the member terminates employment. An application
5 may be filed no more than one hundred twenty days prior to the
6 effective date of the member's initial benefit;

7 (27) Disability retirement date means the first day of
8 the month following the date upon which a member's request for
9 disability retirement is received on a retirement application
10 provided by the retirement system if the member has terminated
11 employment in the school system and has complied with sections
12 79-951 to 79-954 as such sections refer to disability retirement;

13 (28) Retirement application means the form approved and
14 provided by the retirement system for acceptance of a member's
15 request for either regular or disability retirement;

16 (29) Eligibility and vesting credit means credit for
17 years, or a fraction of a year, of participation in a Nebraska
18 government plan for purposes of determining eligibility for
19 benefits under the School Employees Retirement Act. Such credit
20 shall not be included as years of creditable service in the benefit
21 calculation;

22 (30) (a) Final average compensation means:

23 (i) Except as provided in subdivision (ii) of this
24 subdivision:

25 (A) The sum of the member's total compensation during the
26 three twelve-month periods of service as a school employee in which
27 such compensation was the greatest divided by thirty-six; or

1 (B) If a member has such compensation for less than
2 thirty-six months, the sum of the member's total compensation in
3 all months divided by the total number of months of his or her
4 creditable service therefor; and

5 (ii) For an employee who became a member on or after July
6 1, 2013:

7 (A) The sum of the member's total compensation during the
8 five twelve-month periods of service as a school employee in which
9 such compensation was the greatest divided by sixty; or

10 (B) If a member has such compensation for less than sixty
11 months, the sum of the member's total compensation in all months
12 divided by the total number of months of his or her creditable
13 service therefor.

14 (b) Payments under the Retirement Incentive Plan pursuant
15 to section 79-855 and Staff Development Assistance pursuant to
16 section 79-856 shall not be included in the determination of final
17 average compensation;

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

20 (32) Current benefit means the initial benefit increased
21 by all adjustments made pursuant to the School Employees Retirement
22 Act;

23 (33) Initial benefit means the retirement benefit
24 calculated at the time of retirement;

25 (34) Surviving spouse means (a) the spouse married to
26 the member on the date of the member's death or (b) the spouse
27 or former spouse of the member if survivorship rights are provided

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

10 (35) (a) Compensation means gross wages or salaries
11 payable to the member for personal services performed during the
12 plan year and includes (i) overtime pay, (ii) member retirement
13 contributions, (iii) retroactive salary payments paid pursuant to
14 court order, arbitration, or litigation and grievance settlements,
15 and (iv) amounts contributed by the member to plans under sections
16 125, 403(b), and 457 of the Internal Revenue Code as defined in
17 section 49-801.01 or any other section of the code which defers or
18 excludes such amounts from income.

19 (b) Compensation does not include (i) fraudulently
20 obtained amounts as determined by the retirement board, (ii)
21 amounts for unused sick leave or unused vacation leave converted
22 to cash payments, (iii) insurance premiums converted into cash
23 payments, (iv) reimbursement for expenses incurred, (v) fringe
24 benefits, (vi) per diems paid as expenses, (vii) bonuses for
25 services not actually rendered, including, but not limited to,
26 early retirement inducements, cash awards, and severance pay, or
27 (viii) beginning on September 4, 2005, employer contributions made

1 for the purposes of separation payments made at retirement and
2 early retirement inducements as provided for in section 79-514.

3 (c) Compensation in excess of the limitations set forth
4 in section 401(a)(17) of the Internal Revenue Code as defined
5 in section 49-801.01 shall be disregarded. For an employee who
6 was a member of the retirement system before the first plan year
7 beginning after December 31, 1995, the limitation on compensation
8 shall not be less than the amount which was allowed to be taken
9 into account under the retirement system as in effect on July 1,
10 1993.

11 (d) (i) For purposes of section 79-934, in the
12 determination of compensation for members on or after July 1,
13 2005, that part of a member's compensation for the plan year
14 which exceeds the member's compensation with the same employer
15 for the preceding plan year by more than seven percent of the
16 compensation base during the sixty months preceding the member's
17 retirement shall be excluded unless (A) the member experienced a
18 substantial change in employment position, (B) as verified by the
19 school board, the excess compensation above seven percent occurred
20 as the result of a collective-bargaining agreement between the
21 employer and a recognized collective-bargaining unit or category
22 of school employee, and the percentage increase in compensation
23 above seven percent shall not be excluded for employees outside of
24 a collective-bargaining unit or within the same category of school
25 employee, or (C) the excess compensation occurred as the result
26 of a districtwide permanent benefit change made by the employer
27 for a category of school employee in accordance with subdivision

1 (35) (a) (iv) of this section.

