

AMENDMENTS TO LB448

Introduced by Nebraska Retirement Systems.

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

3 Section 1. Section 72-1237, Reissue Revised Statutes of Nebraska, is
4 amended to read:

5 72-1237 The Nebraska Investment Council is created. For purposes of
6 the Nebraska State Funds Investment Act, council means the Nebraska
7 Investment Council. The council shall consist of five members, appointed
8 by the Governor with the approval of the Legislature. ~~The~~ ~~,~~ ~~and~~ ~~the~~ State
9 Treasurer, ~~and~~ the director of the Nebraska Public Employees Retirement
10 Systems, and beginning January 1, 2016, the administrator of each
11 retirement system provided for under the Class V School Employees
12 Retirement Act shall serve as nonvoting, ex officio members. One of the
13 appointed members shall be designated chairperson by the Governor.

14 ~~Each~~ ~~Prior to September 1, 2006,~~ ~~each of the appointed members of~~
15 ~~the council shall serve for a term of five years and may be removed by~~
16 ~~the Governor for cause after notice and an opportunity to be heard. The~~
17 ~~term of any appointed member shall be extended until the date on which~~
18 ~~his or her successor's appointment is effective. Beginning September 1,~~
19 ~~2006,~~ ~~each~~ of the appointed members of the council shall serve for a term
20 of five years that begins on January 1 and may be removed by the Governor
21 for cause after notice and an opportunity to be heard. Such term shall be
22 extended until the date on which his or her successor's appointment is
23 effective. ~~For members serving on September 1, 2006, and whose terms~~
24 ~~would otherwise end on September 18, such terms shall be extended until~~
25 ~~the following December 31, or until the date on which his or her~~
26 ~~successor's appointment is effective.~~ A member may be reappointed. A
27 successor shall be appointed in the same manner as provided for the

1 members first appointed, and in case of a vacancy caused by death,
2 resignation, or otherwise, the Governor shall appoint a qualified person
3 to fill the vacancy for the unexpired term.

4 No member of the council shall be personally liable, except in cases
5 of willful dishonesty, gross negligence, or intentional violation of law,
6 for actions relating to his or her duties as a member of the council.

7 Sec. 2. Section 72-1239, Reissue Revised Statutes of Nebraska, is
8 amended to read:

9 72-1239 The purpose of the council is to formulate and establish
10 such policies as it may deem necessary and proper which shall govern the
11 methods, practices, and procedures followed by the state investment
12 officer for the investment or reinvestment of state funds and funds
13 described in section 83-133 and the purchase, sale, or exchange of
14 securities as provided by the Nebraska State Funds Investment Act. The
15 council shall meet from time to time as directed by the Governor or the
16 chairperson or as requested by the state investment officer. The members
17 of the council, except the State Treasurer, ~~and~~ the director of the
18 Nebraska Public Employees Retirement Systems, and beginning January 1,
19 2016, each administrator of a retirement system provided for under the
20 Class V School Employees Retirement Act, shall be paid seventy-five
21 dollars per diem. The members shall be reimbursed for their actual and
22 necessary expenses incurred in connection with the performance of their
23 duties as members as provided in sections 81-1174 to 81-1177.

24 Sec. 3. Section 72-1239.01, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 72-1239.01 (1)(a) The appointed members of the Nebraska Investment
27 Council shall have the responsibility for the investment management of
28 the assets of the retirement systems administered by the Public Employees
29 Retirement Board as provided in section 84-1503, ~~and~~ the assets of the
30 Nebraska educational savings plan trust created pursuant to sections
31 85-1801 to 85-1814, and beginning January 1, 2016, the assets of each

1 retirement system provided for under the Class V School Employees
2 Retirement Act. The appointed members shall be deemed fiduciaries with
3 respect to the investment of the assets of the retirement systems and of
4 the Nebraska educational savings plan trust and shall be held to the
5 standard of conduct of a fiduciary specified in subsection (3) of this
6 section. The nonvoting, ex officio members of the council shall not be
7 deemed fiduciaries.

8 (b) As fiduciaries, the appointed members of the council and the
9 state investment officer shall discharge their duties with respect to the
10 assets of the retirement systems and of the Nebraska educational savings
11 plan trust solely in the interests of the members and beneficiaries of
12 the retirement systems or the interests of the participants and
13 beneficiaries of the Nebraska educational savings plan trust, as the case
14 may be, for the exclusive purposes of providing benefits to members,
15 members' beneficiaries, participants, and participants' beneficiaries and
16 defraying reasonable expenses incurred within the limitations and
17 according to the powers, duties, and purposes prescribed by law.

18 (2)(a) The appointed members of the Nebraska Investment Council
19 shall have the responsibility for the investment management of the assets
20 of state funds. The appointed members shall be deemed fiduciaries with
21 respect to the investment of the assets of state funds and shall be held
22 to the standard of conduct of a fiduciary specified in subsection (3) of
23 this section. The nonvoting, ex officio members of the council shall not
24 be deemed fiduciaries.

25 (b) As fiduciaries, the appointed members of the council and the
26 state investment officer shall discharge their duties with respect to the
27 assets of state funds solely in the interests of the citizens of the
28 state within the limitations and according to the powers, duties, and
29 purposes prescribed by law.

30 (3) The appointed members of the council shall act with the care,
31 skill, prudence, and diligence under the circumstances then prevailing

1 that a prudent person acting in like capacity and familiar with such
2 matters would use in the conduct of an enterprise of a like character and
3 with like aims by diversifying the investments of the assets of the
4 retirement systems, the Nebraska educational savings plan trust, and
5 state funds so as to minimize risk of large losses, unless in light of
6 such circumstances it is clearly prudent not to do so. No assets of the
7 retirement systems or the Nebraska educational savings plan trust shall
8 be invested or reinvested if the sole or primary investment objective is
9 for economic development or social purposes or objectives.

10 (4) Neither the appointed members of the Nebraska Investment Council
11 nor the state investment officer shall be deemed fiduciaries with respect
12 to investments of the assets of the Class V School Employees Retirement
13 System made by or on behalf of the board of education as defined in
14 section 79-978 or the board of trustees provided for in section 79-980.
15 Neither the Nebraska Investment Council nor any member thereof nor the
16 state investment officer shall be liable for the action or inaction of
17 the board of education or the board of trustees with respect to the
18 investment of the assets of the Class V School Employees Retirement
19 System, the consequences of any such action or inaction of the board of
20 education or the board of trustees, and any claims, suits, losses,
21 damages, fees, and costs related to such action or inaction or
22 consequences thereof.

23 Sec. 4. Section 72-1243, Revised Statutes Cumulative Supplement,
24 2014, is amended to read:

25 72-1243 (1) Except as otherwise specifically provided by law, the
26 state investment officer shall direct the investment and reinvestment of
27 money in all state funds not currently needed and all funds described in
28 section 83-133 and order the purchase, sale, or exchange of securities
29 for such funds. He or she shall notify the State Treasurer of any
30 payment, receipt, or delivery that may be required as a result of any
31 investment decision, which notification shall be the authorization and

1 direction for the State Treasurer to make such disbursement, receipt, or
2 delivery from the appropriate fund.

3 (2) The council shall have an analysis made of the investment
4 returns that have been achieved on the assets of each retirement system
5 administered by the Public Employees Retirement Board as provided in
6 section 84-1503 and, beginning January 1, 2016, on the assets of each
7 retirement system provided for under the Class V School Employees
8 Retirement Act. By March 31 of each year, the analysis shall be presented
9 to the board and the Nebraska Retirement Systems Committee of the
10 Legislature. The analysis shall be prepared by an independent
11 organization which has demonstrated expertise to perform this type of
12 analysis and for which there exists no conflict of interest in the
13 analysis being provided. The analysis may be waived by the council for
14 any retirement system with assets of less than one million dollars.

15 (3) By March 31 of each year, the council shall prepare a written
16 plan of action and shall present such plan to the Nebraska Retirement
17 Systems Committee of the Legislature at a public hearing. The plan shall
18 include, but not be limited to, the council's investment portfolios,
19 investment strategies, the duties and limitations of the state investment
20 officer, and an organizational structure of the council's office.

21 Sec. 5. Section 72-1249, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 72-1249 (1) Any expenses with respect to the purchase, sale, or
24 exchange of any security shall be charged to the fund or funds on behalf
25 of which such purchase, sale, or exchange was made. All other expenses of
26 the state investment officer shall be paid out of appropriations for the
27 office of the state investment officer.

28 (2) Beginning on the effective date of this act, any expenses with
29 respect to the transfer and assumption by the Nebraska Investment Council
30 of the duty and authority to invest the assets of the Class V School
31 Employees Retirement System shall be charged to the Class V School

1 Employees Retirement Fund established in section 79-9,115. Such expenses
2 shall be paid without the approval of the board of education as defined
3 in section 79-978 or the board of trustees provided for in section
4 79-980.

5 (3) The Class V School Employees Retirement Cash Fund is created.
6 The fund shall be administered by the Nebraska Investment Council. The
7 fund shall consist of funds received for costs, fees, and expenses
8 incurred by the Nebraska Investment Council and the state investment
9 officer for duties and authority related to the investment and
10 reinvestment of the assets of the Class V School Employees Retirement
11 System. Any money in the fund available for investment shall be invested
12 by the state investment officer pursuant to the Nebraska Capital
13 Expansion Act and the Nebraska State Funds Investment Act.

14 Management, custodial, and service costs which are a direct expense
15 of investing the assets of the Class V School Employees Retirement System
16 may be paid from the income of such assets when it is not prohibited by
17 statute or the constitution. For purposes of this section, management,
18 custodial, and service costs include investment counsel fees for managing
19 assets, real estate mortgage loan service fees, real estate management
20 fees, and custody fees for fund securities. All such fees shall be
21 approved by the Nebraska Investment Council and the state investment
22 officer.

23 Sec. 6. Section 72-1249.02, Reissue Revised Statutes of Nebraska, is
24 amended to read:

25 72-1249.02 The State Investment Officer's Cash Fund is created. A
26 pro rata share of the budget appropriated for the Nebraska Investment
27 Council shall be charged to the income of each fund managed, and such
28 charges shall be transferred to the State Investment Officer's Cash Fund.
29 The allocation of charges may be made by any method determined to be
30 reasonably related to actual costs incurred by the Nebraska Investment
31 Council. Approval of the agencies and boards administering these funds

1 shall not be required.

2 It is the intent of this section to have funds managed by the state
3 investment officer pay a pro rata share of the investment management
4 expense when this is not prohibited by statute or the constitution.

5 Management, custodial, and service costs which are a direct expense
6 of state funds may be paid from the income of such funds when this is not
7 prohibited by statute or the constitution. For purposes of this section,
8 management, custodial, and service costs shall include, but not be
9 limited to, investment counsel fees for managing assets, real estate
10 mortgage loan service fees, real estate management fees, and custody fees
11 for fund securities. All such fees shall be approved by the Nebraska
12 Investment Council and the state investment officer.

13 Beginning on the effective date of this act, a pro rata share of the
14 budget appropriated for the Nebraska Investment Council shall be charged
15 to the income of the Class V School Employees Retirement Fund, and such
16 charges shall be transferred to the State Investment Officer's Cash Fund.
17 The allocation of charges among the Class V School Employees Retirement
18 System and the other funds managed by the Nebraska Investment Council may
19 be made by any method determined to be reasonably related to actual costs
20 incurred by the Nebraska Investment Council. Approval of the board of
21 education as defined in section 79-978 and the board of trustees provided
22 for in section 79-980 shall not be required.

23 Sec. 7. Section 79-916, Reissue Revised Statutes of Nebraska, is
24 amended to read:

25 79-916 (1)(a) On July 1, 2004, the board shall transfer from the
26 School Retirement Fund to the Service Annuity Fund an amount equal to the
27 funded ratio of the retirement system which is equal to the market value
28 of the retirement system assets divided by the actuarial accrued
29 liability of the retirement system, times the actuarial accrued liability
30 of the service annuity, as determined pursuant to section 79-966.01, of
31 the employees who are members of the retirement system established

1 pursuant to the Class V School Employees Retirement Act. Beginning July
2 1, 2013, such actuarial accrued liability shall be determined for each
3 employee on a level percentage of salary basis. On or before July 1 of
4 each fiscal year, the state shall deposit into the Service Annuity Fund
5 such amounts as may be necessary to pay the normal cost and amortize the
6 unfunded actuarial accrued liability of the service annuity, as
7 determined pursuant to section 79-966.01, as of the end of the previous
8 fiscal year of the employees who are members of the retirement system
9 established pursuant to the Class V School Employees Retirement Act.
10 Based on the fiscal year of the retirement system established pursuant to
11 the Class V School Employees Retirement Act, the administrator of such
12 system shall provide all membership information needed for the actuary
13 engaged by the retirement board to determine the normal cost and the
14 amortization payment of the unfunded actuarial accrued liability, as
15 determined pursuant to section 79-966.01, to be paid by the state to the
16 Service Annuity Fund each fiscal year as required by this subdivision.

17 (b) At the time of retirement of any employee who is a member of the
18 retirement system established pursuant to the Class V School Employees
19 Retirement Act and who was hired prior to July 1, 2015, the retirement
20 board shall, upon receipt of a certification of the administrator of such
21 retirement system of the name, identification number, date of birth,
22 retirement date, last date of employment, type of retirement, and number
23 of years of service credited to such eligible employee at the date of
24 retirement, transfer to such retirement system from the Service Annuity
25 Fund the actuarial accrued liability of the service annuity to be paid by
26 the state to the eligible employee for the years of service thus
27 certified as provided for members of the School Employees Retirement
28 System of the State of Nebraska under sections 79-933 and 79-952. Such
29 transfer of the actuarial accrued liability to the retirement system
30 established pursuant to the Class V School Employees Retirement Act shall
31 be in lieu of the payment of the service annuity to which the employee

1 would be entitled.

