

# 2018 Annual Report

NEBRASKA  
PUBLIC  
EMPLOYEES  
RETIREMENT  
SYSTEMS

*Annual Report to the Legislative Retirement Committee*





**Janis Elliott**  
*Chair, School Plan Member*



**Dennis Leonard**  
*Vice Chair, Patrol Plan Member*

**NEBRASKA PUBLIC  
EMPLOYEE  
RETIREMENT  
BOARD (PERB)**



**Denis Blank**  
*State Plan Member*



**Jim Schulz**  
*Public Member*



**Kelli Ackerman**  
*School Plan Member*



**Elaine Stuhr\***  
*Public Member*



**J Russell Derr**  
*Judges Plan Member*



**Pamela Lancaster**  
*County Plan Member*



**Michael Walden-Newman**  
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**Randy Gerke**  
*Director, NPERS*

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\*Serving until a new Member-At-Large is appointed and confirmed.





# NPERS LETTER FROM THE DIRECTOR

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## Nebraska Public Employees Retirement Systems

March 1, 2018

Senator Mark Kolterman, Chairman  
Nebraska Retirement Systems Committee  
Nebraska State Capitol, Room 2004  
Lincoln, Nebraska 68509

Dear Senator Kolterman and Retirement Systems Committee Members:

It is my pleasure to present the 2018 Annual Report to the Legislature. NPERS continues to uphold the integrity of the retirement systems through efficient and responsible agency administration, in order to maintain the trust of our members, our plan employers, the separate branches of government, and the public as a whole. This report contains detailed information about NPERS' operations, our retirement plans, and our achievements throughout the year.

In 2017, NPERS continued to experience growth in membership and asset totals. The total membership number of all six plans was 130,950 while total assets grew to approximately \$14.7 billion. Additionally, over \$785 million in benefits was distributed to members from all six plans. NPERS' plan funding provides an exemplary nationwide model, as all retirement plans have retained a funded status of over 80% during fiscally challenging times.

I would like to acknowledge the Public Employees Retirement Board and the Nebraska Investment Council who continuously exhibit the highest level of vision, leadership, and commitment in the performance of their fiduciary responsibilities. I wish to thank Ameritas and Cavanaugh Macdonald whose efforts contribute to the successful administration of our retirement plans. I would personally like to thank the NPERS staff who committed countless hours and effort for the benefit of the members and the agency. Finally, I wish to express my appreciation to the Legislative Retirement Committee for your continued dedication and support in protecting the future of the Nebraska Retirement Systems, so crucial to its members and their families. I look forward to working with you as this year unfolds.

Sincerely,



Randy Gerke  
Director





Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2017***

Presented to

***Nebraska Public Employees Retirement Systems***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, prominent 'A' and 'W'.

Alan H. Winkle  
Program Administrator





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## ***Vision***

The Nebraska Public Employees Retirement Systems seeks to administer the retirement systems with exceptional service, integrity, and commitment for the exclusive benefit of our plan members and to ensure retirement security for their future.

## ***Mission***

The Nebraska Public Employees Retirement Systems recognizes the importance of a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

## Agency Goals

1. To administer each retirement plan in full compliance with applicable federal and state laws.
2. To operate our agency efficiently and responsibly in order to maintain the trust of our members, our plan employers, the separate branches of government, and the public as a whole.
3. To guard the integrity of our systems' assets and the accuracy of the data systems.
4. To provide ongoing informational and educational opportunities for members and employers.
5. To monitor benefit patterns and funding levels of the various retirement plans and advise policy makers of our observations.
6. To continue improving our technology in order to achieve the highest level of service possible.

## Agency Statutory Authority

The Public Employees Retirement Board (PERB) is entrusted with the administration of the Nebraska Public Employees Retirement Systems (NPERs), per Chapter 84-1501 to 84-1514.

### *THE LAWS GOVERNING EACH RETIREMENT PLAN ARE AS FOLLOWS:*

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County Employees Retirement Act	23-2301 to 23-2334
Judges Retirement Act	24-701 to 24-714
School Employees Retirement Act	79-901 to 79-977.03
Nebraska State Patrol Retirement Act	81-2014 to 81-2041
State Employees Retirement Act	84-1301 to 84-1333
State Deferred Compensation Fund	84-1504 to 84-1514

### *OTHERS:*

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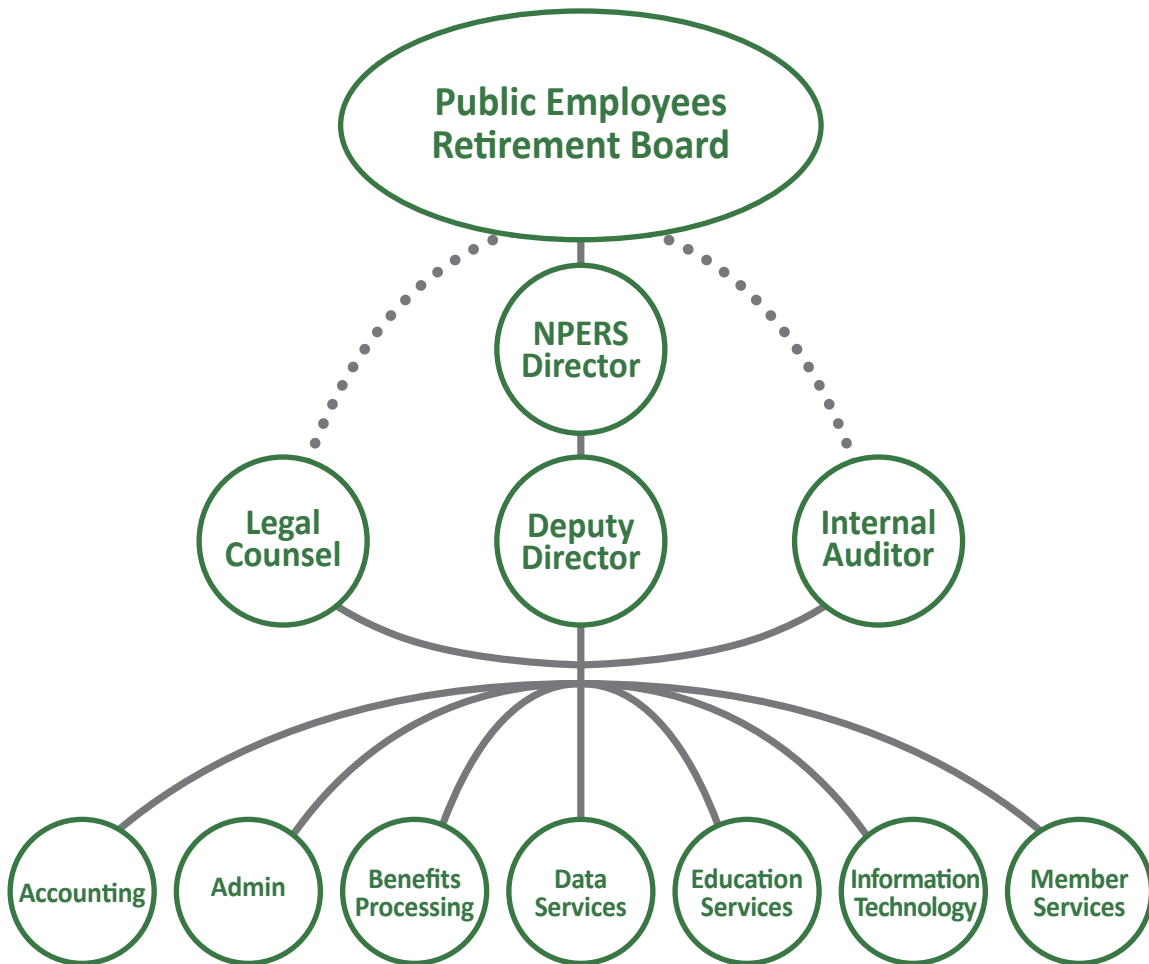
Spousal Pension Rights Act	42-1101 to 42-1113
Nebraska Investment Council	72-1237 to 72-1269
Retirement Board	84-1501 to 84-1514

# Staffing

We currently have a total of 52 NPERS employees and four OCIO employees on staff. The key management staff members are:

- Orron Hill, Legal Counsel
- Dennis Cooper, Data Services Manager
- Teresa Zulauf, Finance
- John Winkelman, Education Services Manager
- Diane Holtorf, Internal Auditor
- Vicki Huber, Personnel Officer
- Patty Pierson, Retirement Plans Manager
- Jack Hardy, IT Manager

# Organizational Structure



# 2017 Accomplishments

1. The number of member accounts in the School, Judges, Patrol, State, County, and Deferred Compensation plans grew to a record total of 130,950. The total assets of the plans increased from \$13.1 billion to a record \$14.7 billion. Investment performance as of June 30, 2017, was 13.7% for the Defined Benefit plans.
2. The Call Center answered 39,308 phone calls and met with 2,029 members who visited our office for retirement information and counseling. The Benefits Department processed 1,450 retirements, 164 estimates for purchase of service and 81 actual purchases of service, 46 Qualified Domestic Relations Orders (QDRO's), and 19 disability retirements.
3. NPERS distributed over \$785 million in benefits to plan members in all six plans. The benefits included \$625 million in monthly annuity payments to over 27,000 members. NPERS processed 7,035 refunds, rollovers, and required minimum distributions totaling \$160 million.
4. The Finance and Accounting Department worked closely with the actuaries and State Auditor to prepare the Government Accounting Standards Board (GASB) 67 and 68 reports. The School and County employers use the GASB 68 reports for their financial statements.
5. NPERS exercised careful control of agency expenditures and financial reporting. The financial statements represent accurate and reliable information about NPERS.
6. The State Auditor audited the State and County plans in the spring and the School, Judges, and Patrol plans in the fall. NPERS had no report points for the State and County audit reports, and no report points for the School, Judges, and Patrol audit reports.
7. The PERB approved revisions to the Three-Year Internal Audit Plan. The Internal Audit department completed 37 School employer audits and 26 County employer audits.
8. NPERS' actuaries, Cavanaugh Macdonald, completed the 2016 Experience Study for all five plans. The PERB approved new economic and demographic assumptions effective July 1, 2017 for the School, Judges and Patrol plans and effective January 1, 2018, for the State and County plans. The new investment return assumption is 7.5%.
9. NPERS worked with the actuaries to prepare annual valuation reports for all five plans. In addition, the actuaries updated the 30-year projection models and performed a "Return to Work" study for the School plan.
10. The State and County Cash Balance (CB) plans exceeded 100% funding as of December 31, 2016. The PERB voted to grant a 3.07% dividend to State CB members and a 0.51% dividend to County CB members. A total of \$37,637,344.22 was paid to all plan members.

- 11.** Effective July 1, 2017, eligible School, Judges, and Patrol retirees received a cost of living adjustment (COLA) in their monthly benefit distributions. Retirees participating in Tier One (COLA cap of 2.50%) received a 1.50% increase. Retirees participating under Tier Two (COLA cap of 1.00%) received a 1.00% increase.
- 12.** The PERB and Nebraska Investment Council (NIC) met jointly in November for the presentations of the defined benefit actuarial valuation reports by the actuary and the capital market assumptions by the investment consultants.
- 13.** The PERB participated in an educational retreat in July. The agenda included a presentation by guest speaker Diane Oakley, Executive Director of the National Institute on Retirement Security (NIRS) in Washington, D.C. Ms. Oakley discussed NIRS research regarding Americans' views on retirement security, the value public pension plans deliver, the level of support for public pension plans, pension reforms and new directions, and retirees spending dollars in the economy.
- 14.** The Education Services staff traveled Nebraska providing seminars and training for plan members and employers. In 2017, 44 Retirement Planning seminars were conducted with a total attendance of 2,086. Four Financial Management seminars were conducted with an attendance of 112. Six workshops were conducted for school employer reporting agents with an attendance of 240. Six "Retirement 101" presentations were conducted with an attendance of approximately 400.
- 15.** Data Services processed 35,690 pieces of incoming mail, 292,615 pieces of outgoing mail, and scanned 394,760 documents. There were 6,594 member accounts validated for service credit.
- 16.** Data Services also processed 8,998 changes of information, 2,697 tax withholding forms, and 3,224 direct deposit forms. The majority of forms were processed within 2 days of receipt.
- 17.** Our IT department made two significant updates to the NPERS website. The website was reformatted to support mobile devices and our online benefit estimator has undergone an extensive "Member Friendly" redesign.
- 18.** The NPERS IT staff completed the project to upgrade the application servers for our pension administration system (NPRIS) from WebSphere 7 to WebSphere 9.
- 19.** NPERS Director and Legal Counsel worked cooperatively with the Retirement Systems Committee on legislation, research, analysis, and reports regarding various issues for all of NPERS' retirement plans.

# 2018 Action Plan

1. Promote enhanced customer service for our members by decreasing service delivery times, increasing availability of computer generated forms and online submissions, updating our online purchase of service estimator, and including beneficiaries on member statements.
2. Conduct a thorough review and revision of Agency policies and Rules and Regulations.
3. Review and update agency procedure standardizations, cross train staff to enhance succession planning safeguards, conduct agency-wide process analysis to determine inefficiencies and identify solutions to improve customer service.
4. Continue to refine processes for small inactive member retirement accounts.
5. Participate in drafting retirement bills, participate in legislative hearings, and implement retirement legislation enacted by the 2018 Legislature.
6. Move to centralized printing practices to reduce budgetary needs and improve efficiency.
7. Continue to play an active part in the State fuzioN Project through agency representative validation, training, and implementation meetings.
8. Transition the agency to a fully automated time entry and leave request solution.
9. Implement online performance evaluation processes utilizing Smart Goals.
10. Continue to identify and enhance cyber security solutions through the OCIO and NPERS IT staff.
11. Work with State Purchasing to issue a Request for Proposal (RFP) for NPERS' contracted actuarial services.
12. Increase public presence and outreach to educate stakeholders and member groups about the retirement plans.