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

3 (A) Category of school employee means either all
4 employees of the employer who are administrators or certificated
5 teachers, or all employees of the employer who are not
6 administrators or certificated teachers, or both;

7 (B) Compensation base means (I) for current members,
8 employed with the same employer, the member's compensation for the
9 plan year ending June 30, 2005, or (II) for members newly hired or
10 hired by a separate employer on or after July 1, 2005, the member's
11 compensation for the first full plan year following the member's
12 date of hiring. Thereafter, the member's compensation base shall
13 be increased each plan year by the lesser of seven percent of the
14 member's preceding plan year's compensation base or the member's
15 actual annual compensation increase during the preceding plan year;
16 and

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

21 (e) (i) For purposes of section 79-934, in the
22 determination of compensation for members whose retirement date
23 is on or after July 1, 2012, until July 1, 2013, that part of a
24 member's compensation for the plan year which exceeds the member's
25 compensation with the same employer for the preceding plan year by
26 more than nine percent of the compensation base shall be excluded.

27 (ii) For purposes of subdivision (35) (e) of this section,

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

7 (f)(i) Notwithstanding any other provision of this
8 section, for purposes of section 79-934, in the determination of
9 compensation for members whose retirement date is on or after July
10 1, 2013, that part of a member's compensation for the plan year
11 which exceeds the member's compensation for the preceding plan
12 year by more than eight percent during the capping period shall
13 be excluded. Such member's compensation for the first plan year of
14 the capping period shall be compared to the member's compensation
15 received for the plan year immediately preceding the capping
16 period.

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

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

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

27 (36) Termination of employment occurs on the date on

1 which the member experiences a bona fide separation from service of
2 employment with the member's employer, the date of which separation
3 is determined by the end of the member's contractual agreement
4 or, if there is no contract or only partial fulfillment of a
5 contract, by the employer. A member shall not be deemed to have
6 terminated employment if the member subsequently provides service
7 to any employer participating in the retirement system provided for
8 in the School Employees Retirement Act within one hundred eighty
9 days after ceasing employment unless such service:

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

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

13 Nothing in this subdivision precludes an employer from
14 adopting a policy which limits or denies employees who have
15 terminated employment from providing voluntary or substitute
16 service within one hundred eighty days after termination.

17 A member shall not be deemed to have terminated
18 employment if the board determines that a claimed termination was
19 not a bona fide separation from service with the employer or that
20 a member was compensated for a full contractual period when the
21 member terminated prior to the end date of the contract;

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

26 (38) Substitute employee means a person hired by a public
27 school as a temporary employee to assume the duties of regular

1 employees due to a temporary absence of any regular employees.
2 Substitute employee does not mean a person hired as a regular
3 employee on an ongoing basis to assume the duties of other regular
4 employees who are temporarily absent;

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

8 (40) Regular employee means an employee hired by a public
9 school or under contract in a regular full-time or part-time
10 position who works a full-time or part-time schedule on an ongoing
11 basis for twenty or more hours per week. An employee hired as
12 described in this subdivision to provide service for less than
13 twenty hours per week but who provides service for an average of
14 twenty hours or more per week in each calendar month of any three
15 calendar months of a plan year shall, beginning with the next
16 full payroll period, commence contributions and shall be deemed a
17 regular employee for all future employment with the same employer;
18 and

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

26 (42) Relinquished creditable service means, with respect
27 to a member who has withdrawn his or her accumulated contributions

1 under section 79-955, the total amount of creditable service which
2 such member has given up as a result of his or her election not to
3 remain a member of the retirement system.

4 Sec. 2. Section 79-921, Revised Statutes Supplement,
5 2013, is amended to read:

6 79-921 (1) The membership of any person in the retirement
7 system shall cease only if he or she (a) withdraws his or her
8 accumulated contributions under section 79-955, (b) retires on a
9 school or formula or disability retirement allowance, or (c) dies.