2 (c) The Service Annuity Fund is created. The fund shall consist of
3 the amounts paid by the state and transferred from the School Retirement
4 Fund pursuant to this section to pay the service annuity to be paid by
5 the state to employees who are members of the retirement system
6 established pursuant to the Class V School Employees Retirement Act. Any
7 money in the Service Annuity Fund available for investment shall be
8 invested by the state investment officer pursuant to the Nebraska Capital
9 Expansion Act and the Nebraska State Funds Investment Act.

10 (2) In addition to the transfer of the actuarial accrued liability
11 of the service annuity to be paid by the state, the state shall also
12 transfer to the funds of the Class V school district's retirement system
13 an amount determined by multiplying the compensation of all members of
14 such retirement system by the percent specified in subsection (2) of
15 section 79-966 for determining the amount of the state's payment to the
16 School Retirement Fund plus the amount determined under subdivision (2)
17 (b) of section 79-966. The transfer shall be made annually on or before
18 July 1 of each fiscal year.

19 Sec. 8. Section 79-966, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 79-966 (1)(a) On the basis of all data in the possession of the
22 retirement board, including such mortality and other tables as are
23 recommended by the actuary engaged by the retirement board and adopted by
24 the retirement board, the retirement board shall annually, on or before
25 July 1, determine the state deposit to be made by the state in the School
26 Retirement Fund for that fiscal year. The amount of such state deposit
27 shall be determined pursuant to section 79-966.01. The retirement board
28 shall thereupon certify the amount of such state deposit, and on the
29 warrant of the Director of Administrative Services, the State Treasurer
30 shall, as of July 1 of such year, transfer from funds appropriated by the
31 state for that purpose to the School Retirement Fund the amount of such

1 state deposit.

2 (b) Beginning July 1, 2015, the state deposit required by this
3 subsection shall be calculated as a percent of compensation of all
4 members of the retirement system. For any year in which a deposit is made
5 to the School Retirement Fund under this subsection, if the actuary
6 employed by the Class V school district's retirement system determines
7 that the actuarially required contribution rate exceeds the rate of all
8 contributions required pursuant to the Class V School Employees
9 Retirement Act, using the thirty-year amortization period specified in
10 section 79-966.01, the state shall transfer to the funds of the Class V
11 school district's retirement system an amount determined by multiplying
12 the compensation of all members of such retirement system by the lesser
13 of the percent of compensation deposited into the School Retirement Fund
14 under this subsection or the percent of compensation of the members of
15 the Class V school district's retirement system needed to meet the
16 actuarially required contribution rate for the Class V school district's
17 retirement system, using the thirty-year amortization period specified in
18 section 79-966.01. The amount of transfer so calculated shall be added to
19 the two percent specified in subsection (2) of this section for the
20 amount required by subdivision (2) of section 79-916 to be transferred to
21 the funds of the Class V school district's retirement system.

22 ~~(2) For each fiscal year beginning July 1, 2009, until July 1, 2014,~~
23 ~~in addition to the state deposits required by subsections (1) and (3) of~~
24 ~~this section, the state shall deposit in the School Retirement Fund an~~
25 ~~amount equal to one percent of the compensation of all members of the~~
26 ~~retirement system. For each fiscal year beginning July 1, 2014, in~~
27 ~~addition to the state deposits required by subsections (1) and (3) of~~
28 ~~this section, the state shall deposit in the School Retirement Fund an~~
29 ~~amount equal to two percent of the compensation of all members of the~~
30 ~~retirement system.~~

31 (3) In addition to the state deposits required by subsections (1)

1 and (2) of this section, beginning on July 1, 2005, and each fiscal year
2 thereafter for employees who become members prior to July 1, 2015, the
3 state shall deposit in the Service Annuity Fund such amounts as may be
4 necessary to pay the normal cost and amortize the unfunded actuarial
5 accrued liability of the service annuity benefit established pursuant to
6 sections 79-933 and 79-952 as accrued through the end of the previous
7 fiscal year of the school employees who are members of the retirement
8 system established pursuant to the Class V School Employees Retirement
9 Act.

10 Sec. 9. Section 79-978, Reissue Revised Statutes of Nebraska, is
11 amended to read:

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

14 (1) Retirement system or system means the School Employees'
15 Retirement System of (corporate name of the school district as described
16 in section 79-405) as provided for by the act;

17 (2) Board of education means the board of education of the school
18 district;

19 (3) Trustee means a trustee provided for in section 79-980;

20 (4) Employee means the following enumerated persons receiving
21 compensation from the school district: (a) Regular teachers and
22 administrators employed on a written contract basis; and (b) regular
23 employees, not included in subdivision (4)(a) of this section, hired upon
24 a full-time basis, which basis shall contemplate a workweek of not less
25 than thirty hours;

26 (5) Member means any employee included in the membership of the
27 retirement system or any former employee who has made contributions to
28 the system and has not received a refund;

29 (6) Annuitant means any member receiving an allowance;

30 (7) Beneficiary means any person entitled to receive or receiving a
31 benefit by reason of the death of a member;

1 (8) Membership service means service on or after September 1, 1951,
2 as an employee of the school district and a member of the system for
3 which compensation is paid by the school district. Credit for more than
4 one year of membership service shall not be allowed for service rendered
5 in any fiscal year. Beginning September 1, 2005, a member shall be
6 credited with a year of membership service for each fiscal year in which
7 the member performs one thousand or more hours of compensated service as
8 an employee of the school district. An hour of compensated service shall
9 include any hour for which the member is compensated by the school
10 district during periods where no service is performed due to vacation or
11 approved leave. If a member performs less than one thousand hours of
12 compensated service during a fiscal year, one-tenth of a year of
13 membership service shall be credited for each one hundred hours of
14 compensated service by the member in such fiscal year. In determining a
15 member's total membership service, all periods of membership service,
16 including fractional years of membership service in one-tenth-year
17 increments, shall be aggregated;

18 (9) Prior service means service rendered prior to September 1, 1951,
19 for which credit is allowed under section 79-999, service rendered by
20 retired employees receiving benefits under preexisting systems, and
21 service for which credit is allowed under sections 79-990, 79-991,
22 79-994, 79-995, and 79-997;

23 (10) Creditable service means the sum of the membership service and
24 the prior service, measured in one-tenth-year increments;

25 (11) Compensation means salary or wages payable by the school
26 district before reduction for contributions picked up under section
27 414(h) of the Internal Revenue Code, elective contributions made pursuant
28 to section 125 or 403(b) of the code, or amounts not currently includible
29 in income by reason of section 132(f)(4) of the code, subject to the
30 applicable limitations of section 401(a)(17) of the code;

31 (12) Military service means service in the uniformed services as

1 defined in 38 U.S.C. 4301 et seq., as such provision existed on March 27,
2 1997;

3 (13) Accumulated contributions means the sum of amounts contributed
4 by a member of the system together with regular interest credited
5 thereon;

6 (14) Regular interest means interest (a) on the total contributions
7 of the member prior to the close of the last preceding fiscal year, (b)
8 compounded annually, and (c) beginning September 1, 2015, a rate equal to
9 the daily treasury yield curve for one-year treasury securities, as
10 published by the Secretary of Treasury of the United States, that applies
11 on September 1 of each year at rates to be determined annually by the
12 board, which shall have the sole, absolute, and final discretionary
13 authority to make such determination, except that the rate for any given
14 year in no event shall exceed the actual percentage of net earnings of
15 the system during the last preceding fiscal year;

16 (15) Interest means for the purchase of service credit, the purchase
17 of prior service credit, restored refunds, and delay payments, the
18 investment return assumption used in the most recent actuarial valuation;

19 (16 15) Retirement date means the date of retirement of a member for
20 service or disability as fixed by the board of trustees;

21 (17 16) Normal retirement date means (a) for employees who become
22 members prior to July 1, 2015, the end of the month during which the
23 member attains age sixty-five and has completed at least five years of
24 membership service and (b) for employees who become members on or after
25 July 1, 2015, the end of the month during which the member attains age
26 sixty-five and has completed at least one-half year of membership
27 service;

28 (18 17) Early retirement date means that month and year selected by
29 a member having at least ten years of creditable service which includes a
30 minimum of five years of membership service and who has (a) for members
31 hired prior to July 1, 2015, attained age fifty-five; and (b) for members

1 hired on or after July 1, 2015, having at least five years of creditable
2 service and attained age sixty ~~attained age fifty-five~~;

3 (19 18) Retirement allowance means the total annual retirement
4 benefit payable to a member for service or disability;

5 (20 19) Annuity means annual payments, for both prior service and
6 membership service, for life as provided in the Class V School Employees
7 Retirement Act;

8 (21 20) Actuarial tables means:

9 (a) For determining the actuarial equivalent of any annuities other
10 than joint and survivorship annuities, a unisex mortality table using
11 twenty-five percent of the male mortality and seventy-five percent of the
12 female mortality from the 1994 Group Annuity Mortality Table with a One
13 Year Setback and using an interest rate of eight percent compounded
14 annually; and

15 (b) For joint and survivorship annuities, a unisex retiree mortality
16 table using sixty-five percent of the male mortality and thirty-five
17 percent of the female mortality from the 1994 Group Annuity Mortality
18 Table with a One Year Setback and using an interest rate of eight percent
19 compounded annually and a unisex joint annuitant mortality table using
20 thirty-five percent of the male mortality and sixty-five percent of the
21 female mortality from the 1994 Group Annuity Mortality Table with a One
22 Year Setback and using an interest rate of eight percent compounded
23 annually;

24 (22 21) Actuarial equivalent means the equality in value of the
25 retirement allowance for early retirement or the retirement allowance for
26 an optional form of annuity, or both, with the normal form of the annuity
27 to be paid, as determined by the application of the appropriate actuarial
28 table, except that use of such actuarial tables shall not effect a
29 reduction in benefits accrued prior to September 1, 1985, as determined
30 by the actuarial tables in use prior to such date;

31 (23 22) Fiscal year means the period beginning September 1 in any

1 year and ending on August 31 of the next succeeding year;

2 (24) Audit year means the period beginning January 1 in any year and
3 ending on December 31 of that same year except for the initial audit year
4 which will begin September 1, 2015, and end on December 31, 2015.
5 Beginning September 1, 2015, the audit year will be the period of time
6 used in the preparation of the annual actuarial analysis and valuation
7 and a financial audit of the investments of the retirement system;

8 (25 23) Primary beneficiary means the person or persons entitled to
9 receive or receiving a benefit by reason of the death of a member; ~~and~~

10 (26 24) Secondary beneficiary means the person or persons entitled
11 to receive or receiving a benefit by reason of the death of all primary
12 beneficiaries prior to the death of the member. If no primary beneficiary
13 survives the member, secondary beneficiaries shall be treated in the same
14 manner as primary beneficiaries; -

15 (27) Nebraska Investment Council means the council created and
16 acting pursuant to section 72-1237; and

17 (28) State investment officer means the state investment officer
18 appointed pursuant to section 72-1240 and acting pursuant to the Nebraska
19 State Funds Investment Act.

20 Sec. 10. Section 79-978.01, Reissue Revised Statutes of Nebraska, is
21 amended to read:

22 79-978.01 Sections 79-978 to 79-9,118 and sections 15, 28, and 39 of
23 this act shall be known and may be cited as the Class V School Employees
24 Retirement Act.

25 Sec. 11. Section 79-979, Reissue Revised Statutes of Nebraska, is
26 amended to read:

27 79-979 (1) Prior to September 13, 1997, in each Class V school
28 district in the State of Nebraska there is hereby established a separate
29 retirement system for all regular employees of such school district. Such
30 system shall be for the purpose of providing retirement benefits for all
31 regular employees of the school district as provided in the Class V

1 School Employees Retirement Act. The system shall be known as School
2 Employees' Retirement System of (corporate name of the school district as
3 described in section 79-405). All of its business shall be transacted,
4 all of its funds shall be invested, and all of its cash and securities
5 and other property shall be held in trust on behalf of the retirement
6 system ~~by such name~~ for the purposes set forth in the act. Such funds
7 shall be kept separate from all other funds of the school district and
8 shall be used for no other purpose.

9 (2) Except as provided in subsection (3) of this section, if any new
10 Class V school districts are formed after September 13, 1997, such new
11 Class V school district shall elect to become or remain a part of the
12 retirement system established pursuant to the School Employees Retirement
13 Act.

14 (3) Any new Class V school districts formed pursuant to the Learning
15 Community Reorganization Act shall continue to participate in the
16 retirement system established pursuant to the Class V School Employees
17 Retirement Act if such new Class V school district was formed at least in
18 part by territory that had been in a Class V school district that
19 participated in the retirement system established pursuant to the Class V
20 School Employees Retirement Act.