# Legislation

## 2017

### ● LB 415

#### School

Increases the minimum age to qualify for the Rule of 85 from 55 to 60. This provision applies to members hired on or after July 1, 2018, and participants who have taken a refund or retirement benefit and returned to membership (as a new employee) on or after July 1, 2018.

Further defines service credit in the School Plan for employees hired on or after July 1, 2018. Used sick and vacation leave must be leave accrued by the member in order to be counted as service credit. Sick Leave Bank or donated leave used by a member would not be eligible for service credit. Jury duty is added to the definition of service credit when the member is paid full compensation by the employer. Adds language limiting service credit to only those items found in the statutory definitions.

Clarifies early retirement incentives are not counted as compensation for all plan members, and further defines these payments.

Defines disability as, "an inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the plan and which can be expected to result in death or be of a long-continued and indefinite duration." In addition, the bill changes the application time frame for disability retirements. Under the new provisions, all disability applications must be made within one year of termination of employment.

Removes the language allowing employers to pay for purchases of service under the 12-month preretirement provision and requires these purchases be paid by the employee.

Employers participating in the plan must provide written notification of all terminations. This notification shall include whether or not the member accepted and received a retirement incentive and written certification from both the member and employer that, prior to the member's termination, there was no prearranged written or verbal agreement to return to work in any capacity.

Changes the valuation for lump sum settlements to an estate from the Moody's Triple A Bond Index to the Barclays Long U.S. Corporate Bond Index.

#### State & County Plans

Allows the use of updated mortality tables to calculate Cash Balance annuity rates. The new mortality assumptions shall use a unisex mortality table recommended by the plan actuary and approved by the Public Employees Retirement Board (PERB) after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. Retirement benefits will be calculated using the mortality table and actuarial factors in effect when the member begins retirement (Retirement Date). These provisions would apply to Cash Balance members hired after January 1, 2018; or terminated members rehired on or after January 1, 2018, who have taken a distribution or refund from their account.

Clarifies that the PERB may make adjustments to the Cash Balance interest (annuity) rate based on a recommendation from the plan actuary after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. This rate may be, but is not required to be, equal to the actuarial assumed rate of return. Retirement benefits will be calculated using the interest rate and actuarial factors in effect when the member begins retirement (Retirement Date). In addition, the bill clarifies the annuity rate for Defined Contribution members as the Pension Benefit Guaranty Corporation interest rate plus three-fourths of one percent, or the interest rate used for Cash Balance, whichever is lower.

Defines disability as, "an inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the plan and which can be expected to result in death or be of a long-continued and indefinite duration" The bill also allows the PERB to waive the requirement for a medical exam for disability retirement if the PERB determines, "extraordinary circumstances exist which preclude substantial gainful activity by the member. Such circumstances shall include hospice placement or similar confinement for a terminal illness or injury."

Removes language requiring the PERB to provide information regarding the tax consequences of the various retirement

options, to members who are eligible for retirement.

Changes provisions for military service credit. Under the new language, members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions. Payments must be made within 18 months. Late payments will be subject to actuarial costs and interest. These provisions only apply to military service that begins on or after January 1, 2018 and falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA). The bill allows the PERB to adopt and promulgate rules and regulations to carry out these provisions including, but not limited to, notification of military service, acceptable methods of payment, determining the compensation upon which the contributions must be made, and the documentation required to substantiate that the individual was reemployed pursuant to USERRA regulations.

#### County Plan

Allows Counties to make quarterly, semiannual, or annual payments to individuals receiving a prior service annuity.

#### School, Judges, & Patrol Plans

Members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions. Payments must be made within 18 months. Late payments will be subject to actuarial costs and interest. These changes to military service credit provisions only apply to military service that falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA). The bill allows the Public Employees Retirement Board (PERB) to adopt and promulgate rules and regulations to carry out these provisions including, but not limited to, notification of military service, acceptable methods of payment, determining the compensation upon which the contributions must be made, and the documentation required to substantiate that the individual was reemployed pursuant to USERRA regulations.

Allows the use of updated mortality tables to calculate Cash Balance annuity rates. The new mortality assumptions shall use a unisex mortality table recommended

## AGENCY ACTIVITY

by the plan actuary and approved by the Public Employees Retirement Board (PERB) after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. Such interest rate may be, but is not required to be, equal to the actuarial assumed rate of return. Retirement benefits will be calculated using the mortality table, interest rate, and actuarial factors in effect when the member begins retirement (Retirement Date). These provisions would apply to members hired after July 1, 2017; or terminated members rehired on or after July 1, 2017, who have taken a retirement benefit or refund of their account.

### County, Judges, School, Patrol, State Plans

For retirement plan purposes, the bill defines hire date or date of hire as, "the first day of compensated service subject to retirement contributions."

### Judges & Patrol Plans

Increases the filing time for retirement applications from 90 to 120 days prior to the effective date of retirement.

### Judges Plan

Clarifies language relating to the supplemental cost-of-living payments (COLP) for Judges participating in Tier 2.

## 2016

### ● LB 447

#### School

*As amended by AM1979 & AM2282:*

Removes the current statutory language allowing payment of disability retirement benefits to individuals who work less than 20 hours as a school employee. Disability retirement benefits cease if a member returns to active service as a school employee after receiving disability retirement benefits or if a physician certifies the member is no longer disabled for service as a school employee.

Removes the ½ year of service vesting for members who are actively employed on or over age 65. All members, regardless of age, would require a minimum of five years of service credit to vest in the plan. This provision would apply to:

- All new members hired on or after 7/1/2016.
- Members who have taken a refund or retirement and are hired or rehired on or after 7/1/2016.

#### AM1979

Adds language from LB 922 & LB 986 to this bill.

From LB 922: Staggers the terms of board members in order to prevent multiple terms from expiring in the same year. Clarifies that the Governor has the authority to remove members of the PERB "for cause after notice and an opportunity to be heard."

From LB 986: Requires, in addition to annual actuarial reports, an experience study to review actuarial assumptions be conducted at least once every four years, or at the request of the Nebraska Retirement Systems Committee. If the PERB does not adopt all of the recommendations in the experience study "the board shall provide to the committee within ten business days after the board's decision at a public meeting a written explanation describing the board's analysis and factors considered in reaching its decision."

Requires a confidential, initial, and final draft of actuarial reports and experience studies be provided to the Governor and the Nebraska Retirement Systems Committee.

#### AM2344

Adds "cleanup" language.

Transfers investment authority from the OSERS Board of Trustees to the Nebraska Investment Council, and makes the PERB/NPERS the pass-through agency for OSERS transactions.

### ● LB 467

#### Patrol

*As amended by AM2351:*

Creates a second tier of benefits for members joining the Nebraska State Patrol plan on or after 7/1/2016. This benefit tier mirrors the current plan with the following exceptions:

- Individuals participating in Tier Two would contribute 17% of salary.
- Monthly retirement benefits for Tier Two members would be calculated using their five highest 12-month periods of salary.
- Compensation would not include unused sick and vacation leave, holiday compensatory time, compensatory time, or similar benefits converted to cash payments.
- Increases in salary will be capped at 8% per year when determining the final average compensation used to calculate retirement benefits.
- The 60% purchasing power cost of living adjustment (COLA) provision is removed and COLAs for retirement payments would be capped at 1% for Tier Two participants. If the annual actuarial report indicates the plan is

fully funded with a sufficient actuarial surplus, the retirement board may elect to issue a supplemental lump-sum cost of living adjustment for that year. The supplemental COLA cannot exceed 1.5%.

- Tier Two members would not be eligible to participate in the Deferred Retirement Option Plan (DROP).

Contains an emergency clause and would take effect when passed and approved according to law.

### ● LB 790

#### Judges & School

Alphabetizes the statutory definitions for the Judges and School plans.

### ● LB 803

#### Judges

Updates the portion of the \$42 clerk of the district court docket fee remitted to the Nebraska Retirement Fund for Judges. Currently, \$2 of the docket fee is remitted to the Judges Retirement Fund. This bill increases this amount to \$4 effective 7/1/2016. On 7/1/2017, this amount increases to \$6.

## 2015

### ● LB 40

#### County, Judges, Patrol, State

Introduced at the request of NPERS. Grants the PERB the authority to issue subpoenas when there is a need to investigate an overpayment of a benefit.

The PERB shall have the power to compel the attendance of witnesses; the production of books, papers, records, and documents; and to issue subpoenas. Such subpoenas shall be served in the same manner and have the same effect as subpoenas from district courts.

#### AM224

Removes the benefit garnishment provisions added in 2012 by LB 916.

### ● LB 41

#### County

Increases the population cap designated for participation in the Nebraska County Retirement Plan from 200,000 to 250,000.

### ● LB 468

#### Judges

*Retirement Committee Priority Bill*

Establishes a second tier of benefits for members joining the Nebraska Judges

plan on or after 7/1/2015. This tier mirrors the current plan with the following exceptions:

- Individuals participating in Tier 2 will contribute 10% of salary.
- Monthly retirement benefits for Tier 2 members will be calculated using their five highest 12-month periods of salary.
- The 75% purchasing power cost of living adjustment provision is removed for Tier 2 participants. Cost of living adjustments for retirement payments would be capped at 1%. If the annual actuarial study finds sufficient funding, the retirement board may elect to issue a supplemental lump-sum cost of living adjustment for that year. The supplemental cost of living adjustment cannot exceed 1.5%.

Modifies funding of the plan. Under current statute, \$2 of the Nebraska court fee is allocated to the Nebraska Retirement Fund for Judges. LB 468 increases this allocation for county courts to \$4 as of 7/1/2015. On 7/1/2017, the county court allocation increases to \$6. The separate \$6 court fee assessed specifically for the Nebraska Retirement Fund for Judges would not be altered.

## 2014

### ● LB 759

#### **Defined Contribution, DCP, and Patrol DROP**

Removes requirement that the Stable Value fund be invested only in guaranteed investment contracts. Allows inclusion of investment options that will provide "capital preservation and consistent, steady returns." Amended from LB 918.

### ● LB 1042

#### **School**

Revises the provisions to repay a refund and changes the eligibility requirements for the 12-month preretirement service purchase.

Calculates refund repayments using the refund plus the actuarial assumed rate of return (as of the date of repayment). Requests to repay a refund will be allowed on a one-time basis. Members must be actively employed and participating in the plan in order to repay a refund. All refund repayments must be completed within five years of reemployment or prior to termination. Service credit will be restored in proportion to the amount repaid.

Members currently employed and participating in the plan will have extended time to submit a one-time application for repayment. Applications must be received within six years from the effective date of the bill, and repayment completed within six years from the effective date of the bill or prior to termination. The repayment will be calculated using the original amount of the refund plus the actuarial assumed rate of return.

Clarifies that individuals reemployed on or after July 1, 2013, who were previously participating under Tier 1 provisions and took a refund, will return to plan participation under Tier 2 status. These members may return to Tier 1 status only after repaying the refund in full, thereby restoring all Tier 1 service credit.

Requires individuals who initially join the plan on or after July 1, 2014, to acquire a minimum of 10 years of service credit prior to purchasing additional years of service under the 12-month preretirement service purchase.

Provisions of LB1042 take effect on April 17.

## 2013

### ● LB 263

#### **County**

Permanent part-time employees age 18 or older who wish to begin participation in the retirement system must do so within the first 30 days of employment. Provides for participation by counties with populations up to 200,000 (increased from the current cap of 150,000).

#### **School**

Increases filing time for retirement applications from 90 to 120 days prior to effective date of retirement.

Effective July 1, 2013, salary increase as the result of a change in position or employers is no longer exempt from the salary caps used when determining benefits. Additional language added via AM835 (see below).

Clarified termination dates. Stipulates employment contracts shall specify the period of employment including starting and ending dates.

The time frame for a new member to submit an application for eligibility and vesting credit shall be increased from 30 to 180 days.

### **State Patrol**

The time frame for a new member to submit an application for eligibility and vesting credit increases from 30 to 180 days.

### **State**

Permanent part-time employees age 18 or older who wish to begin participation in the retirement system must do so within the first 30 days of employment.

### **AM835**

Clarifies language and definitions relating to the 8% salary cap (with no exemptions) for determination of retirement benefits for members retiring on or after 7/1/2013.

### ● LB 306

#### **Judges**

Retains the temporary additional 1% member contribution rate previously scheduled to be removed as of 7/1/2014.

### **AM624**

Incorporates language from LB 229: *"Under current statute, the court fee designated for the Nebraska Retirement Fund for Judges is scheduled to decrease from six to five dollars effective July 1, 2014. This bill proposes to remove this language, keeping the fee at six dollars."*

### **AM1114**

Increases salaries of Justices serving on the Nebraska Supreme Court effective July 1, 2013, and again on July 1, 2014.

### ● LB 553

Proposes multiple changes to the School Retirement plan.

For new members joining the plan on or after July 1, 2013:

- Final average monthly compensation determined using compensation during the five 12-month periods of service in which compensation was the greatest, divided by 60.
- Cost of living adjustments capped at one percent. Removes 75% purchasing power language.

### **AM802**

Increases the number of hours used to determine plan membership from 15 to 20 hours per week.

Removes language that would have reduced member contributions from the current rate of 9.78% to 7.28% on 9/1/2017.

Increases State contributions from 1% to 2% of member salary beginning 7/1/2014.

## Funded Status of Pensions

Annually, our actuary performs an actuarial valuation of the Defined Benefit and Cash Balance plans. The Cash Balance plans are on a calendar year basis with the actuarial report issued in the spring. The Defined Benefit plans are on a fiscal year basis with the actuarial report issued in the fall. Investment returns are smoothed over a five-year period.