10 (2) The employer shall notify the board of the date
11 upon which a termination has occurred. It is the responsibility of
12 the employer that is involved in the termination of employment to
13 notify the board of such change in employment and provide the board
14 with such information as the board deems necessary.

15 ~~(3) The retirement board shall reinstate to membership,~~
16 ~~with the same status as when such membership ceased, a school~~
17 ~~employee who has withdrawn his or her accumulated contributions~~
18 ~~under the following conditions:~~

19 ~~(a) If he or she again becomes an employee and if such~~
20 ~~employee chooses within three years after rejoining the system to~~
21 ~~repay, within five years after the date on which he or she rejoins~~
22 ~~the retirement system or prior to termination of employment,~~
23 ~~whichever is first, to the retirement board part or all of the~~
24 ~~amount he or she has withdrawn plus interest which would have~~
25 ~~accrued on that amount under the retirement system; or~~

26 ~~(b) If, more than three years after again becoming an~~
27 ~~employee and rejoining the system but prior to termination of~~

1 employment, he or she chooses to repay part or all of the amount he
2 or she has withdrawn, plus an amount equal to the actuarial assumed
3 rate of return for the period repaid. Payment must be completed
4 within five years after electing to repay or prior to termination,
5 whichever is earlier.

6 (4) Prior creditable service shall be restored in
7 proportion to the amounts repaid. A member's prior creditable
8 service shall be fully restored only if the member has repaid
9 all accumulated withdrawals in accordance with either subdivision
10 (3)(a) or (3)(b) of this section, as applicable. Repayment may
11 be made through direct payment, installment payments, or an
12 irrevocable payroll deduction authorization. If the school employee
13 chooses not to repay such withdrawals with interest, the school
14 employee shall enter the system as a new member with no prior
15 rights.

16 (3) (a) A former member of the retirement system who has
17 withdrawn his or her accumulated contributions under section 79-955
18 shall be reinstated to membership in the retirement system if such
19 person again becomes a school employee.

20 (b) The date of such membership shall relate back to
21 the beginning of his or her original membership in the retirement
22 system only if such school employee has repaid all amounts required
23 in accordance with subsection (4) of this section. Unless and
24 until all such amounts are repaid, the school employee shall be
25 considered a new member, effective as of the date he or she again
26 becomes a school employee.

27 (4) (a) With respect to any person who is reinstated to

1 membership in the retirement system pursuant to subdivision (3) (a)
2 of this section prior to the effective date of this act and who
3 files a valid and complete one-time application with the retirement
4 board for the restoration of part or all of his or her relinquished
5 creditable service prior to six years after the effective date of
6 this act but prior to termination, the following shall apply:

7 (i) Such member shall pay to the retirement system an
8 amount equal to the previously withdrawn contributions for the
9 creditable service to be restored, plus an amount equal to the
10 actuarial assumed rate of return on such amount to the date of
11 repayment; and

12 (ii) Payment for restoration of such relinquished
13 creditable service must be completed within six years of the
14 effective date of this act or prior to termination, whichever is
15 earlier.

16 (b) With respect to any person who is reinstated to
17 membership in the retirement system pursuant to subdivision (3) (a)
18 of this section on and after the effective date of this act
19 and who files a valid and complete one-time application with the
20 retirement board for the restoration of part or all of his or her
21 relinquished creditable service within five years after the date of
22 such member's reinstatement to membership in the retirement system
23 but prior to termination, the following shall apply:

24 (i) Such member shall pay to the retirement system an
25 amount equal to the previously withdrawn contributions for the
26 creditable service to be restored, plus an amount equal to the
27 actuarial assumed rate of return on such amount to the date of

1 repayment; and

2 (ii) Payment for restoration of such relinquished
3 creditable service must be completed within five years of the date
4 of such member's reinstatement to membership in the retirement
5 system or prior to termination, whichever is earlier.

6 (5) If less than full payment is made by the member,
7 relinquished creditable service shall be restored in proportion
8 to the amounts repaid. Repayment may be made through direct
9 payment, installment payments, an irrevocable payroll deduction
10 authorization, cash rollover contributions pursuant to section
11 79-933.02, or trustee-to-trustee transfers pursuant to section
12 79-933.09.