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

23 79-980 (1) At any time that the retirement system consists of only
24 one Class V school district, the general administration of the retirement
25 system is hereby vested in the board of trustees. Beginning July 1, 2015,
26 the board of trustees shall consist of the following individuals: (a) Two
27 members of the retirement system who are certificated staff elected by
28 the members of the retirement system who are certificated staff; (b) one
29 member of the retirement system who is classified staff elected by the
30 members of the retirement system who are classified staff; (d) one member
31 of the retirement system who is an annuitant elected by the members of

1 the retirement system who are annuitants; (e) the superintendent of
2 schools or his or her designee to serve as ex officio, voting trustee;
3 (f) the state investment officer or his or her designee to serve as ex
4 officio, nonvoting trustee; and (g) two business persons approved by the
5 board of education qualified in financial affairs who are not members of
6 the retirement system. The business person trustees shall be recommended
7 to four-year terms by the trustees who are not business persons and the
8 appointments shall be approved by the board of education. The elections
9 of the trustees who are members of the retirement system shall be
10 arranged for, managed, and conducted by the board of trustees and, after
11 the initial terms as otherwise designated, shall be for terms of four
12 years. One existing certificated staff trustee will continue serving
13 until an elected certificated staff trustee will take position effective
14 July 1, 2016; the second existing certificated staff trustee will
15 continue serving until a second elected certificated staff trustee will
16 take position July 1, 2017; the existing classified staff trustee will
17 continue serving until an elected classified staff trustee will take
18 position July 1, 2018; the existing annuitant member trustee will
19 continue serving until an elected annuitant member trustee will take
20 position July 1, 2019; one existing business member trustee will continue
21 serving until a new term of office begins effective July 1, 2017; and the
22 second existing business member trustee will continue serving until a new
23 term of office begins effective July 1, 2019. The terms of the elected
24 trustees shall be fixed so that one member trustee election shall be held
25 each year. The board of trustees shall appoint a qualified individual to
26 fill any vacancy on the board of trustees for the remainder of the
27 unexpired term. No vacancy or vacancies on the board of trustees shall
28 impair the power of the remaining trustees to administer the retirement
29 system pending the filling of such vacancy or vacancies. The trustees
30 shall serve without compensation, but shall be reimbursed from the funds
31 of the retirement system for expenses that they may incur through service

1 on the board of trustees as provided in sections 81-1174 to 81-1177. A
2 trustee shall serve until a successor qualifies, except that trustees who
3 are members of the retirement system shall be disqualified as trustees
4 immediately upon ceasing to be a member of the retirement system. Each
5 trustee shall be entitled to one vote on the board of trustees, and four
6 trustees shall constitute a quorum for the transaction of any business.
7 The board of trustees and the administrator of the retirement system
8 shall administer the retirement system in compliance with the tax-
9 qualification requirements applicable to government retirement plans
10 under section 401(a) of the Internal Revenue Code, as defined in section
11 49-801.01, including: Section 401(a)(9) of the Internal Revenue Code
12 relating to the time and manner in which benefits are required to be
13 distributed, including the incidental death benefit distribution
14 requirement of section 401(a)(9)(G) of the Internal Revenue Code; section
15 401(a)(25) of the Internal Revenue Code relating to the specification of
16 actuarial assumptions; section 401(a)(31) of the Internal Revenue Code
17 relating to direct rollover distributions from eligible retirement plans;
18 and section 401(a)(37) of the Internal Revenue Code relating to the death
19 benefit of a member whose death occurs while performing qualified
20 military service. No member of the board of education or trustee shall be
21 personally liable, except in cases of willful dishonesty, gross
22 negligence, or intentional violations of law, for actions relating to his
23 or her retirement system duties. The ex officio nonvoting member of the
24 board of trustees and his or her designees shall not be deemed
25 fiduciaries of the retirement system ~~At any time that the retirement~~
26 ~~system consists of only one Class V school district, the general~~
27 ~~administration of the retirement system is hereby vested in the board of~~
28 ~~education. The board shall appoint, by a majority of all its members, ten~~
29 ~~trustees to serve as executive officers to administer the Class V School~~
30 ~~Employees Retirement Act. Such trustees shall consist of (a) the~~
31 ~~superintendent of schools, as ex officio trustee, (b) four members of the~~

1 ~~retirement system, two from the certificated staff, one from the~~
2 ~~classified staff, and one from the annuitants, (c) three members of the~~
3 ~~board of education, and (d) two trustees who are business persons~~
4 ~~qualified in financial affairs and who are not members of the retirement~~
5 ~~system. The trustees shall serve without compensation, but they shall be~~
6 ~~reimbursed from the funds of the retirement system for expenses that they~~
7 ~~may incur through service on the board of trustees as provided in~~
8 ~~sections 81-1174 to 81-1177. A trustee shall serve until a successor~~
9 ~~qualifies, except that trustees who are members of the retirement system~~
10 ~~or members of the board of education shall be disqualified as trustees~~
11 ~~immediately upon ceasing to be a member of the retirement system or of~~
12 ~~the board of education. Each trustee shall be entitled to one vote on the~~
13 ~~board of trustees, and six trustees shall constitute a quorum for the~~
14 ~~transaction of any business. The trustees who are appointed from the~~
15 ~~board of education and the membership shall be appointed for each fiscal~~
16 ~~year. The two trustees who are not members of the board of education or~~
17 ~~of the retirement system shall be appointed for three fiscal years each.~~
18 ~~The trustees and the administrator of the retirement system shall~~
19 ~~administer the retirement system in compliance with the tax-qualification~~
20 ~~requirements applicable to government retirement plans under section~~
21 ~~401(a) of the Internal Revenue Code, as defined in section 49-801.01,~~
22 ~~including: Section 401(a)(9) of the Internal Revenue Code relating to the~~
23 ~~time and manner in which benefits are required to be distributed,~~
24 ~~including the incidental death benefit distribution requirement of~~
25 ~~section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(25) of~~
26 ~~the Internal Revenue Code relating to the specification of actuarial~~
27 ~~assumptions; section 401(a)(31) of the Internal Revenue Code relating to~~
28 ~~direct rollover distributions from eligible retirement plans; and section~~
29 ~~401(a)(37) of the Internal Revenue Code relating to the death benefit of~~
30 ~~a member whose death occurs while performing qualified military service.~~
31 ~~No member of the board of education or trustee shall be personally~~

1 ~~liable, except in cases of willful dishonesty, gross negligence, or~~
2 ~~intentional violations of law, for actions relating to his or her~~
3 ~~retirement system duties.~~

4 (2) At any time that the retirement system consists of more than one
5 Class V school district, the general administration of the retirement
6 system is hereby vested in the board of trustees. The board of trustees
7 shall consist of the following individuals: (a) Two members of the
8 retirement system who are certificated staff elected by the members of
9 the retirement system who are certificated staff; (b) one member of the
10 retirement system who is classified staff elected by the members of the
11 retirement system who are classified staff; (c) one member of the
12 retirement system who is an annuitant elected by the members of the
13 retirement system who are annuitants; (d) the superintendent of each of
14 the school districts represented in the retirement system or his or her
15 designee to serve as ex officio, voting trustee; (e) the state investment
16 officer or his or her designee to serve as ex officio, nonvoting trustee;
17 and (f) two business persons approved by the board of education qualified
18 in financial affairs who is not a member of the retirement system. The
19 elections of the trustees who are members of the retirement system shall
20 be arranged for, managed, and conducted by the board of trustees and,
21 after the initial terms as otherwise designated, shall be for terms of
22 four years. The business person trustees shall be recommended to four-
23 year terms by the trustees who are not business persons and the
24 appointments shall be approved by the board of education. The board of
25 trustees shall appoint a qualified individual to fill any vacancy on the
26 board of trustees for the remainder of the unexpired term. No vacancy or
27 vacancies on the board of trustees shall impair the power of the
28 remaining trustees to administer the retirement system pending the
29 filling of such vacancy or vacancies. The trustees shall serve without
30 compensation, but shall be reimbursed from the funds of the retirement
31 system for expenses that they may incur through service on the board of

1 trustees as provided in sections 81-1174 to 81-1177. A trustee shall
2 serve until a successor qualifies, except that trustees who are members
3 of the retirement system shall be disqualified as trustees immediately
4 upon ceasing to be a member of the retirement system. Each trustee shall
5 be entitled to one vote on the board of trustees, and four trustees shall
6 constitute a quorum for the transaction of any business. The board of
7 trustees and the administrator of the retirement system shall administer
8 the retirement system in compliance with the tax-qualification
9 requirements applicable to government retirement plans under section
10 401(a) of the Internal Revenue Code, as defined in section 49-801.01,
11 including: Section 401(a)(9) of the Internal Revenue Code relating to the
12 time and manner in which benefits are required to be distributed,
13 including the incidental death benefit distribution requirement of
14 section 401(a)(9)(G) of the Internal Revenue Code; section 401(a)(25) of
15 the Internal Revenue Code relating to the specification of actuarial
16 assumptions; section 401(a)(31) of the Internal Revenue Code relating to
17 direct rollover distributions from eligible retirement plans; and section
18 401(a)(37) of the Internal Revenue Code relating to the death benefit of
19 a member whose death occurs while performing qualified military service.
20 No member of the board of education or trustee shall be personally
21 liable, except in cases of willful dishonesty, gross negligence, or
22 intentional violations of law, for actions relating to his or her
23 retirement system duties. The ex officio nonvoting member of the board of
24 trustees and his or her designees shall not be deemed fiduciaries of the
25 retirement system ~~At any time that the retirement system consists of more~~
26 ~~than one Class V school district, the general administration of the~~
27 ~~retirement system is hereby vested in a Class V Retirement System Board~~
28 ~~composed of three members of the school board for each participating~~
29 ~~Class V school district. The board shall appoint, by a majority of all~~
30 ~~its members, trustees to serve as executive officers to administer the~~
31 ~~Class V School Employees Retirement Act. Such trustees shall consist of~~

1 ~~(a) the superintendent of each participating Class V school district, as~~
2 ~~ex officio trustees, (b) four members of the retirement system, two from~~
3 ~~the certificated staff, one from the classified staff, and one from the~~
4 ~~annuitants, (c) three members of the board, and (d) two trustees who are~~
5 ~~business persons qualified in financial affairs and who are not members~~
6 ~~of the retirement system. The trustees who are appointed from the board~~
7 ~~and the membership shall, to the extent feasible, be appointed equally~~
8 ~~from each participating Class V school district. The trustees shall serve~~
9 ~~without compensation, but they shall be reimbursed from the funds of the~~
10 ~~retirement system for expenses that they may incur through service on the~~
11 ~~board of trustees as provided in sections 81-1174 to 81-1177. A trustee~~
12 ~~shall serve until a successor qualifies, except that trustees who are~~
13 ~~members of the retirement system or members of the board shall be~~
14 ~~disqualified as trustees immediately upon ceasing to be a member of the~~
15 ~~retirement system or of the board. Each trustee shall be entitled to one~~
16 ~~vote on the board of trustees, and six trustees shall constitute a quorum~~
17 ~~for the transaction of any business. The trustees who are appointed from~~
18 ~~the board and the membership shall be appointed for each fiscal year. The~~
19 ~~two trustees who are not members of the board or of the retirement system~~
20 ~~shall be appointed for three fiscal years each. The trustees and the~~
21 ~~administrator of the retirement system shall administer the retirement~~
22 ~~system in compliance with the tax-qualification requirements applicable~~
23 ~~to government retirement plans under section 401(a) of the Internal~~
24 ~~Revenue Code, as defined in section 49-801.01, including: Section 401(a)~~
25 ~~(9) of the Internal Revenue Code relating to the time and manner in which~~
26 ~~benefits are required to be distributed, including the incidental death~~
27 ~~benefit distribution requirement of section 401(a)(9)(G) of the Internal~~
28 ~~Revenue Code; section 401(a)(25) of the Internal Revenue Code relating to~~
29 ~~the specification of actuarial assumptions; section 401(a)(31) of the~~
30 ~~Internal Revenue Code relating to direct rollover distributions from~~
31 ~~eligible retirement plans; and section 401(a)(37) of the Internal Revenue~~

1 ~~Code relating to the death benefit of a member whose death occurs while~~
2 ~~performing qualified military service. No member of the Class V~~
3 ~~Retirement System Board or trustee shall be personally liable, except in~~
4 ~~cases of willful dishonesty, gross negligence, or intentional violations~~
5 ~~of law, for actions relating to his or her retirement system duties.~~

6 Sec. 13. Section 79-981, Reissue Revised Statutes of Nebraska, is
7 amended to read:

8 79-981 The board of trustees ~~education or Class V Retirement System~~
9 ~~Board~~ shall from time to time establish rules and regulations for the
10 administration of the retirement system and for the transaction of its
11 business and shall appoint an administrator of the retirement system. The
12 board of trustees may contract for such medical and other services as
13 shall be required to transact the business of the retirement system.
14 Beginning on the effective date of this act, neither the board of
15 education nor the board of trustees shall establish any further rules or
16 regulations related to the investment of the assets of the retirement
17 system without first consulting with the state investment officer.
18 Beginning January 1, 2016, all existing rules and regulations related to
19 the investment of assets of the retirement system terminate. Compensation
20 for all persons employed by the board of trustees and all other expenses
21 of the board of trustees necessary for the proper and efficient operation
22 of the retirement system shall be paid in such amounts as the board of
23 trustees determines and approves. Beginning January 1, 2016, all expenses
24 related to the investment of the assets of the retirement system shall be
25 paid in such amounts as the state investment officer determines and
26 approves.

27 In addition to such duties and other duties arising out of the Class
28 V School Employees Retirement Act not specifically reserved or assigned
29 to others, the board of education shall maintain a separate account of
30 each member's retirement account information as indicated in section
31 79-989 contribution, the record of which shall be available in a timely

1 manner to the member and the board of trustees upon request. The board of
2 trustees shall 7 compile such data as may be necessary for the required
3 actuarial valuation, consider and pass on all applications for annuities
4 or other benefits and have examinations made when advisable of persons
5 receiving disability benefits, and direct and determine all policies
6 necessary in the administration of the act.

7 Sec. 14. Section 79-982, Reissue Revised Statutes of Nebraska, is
8 amended to read:

9 79-982 The board of trustees shall (1) hold regular meetings
10 annually and such special meetings at such times as may be deemed
11 necessary, which and ~~all~~ meetings of the trustees shall be open to the
12 public, (2) keep a record of all the proceedings of such meetings, (3)
13 prior to January 1, 2016, and subject to the approval of the board of
14 education, invest all cash income not required for current payments in
15 securities of the type provided in section 79-9,107 and so reinvest the
16 proceeds from the sale or redemption of investments, and (4) supervise
17 the ~~financial~~ affairs of the retirement system related to the
18 administration of benefits and approve ~~recommend to the board of~~
19 ~~education~~ any changes in the administration of the retirement system
20 essential to the actuarial requirements of the retirement system fund.