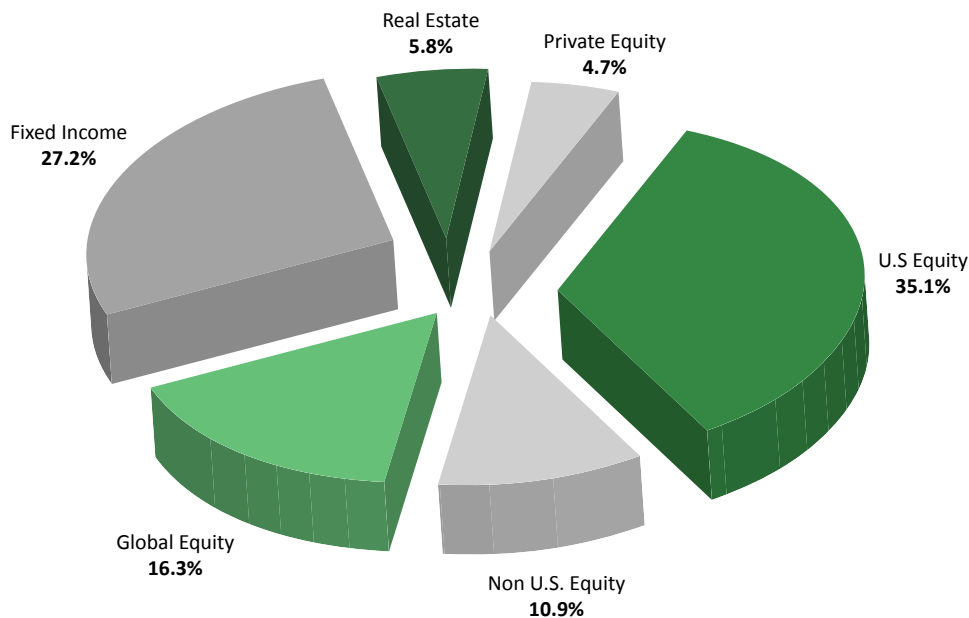
The results of an experience study covering the four-year period ending June 30, 2015 were presented to the Public Employee Retirement Board (PERB) on October 17, 2016. Multiple changes in actuarial assumptions were recommended by the plan actuary including a reduction in the investment rate of return from 8.00% to 7.5%. The recommended assumption changes were adopted by the PERB and are reflected in the School, Judges, and Patrol valuations.

## INVESTMENT RETURN FOR DEFINED BENEFIT PLAN

FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017
1.0%	12.7%	18.0%	3.9%	1.6%	13.7%

## ASSET ALLOCATION

The actual asset allocation for the Defined Benefit plans as of June 30, 2017, was 35.1% U.S. Equity; 10.9% Non-U.S. Equity; 16.3% Global Equity; 27.2% Fixed Income; 5.8% Real Estate; and 4.7% Private Equity.



## JUDGES PLAN

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As of July 1, 2017, the Judges plan funding decreased from 98.1% to 93.6%. The normal cost\* for Judges plan members was 24.74% of salary. The Judges plan has an unfunded liability of approximately \$11.9 million. This means the actuarial accrued liabilities of \$187.5 million are greater than the actuarial value of the assets of \$175.6 million.

For the plan year ending June 30, 2018, an additional contribution of \$667,613 is necessary to meet the actuarially required contribution for the Nebraska Judges Retirement System.

## SCHOOL EMPLOYEES PLAN

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As of July 1, 2017, the School plan funding decreased from 89.6% to 86.7%. The normal cost\* for School plan members was 13.32% of salary. The School plan has an unfunded liability this year of approximately \$1.66 billion. This means the actuarial accrued liabilities of \$12.47 billion are greater than the actuarial value of the assets of \$10.81 billion.

For the plan year ending June 30, 2018, no additional contributions are necessary to meet the actuarially required contribution for the Nebraska School Employees Retirement System.

## STATE PATROL PLAN

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As of July 1, 2017, the State Patrol plan funding decreased from 88.7% to 85.0%. The normal cost\* for State Patrol plan members was 30.57% of salary. The State Patrol plan has an unfunded liability of approximately \$69.9 million. This means the actuarial accrued liabilities of \$465.1 million are greater than the actuarial value of the assets of \$395.1 million.

For the plan year ending June 30, 2018, an additional contribution of \$4,337,435 is necessary to meet the actuarially required contribution for the Nebraska State Patrol Retirement System.

*\*The "Normal Cost" is the annual cost of a member's accruing benefit as a percentage of salary.*

## SUMMARY

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All three of the Defined Benefit pension plans are currently in good financial condition. There are sufficient assets to pay benefits for years to come. This can be demonstrated by comparing the annual distributions to the asset value. The annual benefit distributions from the plans as a percent of the actuarial value of assets on June 30, 2017, were 5.13% for the School plan, 6.11% for State Patrol, and 5.52% for the Judges. The Defined Benefit plan distributions for the 2017 fiscal year were \$554,369,720 for the School plan, \$24,139,604 for the Patrol plan, and \$9,690,310 for the Judges.

**Note:** Copies of our Annual Actuarial Valuation Reports have been provided separately and are also available on the NPERS website.

## **CASH BALANCE BENEFITS (STATE/COUNTY)**

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The Cash Balance benefit has been offered to State and County employees who elected to participate and for all new employees enrolled since January 1, 2003. The actuarial valuation for these benefits is performed annually. The annual credited rate for 2013, 2014, 2015, 2016 and 2017 was 5%. For the historical crediting rates and dividends, see Appendix A.

State and County plan members were given a second opportunity to transfer from Defined Contribution to Cash Balance as provided by LB 665 in 2007. There were 1,574 members who elected to transfer to Cash Balance at that time. In 2012, the passage of LB 916 created a third opportunity for Defined Contribution members to convert to Cash Balance. During this election period, 1,630 members elected to convert.

The results of the actuarial valuation show no additional contributions are needed for the current year. As of January 1, 2017, the funded ratio using actuarial assets was 105.33% for the State Cash Balance Plan and 105.35% for the County Cash Balance Plan.

In accordance with state statutes and recommendations from the plan actuary, the Public Employees Retirement Board voted to grant a 3.07% dividend for State Cash Balance plan members, and a 0.51% dividend for County Cash Balance plan members. Additional dividend data may be found in Appendix A of this report.

No additional contributions are required for the Nebraska State and County Cash Balance funds.

# Retirement Funding

## PROGRAM 515

State law requires ongoing appropriations to the three Defined Benefit plans under our administration, as well as funding for the State Service Annuity for the separate Omaha Public Schools Retirement Plan, which passes through our agency before being paid to Omaha.

### SPECIFICALLY, THE ONGOING APPROPRIATIONS INCLUDE:

1. Prior to July 1, 2014, a contribution of 1% of total salaries was being contributed to the School Employees Plan and the Omaha Public School Plan. This contribution was increased to 2% on July 1, 2014.
2. The State is obligated to fund the State Service Annuity portion of the Omaha Public Schools Retirement Plan, the amount of which is determined each year by the annual actuarial valuation.

If additional contributions are required to fund any unfunded liabilities for the School, Judges, or State Patrol plans, the State is required by law to make that contribution. Here are the current funding totals appropriated or as requested in our budget, including the funding for Omaha:

2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
\$46,645,251	\$47,477,438	\$47,303,239	\$48,588,600	\$52,698,171*

\*Budget request.

# Retirement Plan Assets

## MARKET VALUE

SYSTEM	2014	2015	2016	2017
School Employees*	\$9,450,981,723	\$9,685,816,053	\$9,698,584,810	\$10,876,861,507
Judges*	\$158,790,111	\$160,800,009	\$159,240,849	\$176,605,831
State Patrol*	\$357,316,892	\$363,922,631	\$361,155,486	\$397,137,172
State Employees (DC)	\$637,901,946	\$611,637,757	\$644,754,659	\$709,865,598
State Employees (CB)	\$1,304,966,183	\$1,309,752,380	\$1,418,959,978	\$1,634,058,031
County Employees (DC)	\$191,611,905	\$187,115,191	\$197,505,989	\$220,104,365
County Employees (CB)	\$381,528,440	\$390,953,488	\$431,126,465	\$509,957,301
Deferred Compensation (NPERS)	\$175,195,729	\$171,200,217	\$183,736,044	\$204,214,126
Deferred Compensation (Mass Mutual)	\$38,135,134	\$35,337,304	\$33,414,624	\$34,075,637
<b>Total All Plans</b>	<b>\$12,696,428,063</b>	<b>\$12,916,535,030</b>	<b>\$13,128,478,904</b>	<b>\$14,762,879,568</b>

\*Defined Benefit Plans thru 6/30/17  
State, County, and DCP thru 12/31/17



# Plan Membership Summary

## 2017 MEMBERSHIP STATUS

SYSTEM	ACTIVE	INACTIVE	RETIRED AND DROP	TOTALS
School Employees*	41,943	22,301	23,654	87,898
Judges*	147	4	186	337
State Patrol*	391	32	436	859
State Patrol DROP*	-----	-----	42	42
State Employees (DC)	2,391	1,353	-----	3,744
State Employees (CB)	13,054	7,392	1,799	22,245
County Employees (DC)	988	612	-----	1,600
County Employees (CB)	6,808	2,796	630	10,234
Deferred Compensation (NPERS)	2,507	941	-----	3,448
Deferred Compensation (Mass Mutual)	-----	543	-----	543
<b>Total All Plans</b>	<b>68,229</b>	<b>35,974</b>	<b>26,747</b>	<b>130,950</b>

\*Thru 6/30/2017

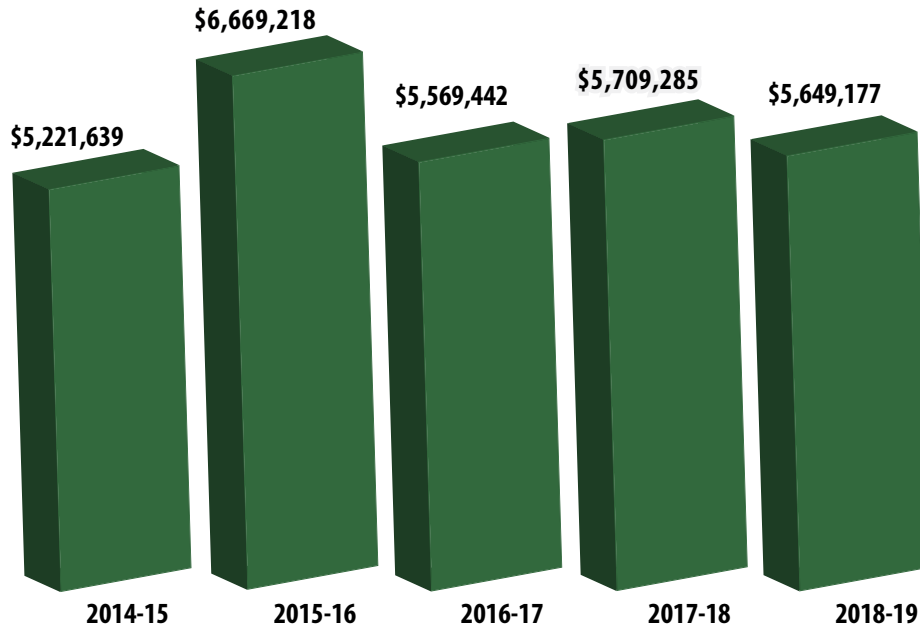
## 2017 ACTIVITY SUMMARY

SYSTEM	ENROLLMENTS	REFUNDS	RETIREMENTS
School Employees	3,917	1,967	1,453
Judges	9	0	7
State Patrol	19	6	15
State Employees (DC)	0	453	19
State Employees (CB)	2,228	2,922	208
County Employees (DC)	0	202	3
County Employees (CB)	946	962	64
Deferred Compensation*	355	523	19
<b>Total All Plans</b>	<b>7,474</b>	<b>7,035</b>	<b>1,788</b>

\*Excludes Mass Mutual Members

# Operating Budget Summary

## PROGRAM 041 AND 042



2014-15	2015-16	2016-17	2017-18	2018-19
\$5,221,639	\$6,669,218	\$5,569,442	\$5,709,285	\$5,649,177

## OPERATING EXPENSES

Operating Expenses Paid by Each Plan During 2017-18 Fiscal Year:		
School	\$3,242,692	68%
Patrol	\$97,378	2%
Judges	\$54,531	1%
State	\$740,152	16%
County	\$531,368	11%
DCP	\$92,656	2%

Our budget for FY17-18 represents expenses of approximately .04% (4BP) of our combined assets of \$14.7 billion. For FY18-19, it is .04% (4BP) of our combined assets.

# Education Services

## SEMINARS, WORKSHOPS, AND TRAINING

### Retirement Planning Seminars

Retirement Planning Seminars are conducted across the state for members of all five plans. By law, members must be at least age 50 or within five years of qualifying for retirement or early retirement to attend. The seminars include basic planning aspects related to pension benefits, finances, insurance, estate planning, social security benefits, and emotional preparation. Prior to retirement, members may attend twice, with a spouse or other guest, with paid leave.

Number of Seminars

**44**

Total Attendees in 2017

**2,086**

Average Attendance

**47**

### Financial Planning Seminars

Members of the State and County plans under age 50 have the option to attend our Financial Planning Seminars, which include a discussion on our pension benefits and investment options, financial planning, and estate planning. This program provides members a better understanding of their retirement plan and the need for personal financial planning long before retirement occurs. Prior to age 50, members may attend twice, with a spouse or other guest, with paid leave.

Number of Seminars

**4**

Total Attendees in 2017

**112**

Average Attendance

**28**

### Special Meetings/Training Sessions

Upon the request of members or employers and schedule permitting, NPERS staff will speak to members about the various plan provisions or legislative updates.