13 Sec. 3. Section 79-924, Reissue Revised Statutes of
14 Nebraska, is amended to read:

15 79-924 The retirement board shall adopt and promulgate
16 rules and regulations to allow for lump-sum or installment
17 payments for school employees who elect to repurchase relinquished
18 creditable service under section 79-921 or buy credit for prior
19 years of service under sections 79-921, 79-933.03 to 79-933.06,
20 and 79-933.08. Any person who elects to repurchase relinquished
21 creditable service or buy credit for prior years of service on an
22 installment basis may be charged reasonable service costs, shall be
23 credited with those prior years of service only as the money is
24 actually received by the retirement system, and shall have paid to
25 the retirement system all installments prior to the commencement of
26 a retirement annuity.

27 Sec. 4. Section 79-933.02, Reissue Revised Statutes of

1 Nebraska, is amended to read:

2 79-933.02 (1) The retirement system may accept cash
3 rollover contributions from a member who is making payment pursuant
4 to sections 79-921, 79-933.03 to 79-933.06, and 79-933.08 if the
5 contributions do not exceed the amount of payment required for the
6 service credits purchased by the member pursuant to such sections
7 and the contributions represent (a) all or any portion of the
8 balance of the member's interest in a qualified plan under section
9 401(a) of the Internal Revenue Code or (b) the interest of the
10 member from an individual retirement account or an individual
11 retirement annuity, the entire amount of which is attributable to
12 a qualified total distribution, as defined in the Internal Revenue
13 Code, from a qualified plan under section 401(a) of the code and
14 qualified as a tax-free rollover amount. The member's interest
15 under subdivision (a) or (b) of this subsection must be transferred
16 to the retirement system within sixty days from the date of
17 the distribution from the qualified plan, individual retirement
18 account, or individual retirement annuity.

19 (2) Cash transferred to the retirement system as a
20 rollover contribution shall be deposited as other payments for
21 service credits or repurchase of relinquished creditable service
22 pursuant to section 79-921.

23 (3) Under the same conditions as provided in subsection
24 (1) of this section, the retirement system may accept eligible
25 rollover distributions from (a) an annuity contract described in
26 section 403(b) of the Internal Revenue Code, (b) a plan described
27 in section 457(b) of the code which is maintained by a state, a

1 political subdivision of a state, or any agency or instrumentality
2 of a state or political subdivision of a state, or (c) the
3 portion of a distribution from an individual retirement account or
4 annuity described in section 408(a) or 408(b) of the code that is
5 eligible to be rolled over and would otherwise be includible in
6 gross income. Amounts accepted pursuant to this subsection shall be
7 deposited as all other payments under this section.

8 (4) The retirement system may accept direct rollover
9 distributions made from a qualified plan pursuant to section
10 401(a)(31) of the Internal Revenue Code. The direct rollover
11 distribution shall be deposited as all other payments under this
12 section.

13 (5) The board shall adopt and promulgate rules and
14 regulations defining procedures for acceptance of rollovers which
15 are consistent with sections 401(a)(31) and 402 of the Internal
16 Revenue Code.

17 Sec. 5. Section 79-933.08, Reissue Revised Statutes of
18 Nebraska, is amended to read:

19 79-933.08 (1) An employer and a school employee who
20 became a member before July 1, 2014, and who has completed at
21 least five years of creditable service plus eligibility and vesting
22 credit or a school employee who became a member for the first
23 time on or after July 1, 2014, and who has ten or more years
24 of creditable service may by agreement made in contemplation of
25 retirement, to be effective within twelve months of the agreement,
26 purchase service credit for such employee for not to exceed five
27 years of creditable service. Such an agreement may be executed

1 up to twelve months prior to the employee's retirement date. The
2 agreement shall specify whether the school employee shall pay
3 for the service credits, whether the employer shall pay for the
4 service credits, or whether both the employee and employer shall
5 share the cost of the service credits. Such service credits shall
6 be purchased for an amount equal to the actuarial cost to the
7 retirement system for allowing such additional service credit to
8 the employee.

9 (2) Payment for such service credits shall be completed
10 prior to the employee's termination of employment date and may
11 be made through direct payment, installment payments, or an
12 irrevocable deduction authorization. If payments are made on an
13 installment basis, interest shall be charged at the rate of regular
14 interest.

15 (3) Compensation for the period of service purchased
16 shall not be included in determining the member's final average
17 compensation.