21 Sec. 15. (1) Beginning January 1, 2016, the board of trustees and
22 the board of education shall not have the duty or authority to invest the
23 assets of the retirement system, and the Nebraska Investment Council and
24 the state investment officer shall have the duty and authority to invest
25 such assets in accordance with the Nebraska State Funds Investment Act.
26 The board of trustees shall be responsible for administering the non-
27 investment affairs of the retirement system, including the payment of
28 plan benefits and management of the actuarial requirements of the
29 retirement system.

30 (2) On or before July 1, 2015, the board of trustees, or its
31 designee, and the state investment officer shall enter into a plan for

1 the transition of the investment authority from the board of trustees to
2 the Nebraska Investment Council. The plan shall include, but not be
3 limited to, the following items:

4 (a) The board of trustees shall provide to the state investment
5 officer by July 1, 2015, an accounting of the assets in the retirement
6 system and a detailed description of the investments;

7 (b) The board of trustees shall provide to the state investment
8 officer by July 1, 2015, a list containing the name, mailing address,
9 phone number, and email address of all managers, advisers, and custodians
10 who are providing services related to the assets of the retirement
11 system;

12 (c) The board of trustees shall provide to the state investment
13 officer by July 1, 2015, a copy of all agreements and instruments related
14 to the investment, management, and custody of the assets;

15 (d) The board of trustees shall assign investment authority and
16 responsibility for investment-related agreements and instruments to the
17 Nebraska Investment Council by January 1, 2016, as determined by the
18 state investment officer in his or her sole discretion;

19 (e) The board of trustees shall provide to the state investment
20 officer by July 1, 2015, a copy of the most recent asset liability study,
21 and in its sole discretion, the Nebraska Investment Council may require
22 the preparation of an updated asset liability study;

23 (f) The board of trustees shall provide to the state investment
24 officer by July 1, 2015, a copy of the most recent actuarial valuation
25 and audited certified annual financial report of the plan; and

26 (g) The identification by the state investment officer and the board
27 of trustees of items that will need to be addressed prior to the
28 transition of investment authority on January 1, 2016.

29 (3) All costs, fees, and expenses incurred after the effective date
30 of the act related to the transition of the investment authority from the
31 board of trustees and the board of education to the Nebraska Investment

1 Council and the state investment officer shall be paid from the assets of
2 the Class V School Employees Retirement System and to the extent such
3 costs, fees, and expenses are incurred by the Nebraska Investment Council
4 or the state investment officer, they shall be paid in accordance with
5 sections 72-1249 and 72-1249.02.

6 Sec. 16. Section 79-983, Reissue Revised Statutes of Nebraska, is
7 amended to read:

8 79-983 The administrator of the retirement system shall be appointed
9 by the board of trustees and approved by the board of education. The
10 administrator of the retirement system shall serve at the pleasure of the
11 board of trustees. The administrator shall hire, dismiss, and otherwise
12 supervise the other staff of the retirement system, shall keep the
13 minutes and records of the retirement system, shall be the executive
14 officer in charge of the administration of the detailed affairs of the
15 retirement system, and shall perform such other duties as may be assigned
16 by the board of education, ~~the Class V Retirement System Board, or the~~
17 trustees. The administrator and retirement system staff shall be
18 employees of the Class V school district, with compensation and the
19 benefits as available to school district employees determined by the
20 board of trustees. The retirement system shall reimburse the Class V
21 school district for all employee costs of salary, employment taxes, and
22 benefits provided to the administrator and retirement system staff. The
23 administrator shall serve as an ex officio, nonvoting member of the
24 Nebraska Investment Council and shall not be deemed a fiduciary of the
25 council.

26 Sec. 17. Section 79-984, Reissue Revised Statutes of Nebraska, is
27 amended to read:

28 79-984 The board of trustees ~~education or Class V Retirement System~~
29 ~~Board~~ shall contract for the services of an actuary who shall be the
30 technical advisor of the board of ~~and the~~ trustees on matters regarding
31 the operation of the retirement system. The selection of the actuary

1 shall be approved by the board of education. The actuary shall (1) make a
2 general investigation of the operation of the retirement system annually,
3 which investigation shall cover mortality, retirement, disability,
4 employment, turnover, interest, and earnable compensation, and (2)
5 recommend tables to be used for all required actuarial calculations. The
6 actuary shall perform such other duties as may be assigned by the board
7 of trustees.

8 Sec. 18. Section 79-985, Reissue Revised Statutes of Nebraska, is
9 amended to read:

10 79-985 The board of trustees may contract for the services of a
11 legal advisor to the board of attorney for the board of education or
12 Class V Retirement System Board shall be the legal advisor to the
13 trustees.

14 Sec. 19. Section 79-986, Reissue Revised Statutes of Nebraska, is
15 amended to read:

16 79-986 Prior to January 1, 2016, the ~~The~~ school district, if there
17 is only one Class V school district in the retirement system, or the
18 Class V school district designated by the Class V Retirement System
19 Board, if there is more than one Class V school district in the
20 retirement system, shall act as the treasurer of the system and the
21 official custodian of the cash and securities belonging to the retirement
22 system, shall provide adequate safe deposit facilities for the
23 preservation of such securities, and shall hold such cash and securities
24 subject to the order of the board of education or Class V Retirement
25 System Board.

26 Beginning January 1, 2016, the State Treasurer shall act as
27 treasurer of the retirement system and the official custodian of the cash
28 and securities belonging to the system, shall provide adequate safe
29 deposit facilities for the preservation of such securities, and shall
30 hold such cash and securities subject to the order of the Nebraska
31 Investment Council.

1 The school district or designated school district shall receive all
2 items of taxes or cash belonging to the retirement system and shall
3 deposit in banks approved by the board of education or Class V Retirement
4 System Board and, beginning January 1, 2016, banks approved by the State
5 Treasurer, all such amounts in trust or custodial accounts.
6 Notwithstanding any limitations elsewhere imposed by statute on the
7 location of the retirement system's depository bank, such limitations
8 shall not apply to the use of depository banks for the custody of the
9 system's cash, securities, and other investments.

10 Prior to January 1, 2016, the The school district or designated
11 school district, as treasurer of the system, shall make payments for
12 purposes specified in the Class V School Employees Retirement Act.

13 Beginning January 1, 2016, the State Treasurer as treasurer of the
14 retirement system shall make payments to the school district upon request
15 of the Class V School Employees Retirement System administrator and as
16 directed by the Nebraska Public Employees Retirement Systems. The school
17 district shall use payments received from the State Treasurer to make
18 payments for purposes specified in the Class V School Employees
19 Retirement Act. All banks and custodians which receive and hold
20 securities and investments for the retirement system may hold and
21 evidence such securities by book entry account rather than obtaining and
22 retaining the original certificate, indenture, or governing instrument
23 for such security.

24 Sec. 20. Section 79-987, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 79-987 (1) An annual audit of the affairs of the retirement system
27 shall be conducted in each fiscal year. At the option of the board of
28 trustees, such audit may be conducted by a certified public accountant or
29 the Auditor of Public Accounts. The costs of such audit shall be paid
30 from funds of the retirement system. A copy of such audit shall be filed
31 with the Auditor of Public Accounts.

1 (2) Each audit year an annual financial audit of the investments of
2 the retirement system shall be conducted. At the option of the Nebraska
3 Investment Council, such audit may be conducted by a certified public
4 accountant or the Auditor of Public Accounts. The costs of such audit
5 shall be paid from funds of the retirement system. A copy of such audit
6 shall be filed with the board of trustees and the Auditor of Public
7 Accounts.

8 ~~(3 2) Beginning May 1, 2016, and each May 1 thereafter~~ Beginning
9 ~~March 1, 2015, and each March 1 thereafter,~~ if such retirement plan is a
10 defined benefit plan, the board of trustees ~~education~~ shall cause to be
11 prepared an annual report and the administrator shall file the same with
12 the Public Employees Retirement Board and submit to the members of the
13 Nebraska Retirement Systems Committee of the Legislature a copy of such
14 report. The report submitted to the committee shall be submitted
15 electronically. The report shall consist of a full actuarial analysis of
16 each such retirement plan established pursuant to section 79-979. The
17 analysis shall be prepared by an independent private organization or
18 public entity employing actuaries who are members of the American Academy
19 of Actuaries and meet the academy's qualification standards to render a
20 statement of actuarial opinion, and which organization or entity has
21 demonstrated expertise to perform this type of analysis and is unrelated
22 to any organization offering investment advice or which provides
23 investment management services to the retirement plan. The report shall
24 be presented to the Nebraska Retirement Systems Committee of the
25 Legislature at a public hearing.

26 Sec. 21. Section 79-989, Reissue Revised Statutes of Nebraska, is
27 amended to read:

28 79-989 The board of education shall have available records showing
29 the name, address, title, social security number, beneficiary records,
30 annual compensation, sex, date of birth, and length of creditable and
31 noncreditable service in hours, standard hours, contract days, bargaining

1 unit, and annual contributions of each employee entitled to membership in
2 the retirement system and such other information as may be reasonably
3 requested by the board of trustees regarding such member as may be
4 necessary for actuarial study and valuation and the administration of the
5 retirement system. This information shall be available in a timely manner
6 to the board of trustees upon request.

7 Sec. 22. Section 79-990, Reissue Revised Statutes of Nebraska, is
8 amended to read:

9 79-990 (1) Any member who is eligible for reemployment on or after
10 December 12, 1994, pursuant to 38 U.S.C. 4301 et seq., as adopted under
11 section 55-161, or who is eligible for reemployment under section 55-160
12 may pay to the retirement system after the date of his or her return from
13 active military service, and within the period required by law, not to
14 exceed five years, an amount equal to the sum of all deductions which
15 would have been made from the salary which he or she would have received
16 during the period of military service for which creditable service is
17 desired. If such payment is made, the member shall be entitled to credit
18 for membership service in determining his or her annuity for the period
19 for which contributions have been made and the board of education shall
20 be responsible for any funding necessary to provide for the benefit which
21 is attributable to this increase in the member's creditable service. The
22 member's payments shall be paid as the board of trustees may direct,
23 through direct payments to the retirement system or on an installment
24 basis pursuant to a binding irrevocable payroll deduction authorization
25 between the member and the school district. Creditable service may be
26 purchased only in one-tenth-year increments, starting with the most
27 recent years' salary.

28 (2) Under such rules and regulations as the board of trustees may
29 prescribe, any member who was away from his or her position while on a
30 leave of absence from such position authorized by the board of education
31 of the school district by which he or she was employed at the time of

1 such leave of absence or pursuant to any contractual agreement entered
2 into by such school district may receive credit for any or all time he or
3 she was on leave of absence. Such time shall be included in creditable
4 service when determining eligibility for death, disability, termination,
5 and retirement benefits. The member who receives the credit shall earn
6 benefits during the leave based on salary at the level received
7 immediately prior to the leave of absence. Such credit shall be received
8 if such member pays into the retirement system (a) an amount equal to the
9 sum of the deductions from his or her salary for the portion of the leave
10 for which creditable service is desired, (b) any contribution which the
11 school district would have been required to make for the portion of the
12 leave for which creditable service is desired had he or she continued to
13 receive salary at the level received immediately prior to the leave of
14 absence, and (c) interest on these combined payments from the date such
15 deductions would have been made to the date of repayment determined by
16 using the rate of interest ~~established by the board~~ for interest on such
17 purchases of service credit. Such amounts shall be paid as the board of
18 trustees may direct, through direct payments to the retirement system or
19 on an installment basis pursuant to a binding irrevocable payroll
20 deduction authorization between the member and the school district over a
21 period not to exceed five years from the date of the termination of his
22 or her leave of absence. Interest on any delayed payment shall be at the
23 rate of interest ~~established by the board~~ for determining interest on
24 delayed payments by members to the retirement system. Creditable service
25 may be purchased only in one-tenth-year increments, starting with the
26 most recent years' salary, and if payments are made on an installment
27 basis, creditable service will be credited only as payment has been made
28 to the retirement system to purchase each additional one-tenth-year
29 increment. Leave of absence shall be construed to include, but not be
30 limited to, sabbaticals, maternity leave, exchange teaching programs,
31 full-time leave as an elected official of a professional association or

1 collective-bargaining unit, or leave of absence to pursue further
2 education or study. A leave of absence granted pursuant to this section
3 shall not exceed four years in length, and in order to receive credit for
4 the leave of absence, the member must have returned to employment with
5 the school district within one year after termination of the leave of
6 absence.

7 (3) Until one year after May 2, 2001, any member currently employed
8 by the school district who resigned from full-time employment with the
9 school district for maternity purposes prior to September 1, 1979, and
10 was reemployed as a full-time employee by the school district before the
11 end of the school year following the school year of such member's
12 resignation may have such absence treated as though the absence was a
13 leave of absence described in subsection (2) of this section. The period
14 of such absence for maternity purposes shall be included in creditable
15 service when determining the member's eligibility for death, disability,
16 termination, and retirement benefits if the member submits satisfactory
17 proof to the board of education that the prior resignation was for
18 maternity purposes and the member complies with the payment provisions of
19 subsection (2) of this section before the one-year anniversary of May 2,
20 2001.