Number of Sessions in 2017

**6**

Total Attendees in 2017

**392**

### EMPLOYER EDUCATION PROGRAMS

NPERS recognizes the key role the State Agency, County, and School Employers provide for enrollment and information to members. NPERS provides informational materials to these employers for distribution to members. To ensure all employees are enrolled when eligible, NPERS also provides the employers with plan procedure manuals, notices, and regular employer training statewide.

Number of Meetings

**6**

Total Attendees in 2017

**240**

## PUBLICATIONS AND ONLINE RESOURCES

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### PLAN MEMBER HANDBOOKS

Each member is provided a plan handbook at the time he/she joins the plan. Handbooks contain a summary of plan benefits and are updated periodically.

### NEWSLETTERS

NPERS uses newsletters to inform active members of proposed legislation and changes in benefits. A separate newsletter is sent annually to retired plan members receiving benefits. Newsletters are also used to discuss basic retirement educational topics and to encourage members to take advantage of the Financial Planning and Retirement Planning Seminars in their areas.

### ANNUAL INVESTMENT REPORT

State and the County Defined Contribution members and employees enrolled in our voluntary Deferred Compensation Plan have 13 investment options available to them. Each year we prepare an Annual Investment Report which includes annual investment returns and details on each investment fund. The report also includes year-end information on the Cash Balance benefit. This report is available on our website and announced in the State and County *Retirement News* newsletter. We mail a paper copy of the report to those who request it.

### VIDEOS

Educational videos are taped, edited, and hosted on the NPERS website. Members without internet access may request a copy in DVD format.

### AGENCY WEBSITE

The agency website, [npers.ne.gov](http://npers.ne.gov), was created in 1998 and is continually updated. Members and employers may access the site for basic plan information, forms, seminar schedules and registration brochures, training, videos, benefit calculators, legislative updates, newsletters, annual reports, other publications, and employer manuals.

# Additional Services

## SERVICE DELIVERY RESULTS

The "Service Delivery Policy" primarily addresses the processing of large numbers of School retirement applications in the summer and early fall.

The PERB policy requires benefit payments to be processed and paid within 90 calendar days after the effective date of retirement. If payments cannot be processed within this time frame, the PERB allows staff to issue provisional checks at 95% of the expected benefit. Out of 1,450 retirements processed during 2017, the results are as follows:

<b>10.28%</b>	Payments began within 30 days.
<b>22.76%</b>	Payments processed between 31–60 days.
<b>51.11%</b>	Payments processed between 61–90 days.
<b>10.41%</b>	Payments processed between 91-100 days.
<b>5.45%</b>	Payments processed after 101 days.

## PERSON-TO-PERSON CONTACT

Members can contact NPERS in person, by phone, or by mail. Requests by telephone for details on beneficiary listings or estimated benefit amounts require proper identification before the information is released. We ask members to schedule office visit appointments in advance if extensive plan information is being requested.

## RECORD KEEPER SERVICES

State and County members participating in the Defined Contribution benefit as well as DCP members may access daily account values provided by NPERS' record keeper, Ameritas Life Insurance Company. Plan members may make investment changes via the Ameritas website at: <https://service.ameritas.com/service/login.asp>.

## STATEMENTS OF ACCOUNT

Each plan member receives an account statement. Members of our School, Judges, and State Patrol plans receive annual statements showing account balances, reported service and salary, and other pertinent information. State, County, and Deferred Compensation Plan members receive quarterly statements.

## SERVICES SUMMARY

**2014** **2015** **2016** **2017**

### INCOMING PHONE CALLS ANSWERED

41,220	43,804	40,649	39,308
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### OFFICE VISITORS

2,390	2,142	2,402	2,029
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### INCOMING MAIL

37,052	40,782	37,953	35,690
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### OUTGOING MAIL

253,103	195,860	284,345	292,615
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### DATA PURIFICATION PROJECT

2,263	5,395	3,146	6,594
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### SCANNED DOCUMENTS (DOCUMENT IMAGING PROJECT)

306,872	257,536	248,918	394,760
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### RETIREE DOCUMENTS CONVERTED

270	373	341	complete
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# Internal Control

## PURPOSE

To ensure the proper implementation and ongoing compliance with federal and state legislation governing the pension plans under the administration of the PERB.

## COMPLIANCE PROCESS

The NPERS compliance process has been established as a separate, centralized function. The ongoing review of applicable federal and state statutes is delegated to key NPERS staff members. These associates identify and coordinate the implementation procedures necessary to ensure NPERS remains in compliance with all updates to federal and state statutes.

## RESPONSIBILITIES

The Director and agency Legal Counsel monitor and track the legislative process. They provide testimony at Retirement Committee hearings as directed by the PERB and assist in the preparation of legislation and amendments. Regular updates are provided to the PERB and to the NPERS managers regarding proposed legislative and regulatory changes.

The Accounting and Finance Manager prepares the fiscal notes for legislation affecting the retirement system.

Once legislation has been enacted, the Director, Legal Counsel, Internal Auditor, and Managers meet to formalize a plan for implementation. The implementation of new legislation becomes the responsibility of the Managers, with guidance and direction provided by the Director, Legal Counsel, and Internal Auditor.

The Internal Auditor will perform periodic tests of controls to ensure compliance with laws and regulations.

## IMPLEMENTATION PROCEDURES

- Have plan of action in place for new legislation passed by the State Legislature or Congress within 30 to 45 days after notification is received on the change, but at least 30 days prior to the effective date.
- Ensure proper training of staff prior to the effective date of the law changes.
- Communicate proposed and actual plan law changes to the PERB, staff, employers, and all affected members with updates on the final law changes prior to the effective date of the change.
- Begin implementation on the effective date of the law change. If rules and regulations governing the administration of the law are not complete or are in the approval process, use the proposed rules and regulations as policy so as not to delay implementation.
- Compliance monitoring should begin immediately with all processes checked for accuracy by designated staff. Formal review of the guidelines with staff is to begin within three to six months after the effective date.
- NPERS' Internal Audit function will periodically review the design and effectiveness of the control structure to ensure compliance with laws and regulations.
- Continuously review long-standing statutes to make remedial changes or updates, if necessary.
- Review audit issues to determine policy or procedure changes, as needed.

# Economic Value and Annual Plan Audits

## ECONOMIC VALUE OF DEFINED BENEFIT AND CASH BALANCE PLANS TO MEMBERS AND TO THE STATE

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Members receive pension benefits at retirement that will provide economic security for themselves and their families, while proving to be a major boost to the state economy. Members also receive protection for survivors, as well as protection in the event the member becomes disabled.

Last year, over 27,000 retirees received monthly payments from the NPERS and OSERS Defined Benefit plans, and the NPERS State and County Cash Balance plans; totaling more than \$650 million in pension income. Approximately 88% of that money stays in Nebraska and is spent by the retirees residing in every county. The economic value of the pension income is multiplied several times as the money is circulated throughout the state. See Appendix B for an example of the monthly retirement benefits by county and by state.

## ANNUAL PLAN AUDITS

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Each year the State Auditor's office conducts an audit of each of the five retirement plans under our administration. The State and County plans are audited in the spring and summer. The School, Judges, and State Patrol plans are audited in the fall and winter. The Deferred Compensation Plan is audited every four years. There has not been a recent audit conducted that reported a material problem with the financial statements of our pension plans.

In 2012 we received the results of a formal compliance audit conducted by two outside firms with expertise in retirement plans. The firms were hired, per statute, to conduct a review of our compliance with both federal and state laws governing public pension plans. The results of this compliance audit were very positive and demonstrated to the PERB and agency management that we were following the statutes governing our plans.

Recent audits for our various retirement plans can be found on the State Auditor's website:

**<http://www.auditors.state.ne.us/>**







# APPENDICES

DC, DCP, & CB STATUS  
BENEFIT PAYMENT SUMMARY  
RETIREMENT PLANS  
PERB POLICIES

# TIME-WEIGHTED RATES OF RETURN

UPDATED DECEMBER 31, 2017

	Money Market Fund	Stable Value Fund	Bond Market Index Fund	S & P Stock Index Fund	Large Company Growth Stock Index Fund	Large Company Value Stock Index Fund
<b>Quarter</b>	0.31%	0.47%	0.39%	6.64%	7.82%	5.35%
<b>YTD</b>	1.02%	1.80%	3.56%	21.83%	30.05%	13.82%
<b>2016</b>	0.52%	1.68%	2.61%	11.92%	7.06%	17.21%
<b>2015</b>	0.13%	1.56%	0.55%	1.45%	5.75%	-3.64%
<b>2014</b>	0.07%	1.54%	6.17%	13.74%	13.10%	13.49%
<b>2013</b>	0.09%	1.74%	-1.95%	32.45%	33.42%	32.50%
<b>1 Year</b>	1.02%	1.80%	3.56%	21.83%	30.05%	13.82%
<b>3 Year</b>	0.56%	1.68%	2.24%	11.42%	13.77%	8.73%
<b>5 Year</b>	0.37%	1.66%	2.15%	15.82%	17.31%	14.09%
<b>10 Year</b>	0.53%	2.50%	4.06%	8.59%	10.08%	7.20%

	Small Company Stock Fund	International Stock Index Fund	AGE-BASED FUND (Refer to note 4)			Investor Select Fund
			Conservative Premixed Funds	Moderate Premixed Funds	Aggressive Premixed Fund	
<b>Quarter</b>	3.80%	4.96%	1.89%	3.27%	4.59%	3.71%
<b>YTD</b>	11.52%	27.45%	7.91%	12.43%	16.72%	15.44%
<b>2016</b>	23.53%	5.19%	5.12%	7.79%	10.13%	7.61%
<b>2015</b>	-3.29%	-5.80%	0.10%	-0.08%	-0.33%	-0.44%
<b>2014</b>	4.44%	-4.38%	5.92%	7.42%	8.01%	8.01%
<b>2013</b>	42.21%	14.52%	6.25%	13.95%	22.07%	17.92%
<b>1 Year</b>	11.52%	27.45%	7.91%	12.43%	16.72%	15.44%
<b>3 Year</b>	10.04%	8.09%	4.33%	6.59%	8.61%	7.34%
<b>5 Year</b>	14.63%	6.70%	5.03%	8.19%	11.05%	9.51%
<b>10 Year</b>	9.97%	2.08%	4.84%	6.37%	7.10%	6.74%

MAJOR INDICES:	S & P 500 (Large Co. Stock)	Russell 2000 (Small Co. Stock)	MSCI ACWI-EX US (Int'l. Stock)	Barclays Aggregate (Bonds)	90-Day Treasury Bill	CPI (Inflation)
<b>Quarter</b>	6.64%	3.34%	5.00%	0.39%	0.28%	-0.12%
<b>YTD</b>	21.83%	14.65%	27.19%	3.54%	0.87%	2.11%
<b>2016</b>	11.96%	21.31%	4.50%	2.65%	0.35%	2.04%
<b>2015</b>	1.38%	-4.41%	-5.66%	0.55%	0.07%	0.73%
<b>2014</b>	13.69%	4.89%	-3.87%	5.97%	0.05%	0.76%
<b>2013</b>	32.39%	38.82%	15.29%	-2.02%	0.08%	1.50%
<b>1 Year</b>	21.83%	14.65%	27.19%	3.54%	0.87%	2.11%
<b>3 Year</b>	11.41%	9.96%	7.83%	2.24%	0.43%	1.64%
<b>5 Year</b>	15.79%	14.12%	6.80%	2.10%	0.28%	1.43%
<b>10 Year</b>	8.50%	8.71%	1.84%	4.01%	0.43%	1.61%

- Returns are net of investment management fees.
- The 1-, 3-, 5-, and 10-year rates of return are annualized rates of return of the funds through December 31, 2017.
- Past performance is not indicative of future performance.
- Members who selected the Age-Based Fund option should check performance in the following manner: Members through age 39 use the Aggressive Premixed Fund; Members at age 40 through 59 use the Moderate Premixed Fund; and Members at age 60 and over should use the Conservative Premixed Fund.

Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund - 1996; Bond Market Index Fund, S & P 500 Stock Index Fund, Money Market Fund - 1997; Large Company Growth Stock Index Fund, Large Company Value Stock Index Fund, Conservative Premixed Fund, Moderate Premixed Fund, Aggressive Premixed Fund - 1999; Small Company Stock Fund - 2000; International Stock Index Fund and Investor Select Fund - 2005.

## CASH BALANCE CREDIT RATE

	Q1	Q2	Q3	Q4	ANNUAL RATE
<b>2017</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2016</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2015</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2014</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2013</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2012</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2011</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2010</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2009</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2008</b>	5.08%	5.00%	5.00%	5.00%	5.02%
<b>2007</b>	6.08%	6.11%	6.45%	5.85%	6.12%

Cash Balance option pays a credit rate, which is the greater of 5% or the applicable federal mid-term rate, as published by the IRS as of the first day of the calendar quarter, plus 1.5%, compounded annually.

## CASH BALANCE DIVIDEND

	RATE	BALANCE AS OF:	EMPLOYED ON:	PAID ON:	AMOUNT PAID
<b>2017 State</b>	3.07%	12/31/2016	12/31/2016	08/11/2017	\$35,633,783.74
<b>2017 County</b>	0.51%	12/31/2016	12/31/2016	08/11/2017	\$2,003,560.49
<b>2016</b>	0.00%	n/a	n/a	n/a	\$-
<b>2015 State</b>	4.53%	12/31/2014	12/31/2014	08/14/2015	\$48,241,290.44
<b>2015 County</b>	5.81%	12/31/2014	12/31/2014	08/14/2015	\$19,697,165.11
<b>2014 State</b>	0.00%	n/a	n/a	n/a	\$-
<b>2014 County</b>	0.29%	12/31/2013	12/31/2013	7/28/2014	\$916,192.63
<b>2013</b>	0.00%	n/a	n/a	n/a	\$-
<b>2012</b>	0.00%	n/a	n/a	n/a	\$-
<b>2011</b>	0.00%	n/a	n/a	n/a	\$-
<b>2010</b>	0.00%	n/a	n/a	n/a	\$-
<b>2009</b>	0.00%	n/a	n/a	n/a	\$-
<b>2008 State</b>	5.18%	12/31/2007	12/31/2007	10/3/2008	\$21,630,438.25
<b>2008 County</b>	5.34%	12/31/2007	12/31/2007	10/3/2008	\$6,943,643.11
<b>2007</b>	2.73%	12/31/2006	12/31/2006	9/27/2007	\$13,531,875.14

Dividends are calculated based upon the recommendations from the plan actuary using the member's account balances on the last day of the prior year.