18 (4) The retirement board shall credit funds collected
19 pursuant to this section to the Contingent Account pending the
20 employee's retirement. If the employee does not retire within
21 twelve months after the signing of the agreement made pursuant
22 to this section, such funds shall be refunded, excluding interest
23 earned, and the employee shall not be given credit for the service
24 credit attempted to be purchased.

25 Sec. 6. Section 79-933.09, Reissue Revised Statutes of
26 Nebraska, is amended to read:

27 79-933.09 The retirement system may accept as payment for

1 repurchase of relinquished creditable service under section 79-921
2 or purchases of service credit ~~or withdrawn amounts~~ made pursuant
3 to the School Employees Retirement Act a direct trustee-to-trustee
4 transfer from (1) an eligible tax-sheltered annuity plan as
5 described in section 403(b) of the Internal Revenue Code or
6 (2) an eligible deferred compensation plan as described in section
7 457(b) of the code on behalf of a member who is making payments for
8 such credit or amounts. The amount transferred shall not exceed the
9 amount of payment required for the service credit being purchased
10 and the purchase of such service credit shall qualify as a purchase
11 of permissive service credit by the member as defined in section
12 415 of the code.

13 Sec. 7. Section 79-980, Revised Statutes Cumulative
14 Supplement, 2012, is amended to read:

15 79-980 (1) At any time that the retirement system
16 consists of only one Class V school district, the general
17 administration of the retirement system is hereby vested in
18 the board of education. The board shall appoint, by a majority
19 of all its members, ten trustees to serve as executive officers
20 to administer the Class V School Employees Retirement Act. Such
21 trustees shall consist of (a) the superintendent of schools, as
22 ex officio trustee, (b) four members of the retirement system,
23 two from the certificated staff, one from the classified staff,
24 and one from the annuitants, (c) three members of the board of
25 education, and (d) two trustees who are business persons qualified
26 in financial affairs and who are not members of the retirement
27 system. The trustees shall serve without compensation, but they

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

1 while performing qualified military service. No member of the board
2 of education or trustee shall be personally liable, except in cases
3 of willful dishonesty, gross negligence, or intentional violations
4 of law, for actions relating to his or her retirement system
5 duties.

6 (2) At any time that the retirement system consists of
7 more than one Class V school district, the general administration
8 of the retirement system is hereby vested in a Class V Retirement
9 System Board composed of three members of the school board for each
10 participating Class V school district. The board shall appoint,
11 by a majority of all its members, trustees to serve as executive
12 officers to administer the Class V School Employees Retirement
13 Act. Such trustees shall consist of (a) the superintendent of each
14 participating Class V school district, as ex officio trustees, (b)
15 four members of the retirement system, two from the certificated
16 staff, one from the classified staff, and one from the annuitants,
17 (c) three members of the board, and (d) two trustees who are
18 business persons qualified in financial affairs and who are not
19 members of the retirement system. The trustees who are appointed
20 from the board and the membership shall, to the extent feasible, be
21 appointed equally from each participating Class V school district.
22 The trustees shall serve without compensation, but they shall be
23 reimbursed from the funds of the retirement system for expenses
24 that they may incur through service on the board of trustees
25 as provided in sections 81-1174 to 81-1177. A trustee shall
26 serve until a successor qualifies, except that trustees who are
27 members of the retirement system or members of the board shall be

1 disqualified as trustees immediately upon ceasing to be a member
2 of the retirement system or of the board. Each trustee shall be
3 entitled to one vote on the board of trustees, and six trustees
4 shall constitute a quorum for the transaction of any business. The
5 trustees who are appointed from the board and the membership shall
6 be appointed for each fiscal year. The two trustees who are not
7 members of the board or of the retirement system shall be appointed
8 for three fiscal years each. The trustees and the administrator
9 of the retirement system shall administer the retirement system
10 in compliance with the tax-qualification requirements applicable to
11 government retirement plans under section 401(a) of the Internal
12 Revenue Code, as defined in section 49-801.01, including: Section
13 401(a)(9) of the Internal Revenue Code relating to the time
14 and manner in which benefits are required to be distributed,
15 including the incidental death benefit distribution requirement
16 of section 401(a)(9)(G) of the Internal Revenue Code; section
17 ~~401(a)(16)~~ 401(a)(25) of the Internal Revenue Code relating to the
18 specification of actuarial assumptions; section 401(a)(31) of the
19 Internal Revenue Code relating to direct rollover distributions
20 from eligible retirement plans; and section 401(a)(37) of the
21 Internal Revenue Code relating to the death benefit of a member
22 whose death occurs while performing qualified military service. No
23 member of the Class V Retirement System Board or trustee shall
24 be personally liable, except in cases of willful dishonesty, gross
25 negligence, or intentional violations of law, for actions relating
26 to his or her retirement system duties.