21 Sec. 23. Section 79-991, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 79-991 (1) An employee who becomes a member without prior service
24 credit may purchase prior service credit, not to exceed the lesser of ten
25 years or the member's years of membership service, for the period of
26 service the member was employed by a school district or by an educational
27 service unit and which is not used in the calculation of any retirement
28 or disability benefit having been paid, being paid, or payable in the
29 future to such member under any defined benefit retirement system or
30 program maintained by such other school district or educational service
31 unit. The purchase of prior service credit shall be made in accordance

1 with and subject to the following requirements:

2 (a) A member who desires to purchase prior service credit shall make
3 written application to the administrator of the retirement system that
4 includes all information and documentation determined by the
5 administrator as necessary to verify the member's prior service and
6 qualification to purchase the prior service credit. Such application
7 shall include the member's written authorization for the administrator to
8 request and receive from any of the member's former employers
9 verification of the member's prior service, salary, and other information
10 for determining the member's eligibility to purchase prior service
11 credit. Before prior service credit may be purchased, the administrator
12 shall have received verification of the member's salary in each year with
13 the other school district or educational service unit and confirmation
14 that the prior service to be purchased by the member is not also credited
15 in the calculation of a retirement or disability benefit for such member
16 under another defined benefit retirement system or program. The member's
17 application to purchase prior service credit may be made at any time
18 before the fifth anniversary of the member's membership in the retirement
19 system or, if earlier, the member's termination of employment with the
20 school district;

21 (b) The member shall pay to the retirement system the total amount
22 he or she would have contributed to the retirement system had he or she
23 been a member of the retirement system during the period for which prior
24 service is being purchased, together with interest thereon as determined
25 using the rate of interest for the purchase ~~established by the board for~~
26 ~~interest on such purchases~~ of prior service credit. Such payment shall be
27 based on the most recent years' salary the member earned in another
28 school district or educational service unit if the salary is verified by
29 the other school district or educational service unit or, if not, the
30 payment shall be based on the member's annual salary at the time he or
31 she became a member;

1 (c) Payments by the member for the purchase of the prior service
2 credit shall be paid as the board of trustees may direct through direct
3 payments to the retirement system or on an installment basis pursuant to
4 a binding irrevocable payroll deduction authorization between the member
5 and the school district over a period not to exceed five years from the
6 date of membership. Interest on delayed payments shall be at the rate of
7 interest ~~established by the board~~ for determining interest on delayed
8 payments by members to the retirement system. In the event the member
9 terminates employment with the school district for any reason before full
10 payment for the prior service has been made, the remaining installments
11 shall be immediately due and payable to the retirement system. Prior
12 service credit may be purchased only in one-tenth-year increments, and if
13 payments are made on an installment basis, the prior service will be
14 credited only as payment has been made to the retirement system. If the
15 prior service to be purchased by the member exceeds the member's
16 membership service at the time of application or any subsequent date,
17 such excess prior service shall be credited to the member only as the
18 member completes and is credited additional membership service, in one-
19 tenth-year increments, notwithstanding the member's payment for such
20 prior service credit. If the member retires or terminates employment
21 before completing sufficient membership service to permit all of the
22 excess prior service that has been purchased by the member to be credited
23 to such member, the retirement system shall refund to the member, or to
24 the member's beneficiary if the member's termination is due to his or her
25 death, the payments that have been made to the retirement system for such
26 uncredited prior service, together with regular interest on such refund;
27 and

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

31 (2) Any employee who became a member before July 1, 2014, and who

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

1 Sec. 24. Section 79-992, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 79-992 (1) A member who has five years or more of creditable
4 service, excluding years of prior service acquired pursuant to section
5 79-990, 79-991, 79-994, 79-995, or 79-997, and who severs his or her
6 employment may elect to leave his or her contributions in the retirement
7 system, in which event he or she shall receive a retirement allowance at
8 normal retirement age based on the annuity earned to the date of such
9 severance. Such member may elect to receive a retirement allowance at
10 early retirement age if such member retires at an early retirement date.
11 Such annuity shall be adjusted in accordance with section 79-9,100. Upon
12 the severance of employment, except on account of retirement, a member
13 shall be entitled to receive refunds as follows: (a) An amount equal to
14 the accumulated contributions to the retirement system by the member; and
15 (b) any contributions made to a previously existing system which were
16 refundable under the terms of that system. Any member receiving a refund
17 of contributions shall thereby forfeit and relinquish all accrued rights
18 in the retirement system including all accumulated creditable service,
19 except that if any member who has withdrawn his or her contributions as
20 provided in this section reenters the service of the district and again
21 becomes a member of the retirement system, he or she may restore any or
22 all money previously received by him or her as a refund, including the
23 interest on the amount of the restored refund for the period of his or
24 her absence from the district's service as determined using the interest
25 rate ~~established by the board~~ for interest on such restored refunds, and
26 he or she shall then again receive credit for that portion of service
27 which the restored money represents. Such restoration may be made as the
28 board of trustees may direct through direct payments to the system or on
29 an installment basis pursuant to a binding irrevocable payroll deduction
30 authorized between the member and the school district over a period of
31 not to exceed five years from the date of reemployment. Interest on

1 delayed payments shall be at the rate of interest ~~established by the~~
2 ~~board~~ for determining interest on delayed payments by members to the
3 retirement system. Creditable service may be purchased only in one-tenth-
4 year increments, starting with the most recent years' salary.

5 (2) A retired member who returns to employment as an employee of the
6 school district shall again participate in the retirement system as a new
7 member and shall make contributions to the retirement system commencing
8 upon reemployment. The retirement annuity of a retired member who returns
9 to employment with the school district shall continue to be paid by the
10 retirement system. A retired member who returns to employment as an
11 employee of the school district shall receive creditable service only for
12 service performed after his or her return to employment and in no event
13 shall creditable service which accrues or the compensation paid to the
14 member after such return to employment after retirement increase the
15 amount of the member's original retirement annuity.

16 (3) Upon termination of the reemployed member, the member shall
17 receive in addition to the retirement annuity which commenced at the time
18 of the previous retirement (a) if the member has accrued five years or
19 more of creditable service after his or her return to employment,
20 excluding years of prior service acquired pursuant to section 79-990,
21 79-991, 79-994, 79-995, or 79-997, a retirement annuity as provided in
22 section 79-999 or 79-9,100, as applicable, calculated solely on the basis
23 of creditable service and final average compensation accrued and earned
24 after the member's return to employment after his or her original
25 retirement, and as adjusted to reflect any payment in other than the
26 normal form or (b) if the member has not accrued five years or more of
27 creditable service after his or her return to employment, a refund equal
28 to the member's accumulated contributions which were credited to the
29 member after the member's return to employment. In no event shall the
30 member's creditable service which accrued prior to a previous retirement
31 be considered as part of the member's creditable service after his or her

1 return to employment for any purpose of the Class V School Employees
2 Retirement Act.

3 (4) In the event a member is entitled to receive a refund of
4 contributions pursuant to subsection (1) or subdivision (3)(b) of this
5 section in an amount greater than one thousand dollars, if the member
6 does not elect to have the refund paid directly to himself or herself or
7 transferred to an eligible retirement plan designated by the member as a
8 direct rollover pursuant to section 79-998, then the refund of
9 contributions shall be paid in a direct rollover to an individual
10 retirement plan designated by the board of trustees.

11 Sec. 25. Section 79-996, Reissue Revised Statutes of Nebraska, is
12 amended to read:

13 79-996 ~~(1)~~—The payments provided for by sections 79-993, 79-994,
14 and 79-997 may be made in equal installments over a period of not to
15 exceed two years from the date of the election to make such payments. The
16 payments provided for by section 79-995 may be made in equal installments
17 over a period of not to exceed three years from the date of election to
18 make such payments. Any person who elects to make payments on an
19 installment basis shall be credited with prior service only in six-month
20 increments and only after payment has been made to the retirement system
21 to purchase each additional six-month increment.

22 ~~(2) The rate of interest for the purchase of additional service~~
23 ~~credit pursuant to sections 79-990 and 79-991 and for determining the~~
24 ~~interest on a restored refund pursuant to section 79-992 or on delayed~~
25 ~~payments by members to the retirement system shall be determined by the~~
26 ~~board from time to time, and such rate of interest shall be used to~~
27 ~~determine applicable interest for a member's purchase of additional~~
28 ~~service credit, restored refund, or delayed payments that are made while~~
29 ~~such rate of interest is in effect.~~

30 Sec. 26. Section 79-998, Reissue Revised Statutes of Nebraska, is
31 amended to read:

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

14 (a) A plan of another employer which is qualified under section
15 401(a) or 403(a) of the Internal Revenue Code;

16 (b) An annuity contract or custodial account described in section
17 403(b) of the Internal Revenue Code;

18 (c) An eligible deferred compensation plan under section 457(b) of
19 the Internal Revenue Code which is maintained by a governmental employer
20 described in section 457(e)(1)(A) of the Internal Revenue Code; or

21 (d) An individual retirement account or annuity described in section
22 408(a) or section 408(b) of the Internal Revenue Code that is eligible to
23 be rolled over to an employer plan under the Internal Revenue Code.

24 (2) The retirement system may accept as payment for service credit
25 that is purchased pursuant to sections 79-990 to 79-992 a direct trustee-
26 to-trustee transfer from an eligible deferred compensation plan as
27 described in section 457(e)(17) of the Internal Revenue Code on behalf of
28 a member who is making payments for such service credit if the amount
29 transferred from the eligible deferred compensation plan does not exceed
30 the amount of payment required for the service credit being purchased and
31 the purchase of such service credit qualifies as the purchase of

1 permissive service credit by the member as defined in section 415(n)(3)
2 of the Internal Revenue Code.

3 (3) The board of trustees may establish rules, regulations, and
4 limitations on the eligible rollover distributions and direct trustee-to-
5 trustee transfers that may be accepted by the retirement system pursuant
6 to this section, including restrictions on the type of assets that may be
7 transferred to the retirement system.

8 (4) Cash and other properties contributed or transferred to the
9 system pursuant to this section shall be deposited and held as a
10 commingled asset of the system and shall not be separately accounted for
11 or invested for the member's benefit. Contributions or direct transfers
12 made by or on behalf of any member pursuant to this section shall be
13 treated as qualifying payments under sections 79-990 to 79-992 and as
14 employee contributions for all other purposes of the Class V School
15 Employees Retirement Act except in determining federal and state tax
16 treatment of distributions from the system.

17 (5) The system, the board of education, the board of trustees, and
18 their respective members, officers, and employees shall have no
19 responsibility or liability with respect to the federal and state income
20 tax consequences of any contribution or transfer to the system pursuant
21 to this section, and the board of trustees may require as a condition to
22 the system's acceptance of any rollover contribution or transfer
23 satisfactory evidence that the proposed contribution or transfer is a
24 qualifying rollover contribution or trustee-to-trustee transfer under the
25 Internal Revenue Code and reasonable releases or indemnifications from
26 the member against any and all liabilities which may in any way be
27 connected with such contribution or transfer.

28 (6) Effective January 1, 1993, any member who is to receive an
29 eligible rollover distribution, as defined in the Internal Revenue Code,
30 from the system may, in accordance with such rules, regulations, and
31 limitations as may be established by the trustees, elect to have such

1 distribution made in the form of a direct transfer to a retirement plan
2 eligible to receive such transfer under the provisions of the Internal
3 Revenue Code. Any such election shall be made in the form and within the
4 time periods established by the board of trustees.

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

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

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

25 Sec. 27. Section 79-9,100, Reissue Revised Statutes of Nebraska, is
26 amended to read:

27 79-9,100 (1) In lieu of the retirement annuity provided by section
28 79-999 or 79-9,113, any member who becomes eligible to receive a
29 retirement annuity after February 20, 1982, under the Class V School
30 Employees Retirement Act shall receive a formula retirement annuity based
31 on final average compensation, except that if the monthly formula

1 retirement annuity based on final average compensation is less than the
2 monthly retirement annuity specified in section 79-999 or 79-9,113,
3 accrued to the date of retirement or August 31, 1983, whichever first
4 occurs, the member shall receive the monthly retirement annuity specified
5 in section 79-999 or 79-9,113 accrued to the date of retirement or August
6 31, 1983, whichever first occurs.

7 (2) The monthly formula retirement annuity based on final average
8 compensation shall be determined by multiplying the number of years of
9 creditable service for which such member would otherwise receive the
10 retirement annuity provided by section 79-999 or 79-9,113 by one and one-
11 half percent of his or her final average compensation. For retirements
12 after June 15, 1989, and before April 18, 1992, the applicable percentage
13 shall be one and sixty-five hundredths percent of his or her final
14 average compensation. For retirements on or after April 18, 1992, and
15 before June 7, 1995, the applicable percentage shall be one and seventy-
16 hundredths percent of his or her final average compensation. For
17 retirements on or after June 7, 1995, and before March 4, 1998, the
18 applicable percentage shall be one and eighty-hundredths percent of his
19 or her final average compensation. For retirements on or after March 4,
20 1998, and before March 22, 2000, the applicable percentage shall be one
21 and eighty-five hundredths percent of his or her final average
22 compensation. For retirements on or after March 22, 2000, the applicable
23 percentage shall be two percent of his or her final average compensation.

24 (3) Final average compensation shall be determined:

25 (a) Except as provided in subdivision (3)(b) of this section, by
26 dividing the member's total compensation for the three fiscal years in
27 which such compensation was the highest by thirty-six; and

28 (b) For an employee who became a member on or after July 1, 2013, by
29 dividing the member's total compensation for the five fiscal years in
30 which such compensation was the highest by sixty.

31 (4) Except as provided in section 28 of this act for purposes of

1 ~~this subdivision, if~~ For retirements before June 7, 1995, if the annuity
2 begins prior to the sixty-second birthday of the member and the member
3 has not completed thirty-five or more years of creditable service, the
4 annuity at the date it begins shall be the actuarial equivalent of the
5 annuity deferred to the sixty-second birthday of the member. If the
6 annuity begins prior to the sixty-second birthday of the member and the
7 member has completed thirty-five or more years of creditable service, the
8 annuity shall not be reduced. For retirements on or after June 7, 1995,
9 any retirement annuity which begins prior to the sixty-second birthday of
10 the member shall be reduced by twenty-five hundredths percent for each
11 month or partial month between the date the annuity begins and the
12 member's sixty-second birthday. If the annuity begins at a time when:

13 (a) The sum of the member's attained age and creditable service is
14 eighty-five or more, the annuity shall not be reduced;

15 (b) The sum of the member's attained age and creditable service
16 totals eighty-four, the annuity shall not be reduced by an amount greater
17 than three percent of the unreduced annuity;

18 (c) The sum of the member's attained age and creditable service
19 totals eighty-three, the annuity shall not be reduced by an amount
20 greater than six percent of the unreduced annuity; and

21 (d) The sum of the member's attained age and creditable service
22 totals eighty-two, the annuity shall not be reduced by an amount greater
23 than nine percent of the unreduced annuity.