TOTAL MONTHLY BENEFITS: DISTRIBUTION BY NEBRASKA COUNTY

DECEMBER 2017

COUNTY	School/Patrol/ Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
ADAMS	\$953,567.85	477	\$1,999	\$1,809.02	2	\$905	51,996.40	45	\$1,155	\$1,007,373.27	524	\$1,922
ANTELOPE	\$252,220.67	148	\$1,704	\$-	-	\$-	6,656.70	10	\$666	\$258,877.37	158	\$1,638
ARTHUR	\$7,965.04	8	\$996	\$-	-	\$-	\$-	-	\$-	\$7,965.04	8	\$996
BANNER	\$7,790.19	5	\$1,558	\$-	-	\$-	5,593.79	4	\$1,398	\$13,383.98	9	\$1,487
BLAINE	\$19,173.10	10	\$1,917	\$-	-	\$-	\$-	-	\$-	\$19,173.10	10	\$1,917
BOONE	\$158,493.40	103	\$1,539	\$382.84	1	\$383	4,920.27	5	\$984	\$163,796.51	109	\$1,503
BOX BUTTE	\$372,500.14	188	\$1,981	\$-	-	\$-	13,444.01	16	\$840	\$385,944.15	204	\$1,892
BOYD	\$67,669.46	45	\$1,504	\$-	-	\$-	2,793.03	3	\$931	\$70,462.49	48	\$1,468
BROWN	\$88,572.00	52	\$1,703	\$4,049.33	1	\$4,049	10,173.31	6	\$1,696	\$102,794.64	59	\$1,742
BUFFALO	\$1,659,503.67	756	\$2,195	\$2,099.34	2	\$1,050	56,691.21	40	\$1,417	\$1,718,294.22	798	\$2,153
BURT	\$293,584.43	160	\$1,835	\$13,524.57	7	\$1,932	26,608.82	26	\$1,023	\$333,717.82	193	\$1,729
BUTLER	\$195,457.19	109	\$1,793	\$-	-	\$-	13,590.01	9	\$1,510	\$209,047.20	118	\$1,772
CASS	\$667,631.51	385	\$1,734	\$96,299.80	47	\$2,049	31,019.10	32	\$969	\$794,950.41	464	\$1,713
CEDAR	\$207,997.07	111	\$1,874	\$2,967.40	2	\$1,484	14,688.35	11	\$1,335	\$225,652.82	124	\$1,820
CHASE	\$117,984.90	73	\$1,616	\$-	-	\$-	3,164.48	2	\$1,582	\$121,149.38	75	\$1,615
CHERRY	\$140,414.26	78	\$1,800	\$-	-	\$-	10,787.00	12	\$899	\$151,201.26	90	\$1,680
CHEYENNE	\$296,923.78	152	\$1,953	\$-	-	\$-	7,761.91	8	\$970	\$304,685.69	160	\$1,904
CLAY	\$230,606.43	133	\$1,734	\$-	-	\$-	10,760.02	12	\$897	\$241,366.45	145	\$1,665
COLFAX	\$219,672.27	109	\$2,015	\$-	-	\$-	2,382.56	2	\$1,191	\$222,054.83	111	\$2,000
CUMING	\$200,883.92	120	\$1,674	\$915.41	1	\$915	11,419.50	9	\$1,269	\$213,218.83	130	\$1,640
CUSTER	\$366,052.96	193	\$1,897	\$706.69	1	\$707	22,678.77	20	\$1,134	\$389,438.42	214	\$1,820
DAKOTA	\$346,000.65	199	\$1,739	\$-	-	\$-	6,246.82	7	\$892	\$352,247.47	206	\$1,710
DAWES	\$193,676.34	116	\$1,670	\$-	-	\$-	13,255.59	8	\$1,657	\$206,931.93	124	\$1,669
DAWSON	\$585,651.80	303	\$1,933	\$4,238.36	2	\$2,119	19,468.00	14	\$1,391	\$609,358.16	319	\$1,910
DEUEL	\$96,385.18	40	\$2,410	\$-	-	\$-	9,541.32	7	\$1,363	\$105,926.50	47	\$2,254
DIXON	\$188,513.66	104	\$1,813	\$1,782.82	1	\$1,783	7,759.41	10	\$776	\$198,055.89	115	\$1,722
DODGE	\$1,423,583.98	672	\$2,118	\$20,217.15	10	\$2,022	37,278.55	29	\$1,285	\$1,481,079.68	711	\$2,083
DOUGLAS	\$6,870,842.26	3024	\$2,272	\$7,123,934.95	3252	\$2,191	250,362.76	182	\$1,376	\$14,245,139.97	6,458	\$2,206
DUNDY	\$38,938.68	24	\$1,622	\$5,154.71	1	\$5,155	\$-	-	\$-	\$44,093.39	25	\$1,764
FILLMORE	\$191,458.37	95	\$2,015	\$-	-	\$-	16,249.39	16	\$1,016	\$207,707.76	111	\$1,871
FRANKLIN	\$99,834.61	59	\$1,692	\$-	-	\$-	10,208.01	11	\$928	\$110,042.62	70	\$1,572
FRONTIER	\$74,595.63	43	\$1,735	\$-	-	\$-	11,166.43	9	\$1,241	\$85,762.06	52	\$1,649

COUNTY	School/Patrol/ Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
FURNAS	\$219,957.43	113	\$1,947	\$-	-	\$-	\$10,938.67	13	\$841	\$230,896.10	126	\$1,833
GAGE	\$682,939.39	352	\$1,940	\$8,254.21	3	\$2,751	\$104,771.82	80	\$1,310	\$795,965.42	435	\$1,830
GARDEN	\$98,406.88	49	\$2,008	\$-	-	\$-	\$2,138.45	3	\$713	\$100,545.33	52	\$1,934
GARFIELD	\$86,713.83	52	\$1,668	\$1,941.11	1	\$1,941	\$6,150.68	6	\$1,025	\$94,805.62	59	\$1,607
GOSPER	\$116,611.79	54	\$2,159	\$1,789.12	1	\$1,789	\$3,518.69	3	\$1,173	\$121,919.60	58	\$2,102
GRANT	\$30,641.28	15	\$2,043	\$-	-	\$-	\$1,968.26	2	\$984	\$32,609.54	17	\$1,918
GREELEY	\$70,996.21	40	\$1,775	\$-	-	\$-	\$10,358.20	5	\$2,072	\$81,354.41	45	\$1,808
HALL	\$1,938,610.90	841	\$2,305	\$1,923.41	1	\$1,923	\$77,886.37	71	\$1,097	\$2,018,420.68	913	\$2,211
HAMILTON	\$384,998.61	177	\$2,175	\$-	-	\$-	\$10,733.01	7	\$1,533	\$395,731.62	184	\$2,151
HARLAN	\$104,908.97	54	\$1,943	\$-	-	\$-	\$8,842.60	6	\$1,474	\$113,751.57	60	\$1,896
HAYES	\$29,418.83	20	\$1,471	\$-	-	\$-	\$-	-	\$-	\$29,418.83	20	\$1,471
HITCHCOCK	\$92,662.95	50	\$1,853	\$-	-	\$-	\$4,215.86	6	\$703	\$96,878.81	56	\$1,730
HOLT	\$265,549.76	159	\$1,670	\$889.02	1	\$889	\$10,060.78	9	\$1,118	\$276,499.56	169	\$1,636
HOOKER	\$35,923.27	22	\$1,633	\$-	-	\$-	\$1,489.61	2	\$745	\$37,412.88	24	\$1,559
HOWARD	\$184,999.12	109	\$1,697	\$-	-	\$-	\$20,883.03	17	\$1,228	\$205,882.15	126	\$1,634
JEFFERSON	\$213,492.64	131	\$1,630	\$-	-	\$-	\$13,993.48	11	\$1,272	\$227,486.12	142	\$1,602
JOHNSON	\$152,410.12	85	\$1,793	\$-	-	\$-	\$21,065.47	13	\$1,620	\$173,475.59	98	\$1,770
KEARNEY	\$193,364.12	114	\$1,696	\$-	-	\$-	\$8,404.42	7	\$1,201	\$201,768.54	121	\$1,668
KEITH	\$295,673.32	148	\$1,998	\$-	-	\$-	\$18,591.10	16	\$1,162	\$314,264.42	164	\$1,916
KEYA PAHA	\$27,496.84	13	\$2,115	\$-	-	\$-	\$375.59	1	\$376	\$27,872.43	14	\$1,991
KIMBALL	\$135,598.61	72	\$1,883	\$-	-	\$-	\$3,975.94	6	\$663	\$139,574.55	78	\$1,789
KNOX	\$328,503.15	194	\$1,693	\$1,727.19	1	\$1,727	\$18,388.61	15	\$1,226	\$348,618.95	210	\$1,660
LANCASTER	\$8,689,450.14	3895	\$2,231	\$49,196.43	36	\$1,367	\$1,289,292.61	731	\$1,764	\$10,027,939.18	4,662	\$2,151
LINCOLN	\$1,056,959.80	499	\$2,118	\$1,424.15	3	\$475	\$35,451.19	30	\$1,182	\$1,093,835.14	532	\$2,056
LOGAN	\$38,370.17	22	\$1,744	\$-	-	\$-	\$371.25	1	\$371	\$38,741.42	23	\$1,684
LOUP	\$22,963.05	11	\$2,088	\$-	-	\$-	\$2,950.73	2	\$1,475	\$25,913.78	13	\$1,993
MADISON	\$990,205.21	484	\$2,046	\$1,709.27	2	\$855	\$62,514.89	55	\$1,137	\$1,054,429.37	541	\$1,949
MCPHERSON	\$13,883.48	7	\$1,983	\$-	-	\$-	\$-	-	\$-	\$13,883.48	7	\$1,983
MERRICK	\$216,445.62	127	\$1,704	\$2,139.15	2	\$1,070	\$10,821.49	14	\$773	\$229,406.26	143	\$1,604
MORRILL	\$174,927.94	93	\$1,881	\$-	-	\$-	\$11,094.60	8	\$1,387	\$186,022.54	101	\$1,842
NANCE	\$153,817.51	76	\$2,024	\$-	-	\$-	\$5,502.59	3	\$1,834	\$159,320.10	79	\$2,017
NEMAHA	\$208,195.32	109	\$1,910	\$-	-	\$-	\$11,992.28	20	\$600	\$220,187.60	129	\$1,707
NUCKOLLS	\$136,635.63	82	\$1,666	\$-	-	\$-	\$7,078.98	5	\$1,416	\$143,714.61	87	\$1,652
OTOE	\$479,667.48	243	\$1,974	\$6,105.73	4	\$1,526	\$25,680.68	25	\$1,027	\$511,453.89	272	\$1,880

COUNTY	School/Patrol/ Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
PAWNEE	\$95,772.40	58	\$1,651	\$3,262.34	1	\$3,262	\$19,046.47	20	\$952	\$118,081.21	79	\$1,495
PERKINS	\$83,293.73	54	\$1,542	\$-	-	\$-	\$6,110.70	7	\$873	\$89,404.43	61	\$1,466
PHELPS	\$350,556.80	179	\$1,958	\$1,012.40	1	\$1,012	\$7,233.30	8	\$904	\$358,802.50	188	\$1,909
PIERCE	\$247,493.19	123	\$2,012	\$-	-	\$-	\$10,952.78	10	\$1,095	\$258,445.97	133	\$1,943
PLATTE	\$836,913.68	429	\$1,951	\$4,729.38	4	\$1,182	\$18,459.65	14	\$1,319	\$860,102.71	447	\$1,924
POLK	\$192,666.72	105	\$1,835	\$2,123.06	2	\$1,062	\$12,451.88	8	\$1,556	\$207,241.66	115	\$1,802
RED WILLOW	\$330,875.70	186	\$1,779	\$5,299.72	2	\$2,650	\$26,813.59	17	\$1,577	\$362,989.01	205	\$1,771
RICHARDSON	\$222,156.87	133	\$1,670	\$-	-	\$-	\$16,578.00	15	\$1,105	\$238,734.87	148	\$1,613
ROCK	\$41,098.89	22	\$1,868	\$-	-	\$-	\$3,469.72	3	\$1,157	\$44,568.61	25	\$1,783
SALINE	\$398,368.77	203	\$1,962	\$-	-	\$-	\$34,286.54	21	\$1,633	\$432,655.31	224	\$1,931
SARPY	\$2,746,177.96	1312	\$2,093	\$941,557.62	477	\$1,974	\$128,627.42	89	\$1,445	\$3,816,363.00	1,878	\$2,032
SAUNDERS	\$565,592.59	270	\$2,095	\$27,687.40	17	\$1,629	\$39,123.97	34	\$1,151	\$632,403.96	321	\$1,970
SCOTTS BLUFF	\$1,337,841.34	609	\$2,197	\$1,122.53	2	\$561	\$81,862.06	60	\$1,364	\$1,420,825.93	671	\$2,117
SEWARD	\$546,655.14	267	\$2,047	\$1,766.25	2	\$883	\$28,574.39	30	\$952	\$576,995.78	299	\$1,930
SHERIDAN	\$210,038.19	104	\$2,020	\$-	-	\$-	\$7,341.29	8	\$918	\$217,379.48	112	\$1,941
SHERMAN	\$115,059.11	62	\$1,856	\$-	-	\$-	\$6,894.61	6	\$1,149	\$121,953.72	68	\$1,793
SIoux	\$20,336.72	12	\$1,695	\$-	-	\$-	\$196.92	1	\$197	\$20,533.64	13	\$1,580
STANTON	\$77,835.28	47	\$1,656	\$-	-	\$-	\$5,117.72	7	\$731	\$82,953.00	54	\$1,536
THAYER	\$215,093.81	121	\$1,778	\$-	-	\$-	\$18,636.80	20	\$932	\$233,730.61	141	\$1,658
THOMAS	\$28,458.20	16	\$1,779	\$-	-	\$-	\$1,785.97	3	\$595	\$30,244.17	19	\$1,592
THURSTON	\$106,964.40	71	\$1,507	\$667.19	1	\$667	\$1,270.53	3	\$424	\$108,902.12	75	\$1,452
VALLEY	\$141,627.87	79	\$1,793	\$-	-	\$-	\$8,554.27	8	\$1,069	\$150,182.14	87	\$1,726
WASHINGTON	\$472,297.87	233	\$2,027	\$111,440.32	58	\$1,921	\$14,511.23	10	\$1,451	\$598,249.42	301	\$1,988
WAYNE	\$284,314.96	136	\$2,091	\$-	-	\$-	\$9,353.85	7	\$1,336	\$293,668.81	143	\$2,054
WEBSTER	\$88,619.72	57	\$1,555	\$-	-	\$-	\$7,583.29	7	\$1,083	\$96,203.01	64	\$1,503
WHEELER	\$18,936.52	13	\$1,457	\$-	-	\$-	\$1,031.04	2	\$516	\$19,967.56	15	\$1,331
YORK	\$422,425.28	236	\$1,790	\$8,334.86	4	\$2,084	\$14,178.29	10	\$1,418	\$444,938.43	250	\$1,780
<b>TOTALS</b>	<b>\$44,703,016</b>	<b>21,743</b>		<b>\$8,464,184</b>	<b>3,956</b>		<b>\$3,040,214</b>	<b>2,186</b>		<b>\$56,207,414</b>	<b>27,885</b>	