27 Sec. 8. Section 79-987, Revised Statutes Supplement,

1 2013, is amended to read:

2 79-987 (1) An annual audit of the affairs of the
3 retirement system shall be conducted. At the option of the board,
4 such audit may be conducted by a certified public accountant or the
5 Auditor of Public Accounts. The costs of such audit shall be paid
6 from funds of the retirement system. A copy of such audit shall be
7 filed with the Auditor of Public Accounts.

8 (2) Beginning ~~March 31, 2012,~~ and each ~~March 31~~ 1, 2015,
9 and each March 1 thereafter, if such retirement plan is a defined
10 benefit plan, the ~~trustees of a retirement system established~~
11 ~~pursuant to section 79-979~~ board of education shall cause to
12 be prepared an annual report and the administrator shall file
13 the same with the Public Employees Retirement Board and submit
14 to the members of the Nebraska Retirement Systems Committee of
15 the Legislature a copy of such report. The report submitted to
16 the committee shall be submitted electronically. The report shall
17 consist of a full actuarial analysis of each such retirement plan
18 established pursuant to section 79-979. The analysis shall be
19 prepared by an independent private organization or public entity
20 employing actuaries who are members of the American Academy of
21 Actuaries and meet the academy's qualification standards to render
22 a statement of actuarial opinion, and which organization or entity
23 has demonstrated expertise to perform this type of analysis and is
24 unrelated to any organization offering investment advice or which
25 provides investment management services to the retirement plan.
26 The report shall be presented to the Nebraska Retirement Systems
27 Committee of the Legislature at a public hearing.

1 Sec. 9. Section 79-991, Revised Statutes Supplement,
2 2013, is amended to read:

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

14 (a) A member who desires to purchase prior service
15 credit shall make written application to the administrator of the
16 retirement system that includes all information and documentation
17 determined by the administrator as necessary to verify the
18 member's prior service and qualification to purchase the prior
19 service credit. Such application shall include the member's written
20 authorization for the administrator to request and receive from
21 any of the member's former employers verification of the member's
22 prior service, salary, and other information for determining the
23 member's eligibility to purchase prior service credit. Before prior
24 service credit may be purchased, the administrator shall have
25 received verification of the member's salary in each year with the
26 other school district or educational service unit and confirmation
27 that the prior service to be purchased by the member is not also

1 credited in the calculation of a retirement or disability benefit
2 for such member under another defined benefit retirement system
3 or program. The member's application to purchase prior service
4 credit may be made at any time before the fifth anniversary of the
5 member's membership in the retirement system or, if earlier, the
6 member's termination of employment with the school district;

7 (b) The member shall pay to the retirement system the
8 total amount he or she would have contributed to the retirement
9 system had he or she been a member of the retirement system during
10 the period for which prior service is being purchased, together
11 with interest thereon as determined using the rate of interest
12 established by the board for interest on such purchases of prior
13 service credit. Such payment shall be based on the most recent
14 years' salary the member earned in another school district or
15 educational service unit if the salary is verified by the other
16 school district or educational service unit or, if not, the payment
17 shall be based on the member's annual salary at the time he or she
18 became a member;

19 (c) Payments by the member for the purchase of the prior
20 service credit shall be paid as the trustees may direct through
21 direct payments to the retirement system or on an installment basis
22 pursuant to a binding irrevocable payroll deduction authorization
23 between the member and the school district over a period not to
24 exceed five years from the date of membership. Interest on delayed
25 payments shall be at the rate of interest established by the board
26 for determining interest on delayed payments by members to the
27 retirement system. In the event the member terminates employment