24 (5) For purposes of this section, a member's creditable service and
25 attained age shall be measured in one-half-year increments.

26 (6) The normal form of the formula retirement annuity based on final
27 average compensation shall be an annuity payable monthly during the
28 remainder of the member's life with the provision that in the event of
29 his or her death before sixty monthly payments have been made the monthly
30 payments will be continued to his or her estate or to the beneficiary he
31 or she has designated until a total of sixty monthly payments have been

1 made. A member may elect to receive, in lieu of the normal form of
2 annuity, an actuarially equivalent annuity in any optional form provided
3 by section 79-9,101.

4 (7) Any member receiving a formula retirement annuity based on final
5 average compensation who is a member prior to July 1, 2015, shall also
6 receive the service annuity to be paid by the State of Nebraska as
7 provided in sections 79-933 to 79-935 and 79-951.

8 Sec. 28. For employees who become members on or after July 1, 2015:

9 (1) If the annuity begins at a time when the sum of the member's
10 attained age and creditable service totals eighty-five and the member is
11 at least fifty-five years of age, the annuity shall not be reduced. If
12 the annuity begins on or after the sixty-fifth birthday of a member, the
13 annuity shall not be reduced if the member has accrued at least one-half
14 year of creditable service. If the annuity begins on or after the
15 sixtieth birthday of the member and the member has completed at least a
16 total of five years of creditable service, the annuity shall be reduced
17 by twenty-five hundredths percent for each month or partial month between
18 the member's sixtieth birthday and prior to his or her sixty-fifth
19 birthday;

20 (2) A member's attained age shall be measured in one-half-year
21 increments;

22 (3) Except as provided in section 42-1107, the normal form of the
23 formula retirement annuity based on final average compensation shall be
24 an annuity payable monthly during the remainder of the member's life with
25 the provision that in the event of his or her death before sixty monthly
26 payments have been made the monthly payments will be continued to his or
27 her estate or to the beneficiary he or she has designated until a total
28 of sixty monthly payments have been made. A member may elect to receive,
29 in lieu of the normal form of annuity, an actuarially equivalent annuity
30 in any optional form provided by section 79-9,101; and

31 (4) All formula annuities shall be paid from the retirement fund

1 established in section 79-9,115.

2 Sec. 29. Section 79-9,102, Reissue Revised Statutes of Nebraska, is
3 amended to read:

4 79-9,102 (1) Notwithstanding any other provision of the Class V
5 School Employees Retirement Act, no member or beneficiary of the
6 retirement system shall receive in any calendar year an annuity or other
7 benefit which would exceed the maximum benefit permitted under section
8 415 of the Internal Revenue Code, or any successor provision and the
9 regulations issued thereunder, as they may be amended from time to time,
10 and as adjusted as of January 1 of each calendar year to the dollar
11 limitation as determined for such year by the Commissioner of Internal
12 Revenue pursuant to section 415(d) of the Internal Revenue Code to
13 reflect cost-of-living adjustments, and the amount of benefit to be paid
14 to any member or beneficiary by the retirement system shall be adjusted
15 each calendar year, if necessary, to conform with the maximum benefit
16 permitted under section 415 of the Internal Revenue Code. The cost-of-
17 living adjustment to the maximum benefit permitted under section 415 of
18 the Internal Revenue Code shall apply to determining the maximum benefit
19 of a member who severed employment or commenced receiving benefits prior
20 to the effective date of the adjustment.

21 (2) Any payments provided for by sections 79-990, 79-991, and 79-992
22 for the purchase or restoration of creditable service shall be subject to
23 the limitations of section 415 of the Internal Revenue Code on annual
24 additions to the system, and the board of trustees may suspend payments,
25 alter installment periods, or, if such suspension or alteration is not
26 possible, deny the purchase of all or a portion of the creditable service
27 desired to be purchased, as necessary to comply with the requirements of
28 section 415 of the Internal Revenue Code.

29 (3) This section is intended to meet and incorporate the
30 requirements of section 415 of the Internal Revenue Code and regulations
31 under that section that are applicable to governmental plans and shall be

1 construed in accordance with section 415 of the Internal Revenue Code and
2 the regulations issued thereunder and shall, by this reference,
3 incorporate any subsequent changes made to such section as the same may
4 apply to the retirement system.

5 Sec. 30. Section 79-9,103, Reissue Revised Statutes of Nebraska, is
6 amended to read:

7 79-9,103 (1) Any annuity paid on or after September 1, 1983, to a
8 member who retired prior to February 21, 1982, pursuant to the Class V
9 School Employees Retirement Act, or to such member's beneficiary, or to a
10 person who retired under the provisions of the retirement system
11 established by statute for employees of Class V school districts in
12 effect prior to September 1, 1951, or to such person's beneficiary, shall
13 be adjusted by the increase in the cost of living or wage levels between
14 the effective date of retirement and June 30, 1983, except that such
15 increase shall not exceed the sum of one dollar and fifty cents per month
16 for each year of creditable service and one dollar per month for each
17 completed year of retirement as measured from the effective date of
18 retirement to June 30, 1983. No separate adjustment in such annuity shall
19 be made as a result of the changes made in section 79-9,113 pursuant to
20 Laws 1983, LB 488. If a joint and survivor annuity was elected, the
21 increase shall be actuarially adjusted so that the joint and survivor
22 annuity remains the actuarial equivalent of the life annuity otherwise
23 payable.

24 (2) In addition to the cost-of-living adjustment provided in
25 subsection (1) of this section, any annuity paid on or after September 1,
26 1986, pursuant to the act or pursuant to the provisions of the retirement
27 system established by statute for employees of Class V school districts
28 in effect prior to September 1, 1951, and on which the first payment was
29 dated on or before September 1, 1985, shall be adjusted by the increase
30 in the cost of living or wage levels between the effective date of
31 retirement and June 30, 1986, except that such increase shall not exceed

1 (a) three and one-half percent for annuities first paid on or after
2 September 1, 1984, (b) seven percent for annuities first paid on or after
3 September 1, 1983, but before September 1, 1984, or (c) ten and one-half
4 percent for all other annuities.

5 (3) In addition to the cost-of-living adjustment provided in
6 subsections (1) and (2) of this section, any annuity paid on or after
7 September 1, 1989, pursuant to the act or pursuant to the provisions of
8 the retirement system established by statute for employees of Class V
9 school districts in effect prior to September 1, 1951, and on which the
10 first payment was dated on or before September 1, 1988, shall be adjusted
11 by the increase in the cost of living or wage levels between the
12 effective date of retirement and June 30, 1989, except that such increase
13 shall not exceed (a) three percent for annuities first paid on or after
14 September 1, 1987, (b) six percent for annuities first paid on or after
15 September 1, 1986, but before September 1, 1987, or (c) nine percent for
16 all other annuities.

17 (4) In addition to the cost-of-living adjustment provided in
18 subsections (1), (2), and (3) of this section, any annuity paid on or
19 after September 1, 1992, pursuant to the act or pursuant to the
20 provisions of the retirement system established by statute for employees
21 of Class V school districts in effect prior to September 1, 1951, and on
22 which the first payment was dated on or before October 1, 1991, shall be
23 adjusted by the increase in the cost of living or wage levels between the
24 effective date of retirement and June 30, 1992, except that such increase
25 shall not exceed (a) three percent for annuities first paid after October
26 1, 1990, (b) six percent for annuities first paid after October 1, 1989,
27 but on or before October 1, 1990, or (c) nine percent for all other
28 annuities.

29 (5) In addition to the cost-of-living adjustment provided in
30 subsections (1), (2), (3), and (4) of this section, any annuity paid on
31 or after September 1, 1995, pursuant to the act or pursuant to the

1 provisions of the retirement system established by statute for employees
2 of Class V school districts in effect prior to September 1, 1951, and on
3 which the first payment was dated on or before October 1, 1994, shall be
4 adjusted by the increase in the cost of living or wage levels between the
5 effective date of retirement and June 30, 1995, except that such increase
6 shall not exceed (a) three percent for annuities first paid after October
7 1, 1993, (b) six percent for annuities first paid after October 1, 1992,
8 but on or before October 1, 1993, or (c) nine percent for all other
9 annuities.

10 (6) In addition to the cost-of-living adjustment provided in
11 subsections (1), (2), (3), (4), and (5) of this section, any annuity paid
12 pursuant to the act or pursuant to the provisions of the retirement
13 system established by statute for employees of Class V school districts
14 in effect prior to September 1, 1951, and on which the first payment was
15 dated on or before October 1, 1994, shall be subject to adjustment to
16 equal the greater of (a) the annuity payable to the member or beneficiary
17 as adjusted, if applicable, under the provisions of subsection (1), (2),
18 (3), (4), or (5) of this section or (b) ninety percent of the annuity
19 which results when the original annuity that was paid to the member or
20 beneficiary (before any cost-of-living adjustments under this section),
21 is adjusted by the increase in the cost of living or wage levels between
22 the commencement date of the annuity and June 30, 1995.

23 (7) In addition to the cost-of-living adjustment provided in
24 subsections (1), (2), (3), (4), (5), and (6) of this section, any annuity
25 paid on or after September 1, 1998, pursuant to the act or pursuant to
26 the provisions of the retirement system established by statute for
27 employees of Class V school districts in effect prior to September 1,
28 1951, and on which the first payment was dated on or before October 3,
29 1997, shall be adjusted by the increase in the cost of living or wage
30 levels between the effective date of retirement and June 30, 1998, except
31 that such increase shall not exceed (a) three percent for annuities first

1 paid after October 1, 1996, (b) six percent for annuities first paid
2 after October 1, 1995, but on or before October 1, 1996, or (c) nine
3 percent for all other annuities.

4 (8) Beginning January 1, 2000, and on January 1 of every year
5 thereafter, for employees of Class V school districts who were members
6 prior to July 1, 2013, a cost-of-living adjustment shall be made for any
7 annuity being paid pursuant to the act, or pursuant to the provisions of
8 the retirement system established by statute for employees of Class V
9 school districts in effect prior to September 1, 1951, and on which the
10 first payment was dated on or before October 3 preceding such January 1
11 adjustment date. The cost-of-living adjustment for any such annuity shall
12 be the lesser of (a) one and one-half percent or (b) the increase in the
13 consumer price index from the date such annuity first became payable
14 through the August 31 preceding the January 1 adjustment date as reduced
15 by the aggregate cost-of-living adjustments previously made to the
16 annuity pursuant to this section.

17 (9) Beginning January 1, 2014, and on January 1 of every year
18 thereafter, for employees of Class V school districts who became members
19 on or after July 1, 2013, a cost-of-living adjustment shall be made for
20 any annuity being paid pursuant to the act and on which the first payment
21 was dated on or before October 3 preceding such January 1 adjustment
22 date. The cost-of-living adjustment for any such annuity shall be the
23 lesser of (a) one percent or (b) the increase in the consumer price index
24 from the date such annuity first became payable through the August 31
25 preceding the January 1 adjustment date as reduced by the aggregate cost-
26 of-living adjustments previously made to the annuity pursuant to this
27 section.

28 (10) Beginning September 1, 1999, the actuary shall make an annual
29 valuation of the assets and liabilities of the system. If the annual
30 valuation made by the actuary, as approved by the board of trustees,
31 indicates that the system has sufficient actuarial surplus to provide for

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

15 (11) Except for the adjustments pursuant to subsection (13) of this
16 section, the consumer price index to be used for determining any cost-of-
17 living adjustment under this section shall be the Consumer Price Index -
18 All Urban Consumers, as published by the Bureau of Labor Statistics of
19 the United States Department of Labor. If this consumer price index is
20 discontinued or replaced, a substitute index published by the United
21 States Department of Labor shall be selected by the board, ~~upon~~
22 ~~recommendation~~ of the trustees, which shall be a reasonable
23 representative measurement of the cost of living for retired employees.
24 An annuity as increased by any cost-of-living adjustment made under this
25 section shall be considered the base annuity amount for the purpose of
26 future adjustments pursuant to this section. In no event shall any cost-
27 of-living adjustment be deemed to affect or increase the amount of the
28 base retirement annuity of a member as determined under section 79-999 or
29 79-9,100.