Total Gross Annuity Benefits Paid Per Month to Nebraska Residents by NPERS

**\$47,743,230**

Total Gross Annuity Benefits Paid Per Month to Nebraska Residents by OSERS

**\$8,464,184**

## TOTAL MONTHLY BENEFITS PAID: DISTRIBUTION BY STATE

DECEMBER 2017

STATE	School/Patrol/ Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Totals		
	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL
AK	\$12,670.42	6	0.03%	\$166.71	1	0.00%	\$-	-	0.00%	\$12,837.13	7	0.02%
AL	\$7,381.24	8	0.01%	\$23,697.02	10	0.24%	\$4,694.87	2	0.14%	\$35,773.13	20	0.06%
AR	\$91,089.82	62	0.18%	\$18,220.35	15	0.18%	\$4,607.36	6	0.14%	\$113,917.53	83	0.18%
AZ	\$693,037.92	343	1.38%	\$164,514.30	61	1.66%	\$21,638.31	17	0.66%	\$879,190.53	421	1.39%
CA	\$111,489.90	76	0.22%	\$62,091.63	30	0.63%	\$4,824.90	9	0.15%	\$178,406.43	115	0.28%
CO	\$565,573.18	329	1.13%	\$90,801.67	48	0.91%	\$27,987.39	21	0.85%	\$684,362.24	398	1.08%
CT	\$4,155.79	3	0.01%	\$2,493.38	1	0.03%	\$-	-	0.00%	\$6,649.17	4	0.01%
DC	\$0.00	0	0.00%	\$495.05	1	0.00%	\$-	-	0.00%	\$495.05	1	0.00%
DE	\$10,957.41	3	0.02%	\$12,046.73	5	0.12%	\$-	-	0.00%	\$23,004.14	8	0.04%
FL	\$334,100.45	171	0.67%	\$112,135.42	58	1.13%	\$11,123.64	10	0.34%	\$457,359.51	239	0.72%
GA	\$37,170.73	29	0.07%	\$10,493.41	7	0.11%	\$2,949.92	4	0.09%	\$50,614.06	40	0.08%
HI	\$11,129.03	4	0.02%	\$4,423.68	3	0.04%	\$-	-	0.00%	\$15,552.71	7	0.02%
IA	\$664,687.26	418	1.33%	\$422,290.85	202	4.25%	\$26,970.08	32	0.82%	\$1,113,948.19	652	1.76%
ID	\$41,372.08	26	0.08%	\$7,496.63	4	0.08%	\$3,304.63	1	0.10%	\$52,173.34	31	0.08%
IL	\$47,592.97	39	0.09%	\$21,072.79	13	0.21%	\$598.99	1	0.02%	\$69,264.75	53	0.11%
IN	\$22,666.13	23	0.05%	\$9,804.98	4	0.10%	\$4,886.04	7	0.15%	\$37,357.15	34	0.06%
KS	\$303,092.42	209	0.60%	\$36,982.12	27	0.37%	\$15,263.28	15	0.46%	\$355,337.82	251	0.56%
KY	\$15,537.62	6	0.03%	\$-	-	0.00%	\$-	-	0.00%	\$15,537.62	6	0.02%
LA	\$5,964.15	3	0.01%	\$10,810.67	5	0.11%	\$1,972.94	2	0.06%	\$18,747.76	10	0.03%
MA	\$7,496.25	6	0.01%	\$2,345.72	3	0.02%	\$-	-	0.00%	\$9,841.97	9	0.02%
MD	\$573.51	4	0.00%	\$708.97	1	0.01%	\$5,853.82	4	0.18%	\$7,136.30	9	0.01%
MI	\$16,751.81	14	0.03%	\$3,804.52	4	0.04%	\$3,695.62	2	0.11%	\$24,251.95	20	0.04%
ME	\$632.31	1	0.00%	\$1,445.52	1	0.01%	\$211.93	1	0.01%	\$2,289.76	3	0.00%
MN	\$113,394.09	110	0.23%	\$53,064.71	23	0.53%	\$3,612.38	3	0.11%	\$170,071.18	136	0.27%
MO	\$453,347.11	235	0.90%	\$54,471.38	31	0.55%	\$17,319.61	18	0.53%	\$525,138.10	284	0.83%
MS	\$15,257.85	6	0.03%	\$6,390.60	4	0.06%	\$787.03	2	0.02%	\$22,435.48	12	0.04%
MT	\$66,973.91	36	0.13%	\$2,449.75	2	0.02%	\$1,824.15	2	0.06%	\$71,247.81	40	0.11%
NC	\$71,551.62	34	0.14%	\$21,733.15	11	0.22%	\$7,081.04	6	0.21%	\$100,365.81	51	0.16%
ND	\$926.79	1	0.00%	\$-	-	0.00%	\$1,473.25	2	0.04%	\$2,400.04	3	0.00%
NE	\$44,703,016.48	21,743	89.19%	\$8,464,184.25	3,956	85.23%	\$3,040,213.73	2,186	92.18%	\$56,207,414.46	27,885	88.72%

STATE	School/Patrol/ Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Totals		
	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL
NH	\$2,566.97	1	0.01%	\$	-	0.00%	\$-	-	0.00%	\$2,566.97	1	0.00%
NJ	\$5,187.51	5	0.01%	\$1,566.48	1	0.02%	\$-	-	0.00%	\$6,753.99	6	0.01%
NM	\$71,287.01	37	0.14%	\$12,195.68	6	0.12%	\$3,657.76	3	0.11%	\$87,140.45	46	0.14%
NV	\$97,121.05	45	0.19%	\$10,761.19	6	0.11%	\$2,274.55	3	0.07%	\$110,156.79	54	0.17%
NY	\$40,074.20	19	0.08%	\$3,459.54	1	0.03%	\$1,885.10	1	0.06%	\$45,418.84	21	0.07%
OH	\$26,133.48	19	0.05%	\$959.54	2	0.01%	\$848.36	1	0.03%	\$27,941.38	22	0.04%
OK	\$24,721.06	21	0.05%	\$26,998.99	10	0.27%	\$3,808.30	5	0.12%	\$55,528.35	36	0.09%
OR	\$86,702.88	55	0.17%	\$12,373.14	8	0.12%	\$9,266.35	4	0.28%	\$108,342.37	67	0.17%
PA	\$21,831.37	11	0.04%	\$3,390.82	2	0.03%	\$1,408.85	2	0.04%	\$26,631.04	15	0.04%
RI	\$1,817.06	3	0.00%	\$	-	0.00%	\$-	-	0.00%	\$1,817.06	3	0.00%
SC	\$34,780.33	22	0.07%	\$9,106.79	4	0.09%	\$2,212.60	1	0.07%	\$46,099.72	27	0.07%
SD	\$509,384.13	271	1.02%	\$20,326.14	15	0.20%	\$29,921.05	22	0.91%	\$559,631.32	308	0.88%
TN	\$43,923.44	31	0.09%	\$15,885.41	9	0.16%	\$1,828.89	1	0.06%	\$61,637.74	41	0.10%
TX	\$367,280.97	195	0.73%	\$121,723.42	59	1.23%	\$11,545.13	14	0.35%	\$500,549.52	268	0.79%
UT	\$36,195.01	26	0.07%	\$7,653.50	5	0.08%	\$2,314.71	2	0.07%	\$46,163.22	33	0.07%
VA	\$41,256.91	25	0.08%	\$9,932.14	8	0.10%	\$2,646.94	4	0.08%	\$53,835.99	37	0.08%
VT	\$2,652.34	1	0.01%	\$	-	0.00%	\$-	-	0.00%	\$2,652.34	1	0.00%
WA	\$54,473.45	42	0.11%	\$26,899.47	11	0.27%	\$4,383.52	4	0.13%	\$85,756.44	57	0.14%
WI	\$51,323.02	36	0.10%	\$6,436.48	8	0.06%	\$1,830.97	3	0.06%	\$59,590.47	47	0.09%
WV	\$8,606.71	5	0.02%	\$6,186.39	2	0.06%	\$-	-	0.00%	\$14,793.10	7	0.02%
WY	\$162,650.08	111	0.32%	\$10,267.65	6	0.10%	\$2,674.71	4	0.08%	\$175,592.44	121	0.28%
Great Britain	\$829	1	0.00%	\$-	-	0.00%	\$930	1	0.03%	\$1,758	2	0.00%
Vietnam	\$603	1	0.00%	\$-	-	0.00%	\$-	-	0.00%	\$603	1	0.00%
Slovak	\$-	-	0.00%	\$-	-	0.00%	\$1,638	1	0.05%	\$1,638	1	0.00%
Mexico	\$-	-	0.00%	\$2,313	2	0.02%	\$-	-	0.00%	\$2,313	2	0.00%
Canada	\$348	1	0.00%	\$1,694	1	0.02%	\$-	-	0.00%	\$2,042	2	0.00%
Puerto Rico	\$1,578	1	0.00%	\$-	-	0.00%	\$-	-	0.00%	\$1,578	1	0.00%
Ecuador	\$800	1	0.00%	\$-	-	0.00%	\$-	-	0.00%	\$800	1	0.00%
<b>TOTALS</b>	<b>\$50,123,715</b>	<b>24,934</b>		<b>\$9,930,766</b>	<b>4,697</b>		<b>\$3,297,970</b>	<b>2,429</b>		<b>\$63,351,652</b>	<b>32,060</b>	

Total Gross Annuity Benefits Paid Per Month by NPERS

**\$53,421,685**

Total Gross Annuity Benefits Paid Per Month by OSERS

**\$9,930,766**



## PLAN SUMMARIES

The following are brief descriptions of each plan under the administration of the Public Employees Retirement Board (PERB). The PERB has limited authority with respect to establishing the funding policy for these five statewide retirement systems.

### COUNTY EMPLOYEES RETIREMENT SYSTEM

County employees participate in either the Defined Contribution or Cash Balance plan. Benefits for both Defined Contribution and Cash Balance members are based on the accumulated account balance (employee and employer contributions and earnings).

The passage of LB 415 in 2017 created the Cash Balance Tier Two benefit for participants joining the plan on or after 1/1/2018. Annuities for Tier One participants are calculated using the 1994 Group Annuity Table with a 7.75% rate. Per LB 415, Tier Two annuities are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB. The current rate for Tier Two is 7.5%.

Employees contribute 4.5% of compensation [section 23-2307]. County employers match member contributions [section 23-2308] at the rate of 150%. Commissioned law enforcement personnel contribute a supplemental 2% of compensation [section 23-2332] for counties with populations in excess of 85,000 and an additional 1% for counties with populations of 85,000 or less [section 23-2332.01]. County employers match supplemental law enforcement contributions at 100%. Members are vested in the employer match after three years of plan participation.

Cash Balance participants do not make investment choices and the rate of return credited to their accounts is not tied to investment performance. Cash Balance accounts receive an "interest credit rate" (rate of return) based on the federal mid-term rate plus 1.5%. When the federal mid-term rate falls

below 3.5%, Cash Balance accounts receive a 5% minimum interest credit rate.

Defined Contribution participants make their own investment decisions for both employee and employer contributions. Rates of return vary based on investment choices and market performance. There is no guaranteed rate of return.

At termination/retirement, distribution options include an annuity, rollover, or lump sum withdrawal. Defined Contribution participants have the additional option of a systematic withdrawal and their annuity rate is determined for each calendar year using the January Pension Benefit Guaranty Corporate rate, plus 0.75%.

### STATE EMPLOYEES RETIREMENT SYSTEM

State employees participate in either a Defined Contribution or a Cash Balance plan. Benefits for both Defined Contribution and Cash Balance members are based on the accumulated account balance (employee and employer contributions and earnings).