1 with the school district for any reason before full payment for
2 the prior service has been made, the remaining installments shall
3 be immediately due and payable to the retirement system. Prior
4 service credit may be purchased only in one-tenth-year increments,
5 and if payments are made on an installment basis, the prior
6 service will be credited only as payment has been made to the
7 retirement system. If the prior service to be purchased by the
8 member exceeds the member's membership service at the time of
9 application or any subsequent date, such excess prior service
10 shall be credited to the member only as the member completes
11 and is credited additional membership service, in one-tenth-year
12 increments, notwithstanding the member's payment for such prior
13 service credit. If the member retires or terminates employment
14 before completing sufficient membership service to permit all of
15 the excess prior service that has been purchased by the member
16 to be credited to such member, the retirement system shall refund
17 to the member, or to the member's beneficiary if the member's
18 termination is due to his or her death, the payments that have been
19 made to the retirement system for such uncredited prior service,
20 together with regular interest on such refund; and

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

25 (2) ~~Any member having five or more years of creditable~~
26 ~~service, excluding Any employee who became a member before July~~
27 ~~1, 2014, and who has five or more years of creditable service and~~

1 any employee who became a member for the first time on or after
2 July 1, 2014, and who has ten or more years of creditable service,
3 excluding in either case years of prior service acquired pursuant
4 to section 79-990, 79-994, 79-995, or 79-997, or subsection (1) of
5 this section, may elect to purchase up to a total of five years
6 of additional creditable service under the retirement system, and
7 upon such purchase the member shall be given the same status as
8 though he or she had been a member of the retirement system for
9 such additional number of years, except as otherwise specifically
10 provided in the Class V School Employees Retirement Act. Creditable
11 service may be purchased only in one-tenth-year increments. The
12 amount to be paid to the retirement system for such creditable
13 service shall be equal to the actuarial cost to the retirement
14 system of the increased benefits attributable to such additional
15 creditable service as determined by the retirement system's actuary
16 at the time of the purchase pursuant to actuarial assumptions and
17 methods adopted by the trustees for this purpose. The election
18 to purchase additional creditable service may be made at any time
19 before the member's termination of employment, and all payments for
20 the purchase of such creditable service must be completed within
21 five years after the election or before the member's termination or
22 retirement, whichever event occurs first. Payment shall be made as
23 the trustees may direct through a single payment to the retirement
24 system, on an installment basis, including payments pursuant to
25 a binding irrevocable payroll deduction authorization between the
26 member and the school district, or by such other method approved
27 by the trustees and permitted by law. If payments are made on

1 an installment basis, creditable service will be credited only as
2 payment has been made to the retirement system to purchase each
3 additional one-tenth-year increment. Interest shall be charged on
4 installment payments at the rate of interest established by the
5 board for determining interest on delayed payments by members to
6 the retirement system.

7 Sec. 10. Section 84-1503, Revised Statutes Supplement,
8 2013, is amended to read:

9 84-1503 (1) It shall be the duty of the Public Employees
10 Retirement Board:

11 (a) To administer the retirement systems provided for in
12 the County Employees Retirement Act, the Judges Retirement Act,
13 the Nebraska State Patrol Retirement Act, the School Employees
14 Retirement Act, and the State Employees Retirement Act. The agency
15 for the administration of the retirement systems and under the
16 direction of the board shall be known and may be cited as the
17 Nebraska Public Employees Retirement Systems;

18 (b) To appoint a director to administer the systems under
19 the direction of the board. The appointment shall be subject to
20 the approval of the Governor and a majority of the Legislature.
21 The director shall be qualified by training and have at least five
22 years of experience in the administration of a qualified public
23 or private employee retirement plan. The director shall not be a
24 member of the board. The salary of the director shall be set by the
25 board. The director shall serve without term and may be removed by
26 the board;

27 (c) To provide for an equitable allocation of expenses

1 among the retirement systems administered by the board, and all
2 expenses shall be provided from the investment income earned by the
3 various retirement funds unless alternative sources of funds to pay
4 expenses are specified by law;

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

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

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

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

24 (h) To prescribe and furnish forms for the public
25 retirement system plan reports required to be filed pursuant to
26 sections 2-3228, 12-101, 14-567, 14-1805.01, 14-2111, 15-1017,
27 16-1017, 16-1037, 19-3501, 23-1118, 23-3526, 71-1631.02, and

1 79-987.