30 (12) Any decision or determination by the board of trustees (a) to
31 declare or not declare a cost-of-living adjustment, (b) as to whether the

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

12 (13) The Legislature finds and declares that there exists in this
13 state a pressing need to attract and retain qualified and dedicated
14 public school employees and that one of the factors prospective public
15 school employees consider when seeking or continuing public school
16 employment is the retirement system and benefits the employment provides.
17 The Legislature further finds that over the past decades, as reflected by
18 the Medical Price Index published by the United States Department of
19 Labor, the cost of medical care, including the cost of medications and
20 insurance coverages, has increased at a rate in excess of that by which
21 the Consumer Price Index - All Urban Consumers has increased. The
22 Legislature further finds and declares that there accordingly exists a
23 need to adjust the amount of retirement benefits paid to retired public
24 school employees in order to assist them in meeting the increased cost of
25 medical care. Therefor, in addition to the cost-of-living adjustments
26 provided in subsections (1) through (12) of this section, commencing on
27 October 3, 2001, and on October 3 of every year thereafter, a medical
28 cost-of-living adjustment shall be paid to any annuitant who became a
29 member prior to July 1, 2015, and has been paid an annuity from the
30 retirement system for at least ten years through the October 3 adjustment
31 date. The cost-of-living adjustment shall be paid in the form of a

1 supplemental annuity providing monthly payments equal to the amount which
2 results when (a) the fraction, not to exceed one, that results when the
3 annuitant's years of creditable service at his or her retirement date is
4 divided by twenty, is multiplied by (b) the product of ten dollars times
5 the number of years, including attained one-half years, that such
6 annuitant has received annuity payments from the retirement system
7 through the October 3 adjustment date. The supplemental annuity being
8 paid to an annuitant shall increase by ten dollars on October 3 of each
9 subsequent year to reflect the additional year of annuity payments to the
10 annuitant until the total amount of the supplemental annuity is two
11 hundred fifty dollars. In no event shall the medical cost-of-living
12 adjustment for any annuitant pursuant to this subsection result in the
13 payment of a supplemental annuity exceeding two hundred fifty dollars per
14 month. The supplemental annuity paid to an annuitant pursuant to this
15 subsection shall cease at the death of the annuitant regardless of the
16 form of retirement annuity being paid to the annuitant at the time of his
17 or her death.

18 Sec. 31. Section 79-9,104, Reissue Revised Statutes of Nebraska, is
19 amended to read:

20 79-9,104 (1) ~~All Except as provided in subsection (4) of this~~
21 ~~section, all~~ annuities and other benefits payable under the Class V
22 School Employees Retirement Act and all accumulated credits of members of
23 the retirement system shall not be assignable or subject to execution,
24 garnishment, or attachment except to the extent that such annuity or
25 benefit is subject to a qualified domestic relations order as such term
26 is defined in and which meets the requirements of section 414(p) of the
27 Internal Revenue Code. ~~The payment of any annuity or benefit subject to~~
28 ~~such order shall take priority over any payment made pursuant to~~
29 ~~subsection (4) of this section.~~ Payments under such a qualified domestic
30 relations order shall be made only after the administrator of the
31 retirement system receives written notice of such order and such

1 additional information and documentation as the administrator may
2 require.

3 (2) In lieu of the assignment of a member's future annuity or
4 benefit to the member's spouse or former spouse, the retirement system
5 shall permit the spouse or former spouse of a member to receive, pursuant
6 to a qualified domestic relations order, a single sum payment of a
7 specified percentage of the member's accumulated contributions on the
8 condition that upon the payment of such amount the spouse or former
9 spouse shall have no further interest in the retirement system or in the
10 remaining benefit of the member under the retirement system.

11 (3) A member's interest and benefits under the retirement system
12 shall be reduced, either at termination of employment, retirement,
13 disability, or death, by the actuarial value of the benefit assigned or
14 paid to the member's spouse, former spouse, or other dependents under a
15 qualified domestic relations order, as determined by the plan actuary on
16 the basis of the actuarial assumptions then recommended by the actuary
17 pursuant to section 79-984.

18 ~~(4) If a member of the retirement system is convicted of or pleads~~
19 ~~no contest to a felony that is defined as assault, sexual assault,~~
20 ~~kidnapping, child abuse, false imprisonment, or theft by embezzlement and~~
21 ~~is found liable for civil damages as a result of such felony, following~~
22 ~~distribution of the member's annuities or benefits from the retirement~~
23 ~~system, the court may order the payment of the member's annuities or~~
24 ~~benefits earned under the retirement system for such civil damages,~~
25 ~~except that the annuities or benefits to the extent reasonably necessary~~
26 ~~for the support of the member or any of his or her beneficiaries shall be~~
27 ~~exempt from such payment. Any order for payment of annuities or benefits~~
28 ~~shall not be stayed on the filing of any appeal of the conviction. If the~~
29 ~~conviction is reversed on final judgment, all annuities or benefits paid~~
30 ~~as civil damages shall be forfeited and returned to the member. The~~
31 ~~changes made to this section by Laws 2012, LB916, shall apply to persons~~

1 ~~convicted of or who have pled no contest to such a felony and who have~~
2 ~~been found liable for civil damages as a result of such felony prior to,~~
3 ~~on, or after April 7, 2012.~~

4 Sec. 32. Section 79-9,107, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 79-9,107 The funds of the retirement system which are not required
7 for current operations shall be invested and reinvested (1) before
8 January 1, 2016, by the trustees subject to the approval of the board of
9 education or Class V Retirement System Board as provided in sections
10 79-9,108 to 79-9,111 and (2) on and after January 1, 2016, by the
11 Nebraska Investment Council and the state investment officer in
12 accordance with the Nebraska State Funds Investment Act without the
13 approval of the board of education or board of trustees. Except as
14 otherwise provided in the Class V School Employees Retirement Act, no
15 trustee and no member of the board of education shall have any direct
16 interest in the income, gains, or profits of any investment made by the
17 trustees, nor shall any such person receive any pay or emolument for
18 services in connection with any such investment. Neither the state
19 investment officer nor any ~~no~~ trustee, ~~or~~ member of the board of
20 education, nor member of the Nebraska Investment Council shall become an
21 endorser or surety or in any manner an obligor for money loaned by or
22 borrowed from the retirement system. Any person who violates any of these
23 restrictions shall be guilty of a Class II misdemeanor.

24 Sec. 33. Section 79-9,108, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 79-9,108 (1) Prior to January 1, 2016, the The trustees, with
27 approval of the board of education or Class V Retirement System Board,
28 shall invest and reinvest funds of the retirement system. Beginning
29 January 1, 2016, the funds of the retirement system shall be invested and
30 reinvested solely by the Nebraska Investment Council and the state
31 investment officer in accordance with the Nebraska State Funds Investment

1 Act.

2 (2) Prior to January 1, 2016, a A professional investment manager
3 may be employed by the trustees subject to approval of the board of
4 education or Class V Retirement System Board. The professional investment
5 manager shall be responsible for the purchase, sale, exchange,
6 investment, or reinvestment of such funds subject to guidelines
7 determined by the trustees. Prior to January 1, 2016, the ~~The~~ trustees
8 shall each month submit a report to the board of education or Class V
9 Retirement System Board with respect to the investment of funds. The
10 board of education or Class V Retirement System Board shall approve or
11 disapprove the investments in the report, and in the event of disapproval
12 of any investment, the board shall direct the sale of all or part of such
13 investment or establish future policy with respect to that type of
14 investment. Beginning January 1, 2016, the funds of the retirement system
15 shall be invested and reinvested by the Nebraska Investment Council and
16 the state investment officer, who may employ advisers, counsel, managers,
17 and other professionals in accordance with the Nebraska State Funds
18 Investment Act.

19 (3) Beginning January 1, 2016, the board of trustees, the board of
20 education, and the Class V Retirement System Board shall not have any
21 duty, responsibility, or authority for the investment and reinvestment of
22 the funds of the retirement system, or any investment decision, contract,
23 rule, or regulation related thereto.

24 Sec. 34. Section 79-9,109, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 79-9,109 Prior to January 1, 2016, in ~~In~~ the event of default in
27 the payment of principal of, or interest on, the investments made, the
28 trustees are authorized to institute the proper proceedings to collect
29 such matured principal or interest, and may, with approval of the board
30 of education or Class V Retirement System Board, accept for exchange
31 purposes, refunding bonds or other evidences of indebtedness with

1 interest rates to be agreed upon with the obligor. Prior to January 1,
2 2016, ~~The~~ trustees, with the approval of the board of education or
3 Class V Retirement System Board, are further authorized to make such
4 compromises, adjustments, or disposition of the past-due interest or
5 principal as are in default, or to make such compromises and adjustments
6 as to future payments of interest or principal as deemed advisable for
7 the purpose of protecting the investment.

8 Sec. 35. Section 79-9,111, Reissue Revised Statutes of Nebraska, is
9 amended to read:

10 79-9,111 The board of trustees shall invest the funds of the
11 retirement system in investments of the nature which individuals of
12 prudence, discretion, and intelligence acquire or retain in dealing with
13 the property of another. Such investments shall not be made for
14 speculation but for investment, considering the probable safety of their
15 capital as well as the probable income to be derived. The board of
16 trustees shall not purchase investments on margin or enter into any
17 futures contract or other contract obligation which requires the payment
18 of margin or enter into any similar contractual arrangement which may
19 result in losses in excess of the amount paid or deposited with respect
20 to such investment or contract, unless such transaction constitutes a
21 hedging transaction or is incurred for the purpose of portfolio or risk
22 management for the funds and investments of the system. Prior to January
23 1, 2016, ~~the board of~~ ~~The~~ trustees may write covered call options or put
24 options. Prior to January 1, 2016, ~~the retirement system~~ ~~The~~ trustees
25 shall establish written guidelines for any such option, purchase, or
26 contract obligation. Any such option, purchase, or contract obligation
27 shall be governed by the prudent investment rule stated in this section
28 for investment of the funds of the system. The board of trustees may lend
29 any security if cash, United States Government obligations, or United
30 States Government agency obligations with a market value equal to or
31 exceeding the market value of the security lent are received as

1 collateral. Prior to January 1, 2016, if If shares of stock are purchased
2 under this section, all proxies may be voted by the board of trustees
3 prior to January 1, 2016. As of January 1, 2016, the funds of the
4 retirement system shall be invested solely by the Nebraska Investment
5 Council and the state investment officer in accordance with the Nebraska
6 State Funds Investment Act. The state investment officer may lend
7 securities and vote proxies in accordance with the standard set forth in
8 section 72-1246.

9 Sec. 36. Section 79-9,113, Reissue Revised Statutes of Nebraska, is
10 amended to read:

11 79-9,113 (1)(a) If, at any future time, a majority of the eligible
12 members of the retirement system votes to be included under an agreement
13 providing old age and survivors insurance under the Social Security Act
14 of the United States, the contributions to be made by the member and the
15 school district for membership service, from and after the effective date
16 of the agreement with respect to services performed subsequent to
17 December 31, 1954, shall each be reduced from five to three percent but
18 not less than three percent of the member's salary per annum, and the
19 credits for membership service under this system, as provided in section
20 79-999, shall thereafter be reduced from one and one-half percent to
21 nine-tenths of one percent and not less than nine-tenths of one percent
22 of salary or wage earned by the member during each fiscal year, and from
23 one and sixty-five hundredths percent to one percent and not less than
24 one percent of salary or wage earned by the member during each fiscal
25 year and from two percent to one and two-tenths percent of salary or wage
26 earned by the member during each fiscal year, and from two and four-
27 tenths percent to one and forty-four hundredths percent of salary or wage
28 earned by the member during each fiscal year, except that after September
29 1, 1963, and prior to September 1, 1969, all employees of the school
30 district shall contribute an amount equal to the membership contribution
31 which shall be two and three-fourths percent of salary covered by old age

1 and survivors insurance, and five percent above that amount. Commencing
2 September 1, 1969, all employees of the school district shall contribute
3 an amount equal to the membership contribution which shall be two and
4 three-fourths percent of the first seven thousand eight hundred dollars
5 of salary or wages earned each fiscal year and five percent of salary or
6 wages earned above that amount in the same fiscal year. Commencing
7 September 1, 1976, all employees of the school district shall contribute
8 an amount equal to the membership contribution which shall be two and
9 nine-tenths percent of the first seven thousand eight hundred dollars of
10 salary or wages earned each fiscal year and five and twenty-five
11 hundredths percent of salary or wages earned above that amount in the
12 same fiscal year. Commencing on September 1, 1982, all employees of the
13 school district shall contribute an amount equal to the membership
14 contribution which shall be four and nine-tenths percent of the
15 compensation earned in each fiscal year. Commencing September 1, 1989,
16 all employees of the school district shall contribute an amount equal to
17 the membership contribution which shall be five and eight-tenths percent
18 of the compensation earned in each fiscal year. Commencing September 1,
19 1995, all employees of the school district shall contribute an amount
20 equal to the membership contribution which shall be six and three-tenths
21 percent of the compensation earned in each fiscal year. Commencing
22 September 1, 2007, all employees of the school district shall contribute
23 an amount equal to the membership contribution which shall be seven and
24 three-tenths percent of the compensation paid in each fiscal year.
25 Commencing September 1, 2009, all employees of the school district shall
26 contribute an amount equal to the membership contribution which shall be
27 eight and three-tenths percent of the compensation paid in each fiscal
28 year. Commencing September 1, 2011, all employees of the school district
29 shall contribute an amount equal to the membership contribution which
30 shall be nine and three-tenths percent of the compensation paid in each
31 fiscal year. Commencing September 1, 2013, all employees of the school

1 district shall contribute an amount equal to the membership contribution
2 which shall be nine and seventy-eight hundredths percent of the
3 compensation paid in each fiscal year.

4 (b) The contributions by the school district in any fiscal year
5 beginning on or after September 1, 1999, shall be the greater of (i) one
6 hundred percent of the contributions by the employees for such fiscal
7 year or (ii) such amount as may be necessary to maintain the solvency of
8 the system, as determined annually by the board upon recommendation of
9 the actuary and the trustees.

10 (c) The contributions by the school district in any fiscal year
11 beginning on or after September 1, 2007, shall be the greater of (i) one
12 hundred one percent of the contributions by the employees for such fiscal
13 year or (ii) such amount as may be necessary to maintain the solvency of
14 the system, as determined annually by the board of education upon
15 recommendation of the actuary and after considering any amounts that will
16 be, or are expected to be, transferred to the system pursuant to
17 subdivision (1)(b) of section 79-966. For purposes of this section,
18 solvency means the rate of all contributions required pursuant to the
19 Class V School Employees Retirement Act is equal to or greater than the
20 actuarially required contribution rate using a closed thirty-year
21 amortization period beginning on the current valuation date for any
22 unfunded actuarial accrued liability. The school district contributions
23 specified in subdivision (i) of this subdivision shall be made monthly
24 and shall be immediately transmitted to the account of the retirement
25 system and the trustees.