The passage of LB 415 in 2017 created the Cash Balance Tier Two benefit for participants joining the plan on or after 1/1/2018. Annuities for Tier One participants are calculated using the 1994 Group Annuity Table with a 7.75% rate. Per LB 415, Tier Two annuities are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB. The current rate for Tier Two is 7.5%.

Employees contribute 4.8% of compensation. The employer contribution is 156% of the employee's contribution [section 84-1309]. Members are vested in the employer match after three years of plan participation.

Cash Balance participants do not make investment choices and the rate of return credited to their accounts is not tied to investment performance. Cash Balance accounts receive an "interest credit rate" (rate of return) based on the federal mid-term rate plus 1.5%. When the federal mid-term rate falls

below 3.5%, Cash Balance accounts receive a 5% minimum interest credit rate.

Defined Contribution participants make their own investment decisions for both employee and employer contributions. Rates of return vary based on investment choices and market performance. There is no guaranteed rate of return.

At termination/retirement, distribution options include an annuity, rollover, or lump sum withdrawal. Defined Contribution participants have the additional option of a systematic withdrawal and their annuity rate is determined for each calendar year using the January Pension Benefit Guaranty Corporate rate, plus 0.75%.

## DEFERRED COMPENSATION PLAN

This is a voluntary tax-deferred investment plan available to state and some county employees. The plan is an eligible Deferred Compensation Plan under section 457 of the Internal Revenue Code. Members may contribute up to \$18,500 to the plan in 2018. The investment options are identical to those offered through the Defined Contribution component of the State and County plans. There are no employer contributions. All expenses associated with the administration of the Deferred Compensation Plan are paid by the members of the plan through a monthly assessment against member accounts.

## JUDGES RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute, with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

Effective July 1, 2004, LB 1097 implemented multiple changes to the Judges Retirement Plan including an enhanced Joint and Survivor benefit and a higher contribution rate. Judges hired on or after this date and judges who opted to participate

in the new benefit fall under the updated provisions.

The passage of LB 468 in 2015 created a second "tier" of benefits applying to members who begin participation on or after 7/1/2015. For Tier Two participants, the final average salary calculation increased to five years and the maximum cost of living adjustment (COLA) was limited to 1%. The retirement board may vote to issue a supplemental Tier Two COLA up to 1.5% when the plan is fully funded with a sufficient actuarial surplus.

Tier One refers to members participating prior to 7/1/2015 and Tier Two refers to members joining on or after 7/1/2015.

Tier One members hired on or after 7/1/2004, and those members who elected to participate in the provisions created by the passage of LB 1097 contribute 9% of compensation. Upon reaching 20 years of service credit, this rate decreases to 5%. Judges hired before July 1, 2004, who elected not to participate in the provisions created by LB1097 contribute 7% of compensation. Upon reaching 20 years of service credit, this rate decreases to 1%. Tier Two members contribute a 10% of compensation [section 24-703]. The plan is also funded by court fees assessed on various court filings per section 24-703.

Per LB 415 provisions, annuities for members who began participation on or after July 1, 2017, are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 24-705]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 24-703].

Members are eligible for early, reduced retirement at age 55 or with unreduced benefits at age 65. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3.5%. Benefits are capped at 70% of average salary. A retired member is eligible to receive an annual COLA after being retired one year.

## STATE PATROL RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

The passage of LB 467 in 2016 created a second "tier" of benefits for new plan participants. Tier One refers to members participating prior to 7/1/2016 and Tier Two refers to members joining on or after 7/1/2016.

Currently individuals participating in Tier One contribute 16% of compensation and Tier Two members contribute 17% of compensation. The employer matching contribution is currently 100% of the employee's contribution [section 81-2017].

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 81-2017]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 81-2017].

Members are eligible for retirement as early as age 50 with 25 years of creditable service or at normal retirement age of 55. A member must retire upon reaching age 60. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3%. For Tier One members, final average salary is determined using the three highest 12-month periods of compensation. For Tier Two members, final average salary is determined using the five highest 12-month periods of compensation. Benefits are capped at 75% of average salary. If a member retires prior to age 55 and does not have 25 years of service, the member's benefit is reduced by 5/9 of 1% for every year prior to age 55 or reaching 25 years of service. A retired member is eligible to receive an annual COLA after being retired one year. The COLA for Tier One members is capped at 2.5%. The COLA for Tier Two members is capped at 1%.

Per LB 415 provisions, annuities for members who began participation on or after July 1, 2017, are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB.

A voluntary Deferred Retirement Option Plan (DROP) was added effective September 2008. Members with 25 or

more years of service may participate as early as age 50. Upon entering DROP, benefits are calculated using current salary and service. During the DROP time frame the participant continues employment with the State Patrol and no longer makes contributions to retirement. Monthly pension benefits are deposited into the DROP account and invested by the participant using the same investment options utilized in the Defined Contribution and Deferred Compensation plans. At termination, the DROP account is available to the participant. Subsequent monthly benefits are issued directly to the participant. Tier Two plan members are not eligible to participate in the DROP provision.

## SCHOOL EMPLOYEES RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute with limited PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

The Nebraska School Plan currently contains four "Tiers" of benefits. Tier membership is determined by the member's date of plan participation. Tier One refers to members who joined the plan prior to 7/1/2013. Tier Two refers to members who joined the plan on or after 7/1/2013 and prior to 7/1/2017. Tier Three refers to members who joined the plan on or after 7/1/2017 and prior to 7/1/2018. Tier Four refers to members who joined the plan on or after 7/1/2018.

Currently all members contribute 9.78% of compensation [section 79-958]. The plan is also funded by a matching employer contribution of 101% of the member's contribution [section 79-958].

In addition, the state contributes an amount equal to 2% of the compensation of all members in the system. A retired member is eligible to receive an annual COLA after being retired one year. The COLA for Tier One members is capped at 2.5%. The COLA for Tier Two, Three, and Four members is capped at 1%.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 79-966.01]. On the basis of this annual valuation, the state contributes an amount sufficient to cover the state service annuity [section 79-966].

Under certain circumstances, members may purchase additional years of service credit (such as out-of-state public school service). For members hired or rehired on or after July 1996, these service credit purchases must be purchased on the basis of full actuarial cost to the system [sections 79-933.05, 79-933.06, and 79-933.08]. The PERB's consulting actuary provides actuarial cost tables for the PERB to determine the amount to be paid by the member for the additional service so that the impact to the plan for allowing this additional service is actuarially neutral.

"Normal" retirement age is 65. Under Tiers One, Two and Three, members may retire as early as age 55 with 30 years of service under the "Rule of 85." Under Tier Four, the minimum age for the "Rule of 85" is 60.

Benefits are calculated by multiplying the member's final average salary by their total creditable service, times a factor of 2%. Under Tier One, final average salary is determined using the three highest 12-month periods of compensation. For Under Tiers Two, Three, and Four, final average salary is determined using the five highest 12-month periods of compensation. There is an early retirement benefit reduction at age 60 to 65 if the member does not meet the "Rule of 85."

Per LB 415 provisions, annuities for Tier Three and Four members are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB.

## DEFINED BENEFIT PLAN/ ACTUARIAL ASSUMPTIONS

The PERB's actuary recommends actuarial assumptions based upon annual actuarial valuations of the three Defined Benefit plans, as well as conduct experience studies every four years. The assumptions are key to the ongoing funding of the plans.

### Actuarial assumptions are included for:

- Investment rates of return
- Salary changes
- Withdrawal rates
- Retirement rates
- Post-retirement mortality rates

In 1996, the PERB adopted a "smoothing of assets" policy for the recognition of investment returns by the three plans. As recommended by the actuary, this policy requires that annual investment gains and/or losses be amortized over five years to avoid significant variations in funding from year to year.

An actuarial experience study was completed in 2016. The study was presented to the Legislative Retirement Committee on November 20, 2016. The next experience study is scheduled to be conducted in 2020

# Board Policy #1

Revised June 2011

## BOARD DUTIES AND GOVERNANCE

### 1. DUTIES

The Public Employees Retirement Board is created by and shall comply with Neb. Rev. Stat. §§ 84-1501 to 84-1513, et seq. The Board's duties include, but are not limited to the following:

- (a) To administer the County Employees, Judges, Nebraska State Patrol, School Employees, and State Employees Retirement Acts and the voluntary Deferred Compensation Plan authorized in § 84-1504.
- (b) To appoint a Director to whom responsibility for the daily operations of the systems is delegated, within limitations established by the Board, and governed by statute.
- (c) To provide oversight of the Director and the operation of the Retirement Systems agency.
- (d) To approve and adopt Rules and Regulations for the governance of the Retirement Systems agency, as governed by statute.
- (e) To establish policies for Board governance and duties.
- (f) To determine actuarial and other financial assumptions used to predict future assets and liabilities of the various Retirement Systems as provided by statute, and which will inform and assist the Nebraska Investment Council in managing the assets of the Retirement Systems.
- (g) To approve the agency budget and allocation of expenses.
- (h) To hire an attorney to advise the Board in legal matters as they relate to the administration of the retirement systems.
- (i) To hire an internal auditor to perform internal auditing functions and to advise the Board in those matters as they relate to the administration of the retirement systems.
- (j) To prepare an annual written plan of action regarding agency achievements and priorities to be presented to the Nebraska Retirement Systems Committee of the Legislature at a public hearing by March 31st of each year.
- (k) To obtain, by competitive bid, actuarial services on behalf of the State of Nebraska as necessary for administration of the retirement systems.
- (l) To obtain, by competitive bid, auditing services for a separate compliance audit by December 31, 2012, and at least every ten years thereafter.

- (m) To administer all Retirement Systems in a manner, which will maintain each plan's status as a qualified plan pursuant to the Internal Revenue Code.
- (n) To review and approve all member disability claims.
- (o) To review and approve all hardship withdrawals from the Deferred Compensation Plan.
- (p) To consider all member appeals according to the Administrative Procedure Act and the Retirement System Rule and Regulation Chapter 12.

### 2. GOVERNANCE

- (a) Conduct of Meetings – meetings of the Public Employees Retirement Board shall be held in accordance with open meetings provisions set forth in Neb. Rev. Stat. § 84-1408 to § 84-1414, Board statutes set forth in Neb. Rev. Stat. § 84-1501 to § 84-1513, and Retirement Systems Rule and Regulation, 303 NAC Chapter 1 – Board Management.
  - (i) **Regular Meetings** – regular meetings of the Board shall be held once each month. Meetings will be held at a location determined by the Board. Meeting dates can be changed by consensus of the Board. A tentative schedule of meetings will be adopted in December of each year for the following year.
  - (ii) **Special Meetings** – special meetings of the board may be held whenever called by the Chairperson or by not less than three Board members. The Secretary shall give notice to each Board member of such special meeting by mail, by facsimile transmission or by other electronic means at least three days before the meeting, with reasonable advance public notice given outlining the reason for the meeting and availability of the agenda.
  - (iii) **Emergency Meetings** – when it is necessary to hold an emergency meeting of the Board without reasonable advance public notice, care shall be taken to comply fully with open meetings statutes.
- (b) **Agenda** – The agenda for each meeting shall be prepared by the Director. Items shall be placed on the agenda at the discretion of the Director or the Chairperson, subject to the following:
  - (i) Except for items of an emergency nature, the agenda shall not be altered later than 24 hours before the scheduled commencement of the meeting. Items of an emergency nature shall be added to the agenda only at a public meeting and only after a finding by the Board that the matter is one which requires immediate action by the Board which cannot be delayed until the next public meeting.

- (ii) Items may be placed on the agenda at the request of individual members subject to approval by the Chairperson or Director.
  - (iii) The agenda shall be kept continually current and shall be readily available for public inspection at the office of the Retirement Systems during normal business hours.
- (c) **Officers** – each year, in January, the Board shall elect a Chairperson, a Vice Chair and a Secretary. The terms of such officers shall be from the date elected until a successor is elected.
- (i) **Eligibility** – a board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice-Chair. The ex-officio, non-voting member of the Board shall not be eligible to serve as an officer.
  - (ii) **Procedure** – nominations may be made by any voting member of the Board. If requested, a secret ballot may be taken for the vote. The winner must receive a majority of the votes of those present to win.
  - (iii) **Duties of Chairperson** – the duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the Retirement Systems by State or Federal Law. The Chair will ensure the following:
    - A. Meeting discussion content will be related to the published agenda;
    - B. Deliberation will be timely, fair, orderly and thorough; but also efficient, limited in time and kept to the point.
  - (iv) **Authority of Chair** – the authority of the Chair consists only of making decisions on behalf of the Board that fall within and are consistent with Board policies. This includes:
    - A. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.)
    - B. The Chair has no authority to make decisions beyond policies created by the Board and specifically within the Director’s Duties & Limitations of Authority (Policy #3).
    - C. The Chair may represent the Board to outside parties either in simply announcing Board-stated positions or in stating Chair decisions and interpretations within the area delegated to him or her.
    - D. The Chair may also: convene meetings of the Board, per statute; certify actions of the Board; name Retirement Board members to committees; and perform other duties requested from time to time that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities by statute.
- (v) **Duties of the Vice Chair** – the Vice Chair is to act as temporary chair in the absence of the regular chair and may perform those duties imposed on the Chair.
- (d) **Committees** – The Board establishes committees in order to help carry out its responsibilities. When subcommittees are used, the Chair shall appoint Board members to committees. The committees, per Rule and Regulation, 303 NAC Chapter 1, shall be composed of not more than three members. No subcommittee meeting shall have so many Board members present that it would constitute a meeting of a public body for purposes of Chapter 84, Article 14 of the Nebraska Revised Statutes. The Chair may also appoint the chairperson of each subcommittee. Subcommittees may not take formal action on behalf of the Board, nor represent the Board without prior approval of the full Board. All subcommittee findings and recommendations require formal action of the Board to be binding upon the Board. Subcommittees may include, but are not limited to the following:
- (i) **Regulation and Policy Review Committee** – shall review current Board policies, proposed rules and regulations and recommend revisions, additions and deletions to the Board and assist with establishing a long-range plan in the areas of benefits, funding, technology, member services, education and communication. This includes overview of the agency’s annual report to the Legislature.
  - (ii) **Legislative Committee** – shall review all pending legislation, be available to attend public hearings and advise the Board of trends that may affect the Systems.
  - (iii) **Budget and Personnel Committee** – shall review the budget and monthly expenses, assist with the review of service contracts at the time of renewal or rebidding, and make recommendations to the full Board. The committee shall also establish a schedule for the performance evaluation of the Director; collect and summarize individual evaluations to be reported to the full Board and recommend appropriate action. The committee shall also review the performance evaluation report conducted by the Director on the agency Legal Counsel and Internal Auditor and submit a recommendation to the full Board.
  - (iv) **Education and Retreat Committee** – is responsible for the promotion of Board education; recommends topics and appropriate speakers for educational portion of Board meetings and outlines objectives for annual retreat.
  - (v) **Audit Committee** – shall review annual plan audits by the Auditor of Public Accounts, periodically

review internal audit plans and procedures; and make recommendations to the Board as needed.