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

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

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

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

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

17 (e) To obtain, by a competitive, formal, and sealed
18 bidding process through the materiel division of the Department
19 of Administrative Services, actuarial services on behalf of the
20 State of Nebraska as may be necessary in the administration
21 and development of the retirement systems, including, but not
22 limited to, preparation of an annual actuarial valuation report of
23 each of the defined benefit and cash balance plans administered
24 by the board. Such annual valuation reports shall be presented
25 by the actuary to the Nebraska Retirement Systems Committee of
26 the Legislature at a public hearing or hearings. Any contract
27 for actuarial services shall contain a provision allowing the

1 actuary, without prior approval of the board, to perform actuarial
2 studies of the systems as requested by entities other than the
3 board, if notice, which does not identify the entity or substance
4 of the request, is given to the board, all costs are paid by
5 the requesting entity, results are provided to the board, the
6 Nebraska Retirement Systems Committee of the Legislature, and
7 the Legislative Fiscal Analyst upon being made public, and such
8 actuarial studies do not interfere with the actuary's ongoing
9 responsibility to the board. The term of the contract shall be
10 for up to three years. A competitive, formal, and sealed bidding
11 process shall be completed at least once every three years,
12 unless the board determines that such a process would not be cost
13 effective under the circumstances and that the actuarial services
14 performed have been satisfactory, in which case the contract may
15 also contain an option for renewal without a competitive, formal,
16 and sealed bidding process for up to three additional years.
17 An actuary under contract for the State of Nebraska shall be a
18 member of the American Academy of Actuaries and meet the academy's
19 qualification standards to render a statement of actuarial opinion;

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

26 (g) To adopt and promulgate rules and regulations to
27 carry out the provisions of each retirement system described in

1 subdivision (1)(a) of this section, which includes, but is not
2 limited to, the crediting of military service, direct rollover
3 distributions, and the acceptance of rollovers;

4 (h) To obtain, by a competitive, formal, and sealed
5 bidding process through the materiel division of the Department
6 of Administrative Services, auditing services for a separate
7 compliance audit of the retirement systems to be completed by
8 December 31, 2020, and from time to time thereafter at the request
9 of the Nebraska Retirement Systems Committee of the Legislature, to
10 be completed not more than every four years but not less than every
11 ten years. The compliance audit shall be in addition to the annual
12 audit conducted by the Auditor of Public Accounts. The compliance
13 audit shall include, but not be limited to, an examination of
14 records, files, and other documents and an evaluation of all
15 policies and procedures to determine compliance with all state and
16 federal laws. A copy of the compliance audit shall be given to the
17 Governor, the board, and the Nebraska Retirement Systems Committee
18 of the Legislature and shall be presented to the committee at a
19 public hearing;

20 (i) To adopt and promulgate rules and regulations for
21 the adjustment of contributions or benefits, which includes, but
22 is not limited to: (i) The procedures for refunding contributions,
23 adjusting future contributions or benefit payments, and requiring
24 additional contributions or repayment of benefits; (ii) the
25 process for a member, member's beneficiary, employee, or employer
26 to dispute an adjustment to contributions or benefits; (iii)
27 establishing materiality and de minimus amounts for agency

1 transactions, adjustments, and inactive account closures; and (iv)
2 notice provided to all affected persons. Following an adjustment, a
3 timely notice shall be sent that describes the adjustment and the
4 process for disputing an adjustment to contributions or benefits;
5 and

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

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

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

16 Sec. 12. Original sections 79-924, 79-933.02, 79-933.08,
17 and 79-933.09, Reissue Revised Statutes of Nebraska, section
18 79-980, Revised Statutes Cumulative Supplement, 2012, and sections
19 79-902, 79-921, 79-987, 79-991, and 84-1503, Revised Statutes
20 Supplement, 2013, are repealed.

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

23 2. On page 1, strike beginning with "79-902" in line
24 1 through line 5 and insert "79-924, 79-933.02, 79-933.08, and
25 79-933.09, Reissue Revised Statutes of Nebraska, section 79-980,
26 Revised Statutes Cumulative Supplement, 2012, and sections 79-902,
27 79-921, 79-987, 79-991, and 84-1503, Revised Statutes Supplement,

1 2013; to change school retirement provisions; to change duties of
2 the Public Employees Retirement Board; to provide severability; to
3 repeal the original sections; and to declare an emergency.".