26 (d) The employee's contribution shall be made in the form of a
27 monthly deduction from compensation as provided in subsection (2) of this
28 section and shall be immediately transmitted to the account of the
29 retirement system. Every employee who is a member of the system shall be
30 deemed to consent and agree to such deductions and shall receipt in full
31 for compensation, and payment to such employee of compensation less such

1 deduction shall constitute a full and complete discharge of all claims
2 and demands whatsoever for services rendered by such employee during the
3 period covered by such payment except as to benefits provided under the
4 Class V School Employees Retirement Act.

5 (e) After September 1, 1963, and prior to September 1, 1969, all
6 employees shall be credited with a membership service annuity which shall
7 be nine-tenths of one percent of salary or wage covered by old age and
8 survivors insurance and one and one-half percent of salary or wages above
9 that amount, except that those employees who retire on or after August
10 31, 1969, shall be credited with a membership service annuity which shall
11 be one percent of salary or wages covered by old age and survivors
12 insurance and one and sixty-five hundredths percent of salary or wages
13 above that amount for service performed after September 1, 1963, and
14 prior to September 1, 1969. Commencing September 1, 1969, all employees
15 shall be credited with a membership service annuity which shall be one
16 percent of the first seven thousand eight hundred dollars of salary or
17 wages earned by the employee during each fiscal year and one and sixty-
18 five hundredths percent of salary or wages earned above that amount in
19 the same fiscal year, except that all employees retiring on or after
20 August 31, 1976, shall be credited with a membership service annuity
21 which shall be one and forty-four hundredths percent of the first seven
22 thousand eight hundred dollars of salary or wages earned by the employee
23 during such fiscal year and two and four-tenths percent of salary or
24 wages earned above that amount in the same fiscal year, and the
25 retirement annuities of employees who have not retired prior to September
26 1, 1963, and who elected under the provisions of section 79-988 as such
27 section existed immediately prior to February 20, 1982, not to become
28 members of the system shall not be less than they would have been had
29 they remained under any preexisting system to date of retirement.

30 (f) Members of this system having the service qualifications of
31 members of the School Employees Retirement System of the State of

1 Nebraska, as provided by section 79-926, who are members prior to July 1,
2 2015, shall receive the state service annuity provided by sections 79-933
3 to 79-935 and 79-951.

4 (2) The school district shall pick up the employee contributions
5 required by this section for all compensation paid on or after January 1,
6 1985, and the contributions so picked up shall be treated as employer
7 contributions in determining federal tax treatment under the Internal
8 Revenue Code, except that the school district shall continue to withhold
9 federal income taxes based upon these contributions until the Internal
10 Revenue Service or the federal courts rule that, pursuant to section
11 414(h) of the Internal Revenue Code, these contributions shall not be
12 included as gross income of the employee until such time as they are
13 distributed or made available. The school district shall pay these
14 employee contributions from the same source of funds which is used in
15 paying earnings to the employee. The school district shall pick up these
16 contributions by a salary deduction either through a reduction in the
17 cash salary of the employee or a combination of a reduction in salary and
18 offset against a future salary increase. Beginning September 1, 1995, the
19 school district shall also pick up any contributions required by sections
20 79-990, 79-991, and 79-992 which are made under an irrevocable payroll
21 deduction authorization between the member and the school district, and
22 the contributions so picked up shall be treated as employer contributions
23 in determining federal tax treatment under the Internal Revenue Code,
24 except that the school district shall continue to withhold federal and
25 state income taxes based upon these contributions until the Internal
26 Revenue Service rules that, pursuant to section 414(h) of the Internal
27 Revenue Code, these contributions shall not be included as gross income
28 of the employee until such time as they are distributed from the system.
29 Employee contributions picked up shall be treated for all purposes of the
30 Class V School Employees Retirement Act in the same manner and to the
31 extent as employee contributions made prior to the date picked up.

1 Sec. 37. Section 79-9,115, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 79-9,115 (1) All allowances, annuities, or other benefits granted
4 under the Class V School Employees Retirement Act, and all expenses
5 incurred in connection with the administration of the act, except
6 clerical work incurred in connection with maintenance of records and
7 payment of benefits, shall be paid from the Class V School Employees
8 Retirement Fund ~~retirement fund~~ hereby established. Such clerical work
9 shall be performed by employees of the school district or districts and
10 paid for out of the general fund of the school district or districts. The
11 administrator and staff of the retirement system shall be permitted
12 reasonable office and records storage space in the central office
13 building of the Class V school district formed before September 13, 1997.
14 All expenses for the retirement system office accommodations and
15 integrated pension benefit information management systems, including all
16 services, support, furniture, and equipment provided or by any central
17 office department of the school district, shall be charged to the
18 retirement system.

19 (2) Beginning on the effective date of the act, any expenses with
20 respect to the transfer and assumption by the Nebraska Investment Council
21 of the duty and authority to invest the assets of the Class V School
22 Employees Retirement System shall be charged to the Class V School
23 Employees Retirement Fund. Such expenses shall be paid without the
24 approval of the Class V Retirement System Board or board of trustees.

25 Sec. 38. Section 79-9,117, Reissue Revised Statutes of Nebraska, is
26 amended to read:

27 79-9,117 (1) The board of trustees shall establish a comprehensive
28 preretirement planning program for school employees who are members of
29 the retirement system. The program shall provide information and advice
30 regarding the many changes employees face upon retirement, including, but
31 not limited to, changes in physical and mental health, housing, family

1 life, leisure activity, and retirement income.

2 (2) The preretirement planning program shall be available to all
3 employees who have attained the age of fifty years or are within five
4 years of qualifying for retirement or early retirement under their
5 retirement systems.

6 (3) The preretirement planning program shall include information on
7 the federal and state income tax consequences of the various annuity or
8 retirement benefit options available to the employee, information on
9 social security benefits, information on various local, state, and
10 federal government programs and programs in the private sector designed
11 to assist elderly persons, and information and advice the board of
12 trustees deems valuable in assisting employees in the transition from
13 public employment to retirement.

14 (4) The board of trustees shall work with any governmental agency,
15 including political subdivisions or bodies whose services or expertise
16 may enhance the development or implementation of the preretirement
17 planning program.

18 (5) The costs of the preretirement planning program shall be charged
19 back to the retirement system.

20 (6) The employer shall provide each eligible employee leave with pay
21 to attend up to two preretirement planning programs. For purposes of this
22 subsection, leave with pay means a day off paid by the employer and does
23 not mean vacation, sick, personal, or compensatory time. An employee may
24 choose to attend a program more than twice, but such leave shall be at
25 the expense of the employee and shall be at the discretion of the
26 employer. An eligible employee shall not be entitled to attend more than
27 one preretirement planning program per fiscal year prior to actual
28 election of retirement.

29 (7) A nominal registration fee may be charged each person attending
30 a preretirement planning program to cover the costs for meals, meeting
31 rooms, or other expenses incurred under such program.

1 Sec. 39. The Class V Retirement System Payment Processing Fund is
2 created for the purpose of transferring funds as specified in section
3 79-986. The fund shall consist of the amounts transferred from the
4 custodial bank that holds the Class V School Employees Retirement System
5 assets to make payments for purposes specified in the Class V School
6 Employees Retirement Act. The funds shall reside with the Nebraska Public
7 Employees Retirement System for the sole purpose of conducting the
8 transactions necessary to implement this section. Any money in the
9 account or funds available for investment shall be invested by the state
10 investment officer pursuant to the Nebraska Capital Expansion Act and the
11 Nebraska State Funds Investment Act.

12 The Nebraska Public Employees Retirement Systems, Public Employees
13 Retirement Board, State Treasurer, Nebraska Investment Council, and
14 employees of each of such agency shall not have responsibility to review
15 or verify the accuracy of the requests for transfer of funds for payments
16 and shall not be liable for any claims, suits, losses, damages, fees, and
17 costs related to the payment of such benefits, refunds, and expenses.

18 Sec. 40. Section 84-1503, Reissue Revised Statutes of Nebraska, is
19 amended to read:

20 84-1503 (1) It shall be the duty of the Public Employees Retirement
21 Board:

22 (a) To administer the retirement systems provided for in the County
23 Employees Retirement Act, the Judges Retirement Act, the Nebraska State
24 Patrol Retirement Act, the School Employees Retirement Act, and the State
25 Employees Retirement Act. The agency for the administration of the
26 retirement systems and under the direction of the board shall be known
27 and may be cited as the Nebraska Public Employees Retirement Systems;

28 (b) To appoint a director to administer the systems under the
29 direction of the board. The appointment shall be subject to the approval
30 of the Governor and a majority of the Legislature. The director shall be
31 qualified by training and have at least five years of experience in the

1 administration of a qualified public or private employee retirement plan.
2 The director shall not be a member of the board. The salary of the
3 director shall be set by the board. The director shall serve without term
4 and may be removed by the board;

5 (c) To provide for an equitable allocation of expenses among the
6 retirement systems administered by the board, and all expenses shall be
7 provided from the investment income earned by the various retirement
8 funds unless alternative sources of funds to pay expenses are specified
9 by law;

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

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

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

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

28 (h) To prescribe and furnish forms for the public retirement system
29 plan reports required to be filed pursuant to sections 2-3228, 12-101,
30 14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,
31 23-3526, 71-1631.02, and 79-987.

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

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

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

9 (c) To adopt and promulgate rules and regulations for the management
10 of the board;

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

13 (e) To obtain, by a competitive, formal, and sealed bidding process
14 through the materiel division of the Department of Administrative
15 Services, actuarial services on behalf of the State of Nebraska as may be
16 necessary in the administration and development of the retirement
17 systems, including, but not limited to, preparation of an annual
18 actuarial valuation report of each of the defined benefit and cash
19 balance plans administered by the board. Such annual valuation reports
20 shall be presented by the actuary to the Nebraska Retirement Systems
21 Committee of the Legislature at a public hearing or hearings. Any
22 contract for actuarial services shall contain a provision allowing the
23 actuary, without prior approval of the board, to perform actuarial
24 studies of the systems as requested by entities other than the board, if
25 notice, which does not identify the entity or substance of the request,
26 is given to the board, all costs are paid by the requesting entity,
27 results are provided to the board, the Nebraska Retirement Systems
28 Committee of the Legislature, and the Legislative Fiscal Analyst upon
29 being made public, and such actuarial studies do not interfere with the
30 actuary's ongoing responsibility to the board. The term of the contract
31 shall be for up to three years. A competitive, formal, and sealed bidding

1 process shall be completed at least once every three years, unless the
2 board determines that such a process would not be cost effective under
3 the circumstances and that the actuarial services performed have been
4 satisfactory, in which case the contract may also contain an option for
5 renewal without a competitive, formal, and sealed bidding process for up
6 to three additional years. An actuary under contract for the State of
7 Nebraska shall be a member of the American Academy of Actuaries and meet
8 the academy's qualification standards to render a statement of actuarial
9 opinion;

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

15 (g) To adopt and promulgate rules and regulations to carry out the
16 provisions of each retirement system described in subdivision (1)(a) of
17 this section, which includes, but is not limited to, the crediting of
18 military service, direct rollover distributions, and the acceptance of
19 rollovers;

20 (h) To obtain, by a competitive, formal, and sealed bidding process
21 through the materiel division of the Department of Administrative
22 Services, auditing services for a separate compliance audit of the
23 retirement systems to be completed by December 31, 2020, and from time to
24 time thereafter at the request of the Nebraska Retirement Systems
25 Committee of the Legislature, to be completed not more than every four
26 years but not less than every ten years. The compliance audit shall be in
27 addition to the annual audit conducted by the Auditor of Public Accounts.
28 The compliance audit shall include, but not be limited to, an examination
29 of records, files, and other documents and an evaluation of all policies
30 and procedures to determine compliance with all state and federal laws. A
31 copy of the compliance audit shall be given to the Governor, the board,

1 and the Nebraska Retirement Systems Committee of the Legislature and
2 shall be presented to the committee at a public hearing;

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

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

1 or regulations which restrict discretionary or optional contributions to
2 a plan or which limit distributions from a plan.

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

13 (4) It shall be the duty of the Public Employees Retirement Board to
14 direct the State Treasurer to transfer funds, as an expense of the Class
15 V School Employees Retirement System, to and from the Class V Retirement
16 System Payment Processing Fund and the Class V School Employees
17 Retirement Fund for the benefit of the Class V School Employees
18 Retirement System to implement the provisions of section 79-986. The
19 agency for the administration of this provision and under the direction
20 of the board shall be known and may be cited as the Nebraska Public
21 Employees Retirement Systems.

22 Sec. 41. If any section in this act or any part of any section is
23 declared invalid or unconstitutional, the declaration shall not affect
24 the validity or constitutionality of the remaining portions.

25 Sec. 42. Original sections 72-1237, 72-1239, 72-1239.01, 72-1249,
26 72-1249.02, 79-916, 79-966, 79-978, 79-978.01, 79-979, 79-980, 79-981,
27 79-982, 79-983, 79-984, 79-985, 79-986, 79-987, 79-989, 79-990, 79-991,
28 79-992, 79-996, 79-998, 79-9,100, 79-9,102, 79-9,103, 79-9,104, 79-9,107,
29 79-9,108, 79-9,109, 79-9,111, 79-9,113, 79-9,115, 79-9,117, and 84-1503,
30 Reissue Revised Statutes of Nebraska, and section 72-1243, Revised
31 Statutes Cumulative Supplement, 2014, are repealed.

1 Sec. 43. The following section is outright repealed: Section
2 79-988.01, Reissue Revised Statutes of Nebraska.

3 Sec. 44. Since an emergency exists, this act takes effect when
4 passed and approved according to law.