(vi) **Any other ad hoc committee** as necessary.

## Board Policy #2

Revised September 2006

### BOARD CODE OF CONDUCT

1. The Public Employees Retirement Board expects of itself and its members ethical and businesslike conduct.
2. Board members, as fiduciaries defined in Neb. Rev. Stat. § 84-1503.02, shall discharge their duties solely in the interest of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law.
3. Board members are responsible for preparing themselves for Board work. They shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Neb. Rev. Stat. § 84-1503.02 (2).
4. Board members must avoid any conflict, or perceived conflict of interest with respect to their fiduciary responsibility.
  - (a) There must be no self-dealing or any conduct of private business or personal services between any Board member and the Retirement Systems.
  - (b) Board members must not use their positions to obtain employment within the Retirement System for themselves, family members, or close associates.
  - (c) Should a Board member be considered for employment, he or she must not have been a member of the Board for at least ninety (90) days prior to the date of such employment.
  - (d) Board members must file a "Potential Conflict of Interest Statement" with the Nebraska Accountability and Disclosure Commission whenever a potential conflict arises. A potential conflict of interest exists when a board member, in the discharge of his or her official duties, would be required to take an action or make any decision that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated which is distinguishable from the effects of such action on the public generally, or a broad segment of the public. Neb. Rev. Stat. § 49-1499.02.
5. "Statements of Financial Interests," as provided under the Nebraska Accountability and Disclosure Act, Neb. Rev. Stat. §§ 49-1401 to 49-14,140, et seq., shall be filed by each Board Member on or before April 1st of each year for the prior calendar year. A filing is to also be made within 30 days after leaving the Board. One copy of the filing is to be sent to the Nebraska Accountability and Disclosure Commission and another copy with the election commissioner in the Board member's county of residence.
6. Board members may not exercise individual authority over the Retirement System except as explicitly set forth in Board policies.
7. The Chairperson of the Board shall be the ex-officio spokesperson, both on routine matters and in the absence of a realistic ability to convene the Board for approval of a statement of policy. The Board may designate a member or members of the Board to communicate a Board-approved policy or statement.
8. The Board will not advocate for benefit improvements for any of the retirement systems that it administers, but may make comments and provide guidance on any changes proposed by the Legislature or by other groups with an interest in the Retirement System. In any proposed changes to retirement benefits, it is the goal of the Board to implement changes in such a way as to be the most beneficial to the members and the most effective use of the money needed to fund the increased benefits. Neb. Rev. Stat. § 84-1503.02(2).

## Board Policy #3

Revised February 2011

### DIRECTOR'S DUTIES AND LIMITATION OF AUTHORITY

The Board shall appoint a director to administer the retirement systems under the direction of the Board. The Board shall be responsible for oversight of the director and the operation of the Retirement Systems agency. The appointment shall be subject to the approval of the Governor and a majority of the Legislature. The director shall be qualified by training and have at least five years of experience in the administration of a qualified public or private employee retirement plan. The Director shall not be a member of the Board. The salary of the Director shall be set by the Board. The Director shall serve without term and may be removed by the Board. Neb. Rev. Stat. § 84-1503(1)(b).

#### 1. DIRECTOR DUTIES AND RESPONSIBILITIES

- (a) The director is the chief administrative officer of the Retirement Systems and is responsible for the overall planning, organization, development, supervision,

directing and coordination of the on-going operations of the systems.

- (b) Responsibilities, in addition to the internal operation, include liaison with member groups, the Legislature, the Board, agency attorney, internal auditor, and the consulting actuary for the Board. The director serves as an ex-officio member of the Nebraska Investment Council. Work is performed with considerable latitude under the general direction of the Board. Examples of duties and responsibilities are:
- (i) Coordination, training and supervision of staff for six pension plans, involving complex details and procedures.
  - (ii) Interpretation and execution of statutes and Board policies.
  - (iii) Development and implementation of sound fiscal and accounting procedures and records.
  - (iv) Consult with and make recommendations to the Governor and the Legislature on major pension benefit issues, as directed by the Board.

## 2. REQUIRED KNOWLEDGE, SKILLS, AND ABILITIES

The director must have: strong management and communication skills; knowledge of state and federal pension laws as applied to public plans; knowledge of general financial and management characteristics of financial institutions and strategic planning skills to set short and long-term goals for the agency and the various pension systems.

## 3. SPECIFIC DUTIES

- (a) Supervises and coordinates several statewide benefit programs involving complex procedural details, a high volume of transactions, and diverse statutory basis.
- (b) Analyzes proposed legislation, makes and drafts recommendations on proposed legislation, appears before Legislative Committees during regular sessions and interim study periods. Prepares fiscal notes on proposed legislation.
- (c) Recommends all necessary rules and regulations relating to the administration, interpretation, and construction of the Retirement Laws.
- (d) Insures compliance with Federal and State laws in the management and operation of the systems.
- (e) Coordinates with the consulting actuary regarding all actuarial duties required by law.
- (f) Establishes the agenda and matters for consideration by the Board, and oversees the preparation and maintenance of the minutes of the meetings of the Board.
- (g) Performs public contact work in gathering information, resolving problems, engendering support, and

providing information required by the Board and Legislature.

- (h) Prepares recommendations and justification for changes in procedures, budget requests, personnel, and office activities.
- (i) Directs the preparation and conduct of research required in support of the Board's mandates and Legislative matters.
- (j) Collects, interprets, analyzes, and summarizes information to be utilized as the basis for recommendations to the Board and Legislature.
- (k) Directs, manages, and supervises an efficient internal operation of the Retirement System staff to achieve the primary objectives of the fund in accordance with procedures established by the Retirement Board.
- (l) Hires the Retirement staff in accordance with the budget prescribed by the Board and Legislature.
- (m) Authorizes expenditures and pays salaries and claims against the Retirement System in accordance with the budget proposed by the Retirement Board and approved by the Legislature.
- (n) Constantly appraises the Retirement Board of any development that would in any way affect the Retirement Board and its operation.
- (o) Makes the initial decision on behalf of the Board on any matter in which an appeal to the Board is authorized by statute, unless otherwise limited by this policy, or rule or regulation. Thereafter, upon appeal by the member, to appoint a Hearing Officer and to refer such Officer's findings to the Board for action.
- (p) Recommends action on disability claims and hardship withdrawals from the State Deferred Compensation Plan for Board consideration.

## 4. LIMITATIONS OF AUTHORITY

*The Board shall:*

- (a) Approve all disability claims.
- (b) Approve all hardship withdrawals from the State Deferred Compensation Plan.
- (c) Approve Rules and Regulations for adoption.
- (d) Determine the funding policy for the plans as provided by statute.
- (e) Approve agency budget.
- (f) At its discretion, authorize the Director to execute such contracts as have been approved by the Board.
- (g) At its discretion, authorize the Director to amend existing contractual service contracts with providers when additional services are required of that provider to implement board or legislative initiatives. The cost of the additional services requested of the provider by the Director cannot exceed those dollar limits set forth



by the Department of Administrative Services requiring a competitive bidding process.

## 5. REIMBURSEMENT FOR DIRECTOR EXPENSES

- (a) In accordance with proper accounting procedures, the Public Employees Retirement Board ('Board') recognizes the need for expenses to be regularly monitored and approved by a second individual, once such expenses are incurred by the Director of the Nebraska Public Employees Retirement Systems ('Agency'). In order to facilitate these expense reimbursement transactions, the Board adopts the following monitoring and approval policy for reimbursement of Director's expenses:
- (b) Expenses incurred by the Director in the course of his or her official duties that are \$100 or greater in value will require signature approval by the Chair of the Board.
- (c) Expenses incurred by the Director in the course of his or her official duties that are less than \$100 in value do not require approval by the Chair of the Board. There are checks and balances within the Agency's internal accounting process to provide for monitoring of Director's expenses.

## Board Policy #4

Revised December 2012

### LEGAL COUNSEL AND INTERNAL AUDITOR

1. **Legal Counsel** - The Public Employees Retirement Board shall hire an attorney, admitted to the Nebraska State Bar Association, to advise the Board in the administration of the retirement systems under its statutory authority, Neb. Rev. Stat. § 84-1503(1)(e).
  - (a) The attorney or legal counsel to the Board shall provide legal services for the agency and the Board under the supervision of the Director. The job duties shall include the following:
    - (i) Draft and revise the agency Rules and Regulations, keeping them current with state statutes and federal laws;
    - (ii) Review and make recommendations to the Director and NPERS staff on retirement issues, including qualified domestic relations orders, member benefits, powers of attorney, beneficiaries, and employer reporting;
    - (iii) Research and interpret state statutes and federal regulations;
    - (iv) Work with outside legal counsel on the application of IRS Code to the retirement plans;

- (v) Represent the retirement systems in administrative hearings and in matters involving the Attorney General's office;
  - (vi) Review and draft agency policies, procedural statements and legal documents for the agency;
  - (vii) Respond to legal questions from the State Auditor and other state agencies;
  - (viii) Work with the Legislature and member groups on draft legislation;
  - (ix) Advise the Board and the Director on legal matters as they relate to the administration of the retirement systems, litigation, potential conflicts and any other legal issue of interest.
- (b) The legal counsel to the Board shall act in the best interest of the Board and at least once per year report to the Board any matters that in his/her professional judgment impact the Board's role and duties. The Legal Counsel shall have direct access to the Board or a committee of the Board.
  - (c) At least annually, a performance evaluation of the legal counsel shall be conducted and reported to the Board by the Director. The legal counsel shall at that time also provide a report to the Board of his/her activities for the previous year.

2. **Internal Auditor** - The Public Employees Retirement Board shall hire an internal auditor meeting the minimum standards as described in Neb. Rev. Stat. § 84-304.03 to perform the duties described in Neb. Rev. Stat. § 84-1503.04. Neb. Rev. Stat. § 84-1503(1)(f). The internal auditor shall work for the agency under the supervision of the Director.
  - (a) The role of "internal auditor" is to assure that applicable laws, regulations, policies and procedures are being followed. The duties and responsibilities of the internal auditor are to be consistent with the suggested standards for the professional practice of internal auditing as adopted by the Institute of Internal Auditors, and include the following:
    - (i) Prepare a formal written three-year audit plan and work schedule each year and present them to the Board;
    - (ii) Conduct ongoing reviews of the internal procedures of the retirement systems and recommend improvements to the Board;
    - (iii) Ensure that Nebraska Public Employees Retirement Systems' internal accounting and operational controls are appropriate and operating correctly and report inconsistencies to the Board;
    - (iv) Examine and evaluate system records and operating procedures; verify compliance with established plans, policies, procedures, and

control systems, and assure compliance with regulatory and statutory conditions and adherence to generally accepted accounting and auditing principles and report inconsistencies to the Board;

- (v) Perform internal auditing functions, including review of contributions received and creditable service granted; review benefit payments for completeness of information, appropriateness, accuracy, and timeliness; verify accuracy of data and financial information reported to the system's actuary for all applicable plans; and verify accuracy of data and financial information reported to the system's record keeper for all applicable plans; and
  - (vi) Develop standards to be used by independent auditors in their review of the practices and procedures used by various employers to provide for employee participation in the respective state plans included in subdivision (1)(a) of Neb. Rev. Stat. § 84-1503.
- (b) The internal auditor shall act in the best interest of the Board and at least annually shall report to the Board any matters that in his/her professional judgment impact on the Board's role and duties. The internal auditor shall have direct and immediate access to the Board or a committee of the Board.
- (c) The internal auditor shall provide a quarterly report to the Board of his/her activities. At least annually, a performance evaluation of the internal auditor shall be conducted and reported to the Board by the Director.

## Board Policy #5

Revised September 2005

### REVIEWING APPLICATIONS FOR DISABILITY RETIREMENTS

1. The Public Employees Retirement Board will approve applications for disability retirements in a manner consistent with controlling statutory authority and will avoid, as much as practicable, a case by case disposition of such matters.
  - (a) With respect to disability applications in the State, County and School retirement plans, the Board's inquiry shall focus on whether the applicant has incurred a disability that involves an inability to engage in a substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of a long and indefinite duration.
  - (b) With respect to the Judges Plan, the Board shall receive and act upon the findings of the Commis-

sion on Judicial Qualifications when considering the disability of a judge. For clerk magistrates who are in the Judges plan, the Board shall determine if he or she has become physically or mentally disabled in a manner which seriously interferes the performance of his or her duties and that is determined to be permanent or reasonably likely to become permanent.

- (c) With respect to the State Patrol, the Board shall determine whether a member has incurred a disability that constitutes a complete inability of the officer, by reasons of accident or sickness, to perform the duties of an officer of the State Patrol.
2. With respect to disability applications for members of the State, County, School retirement plans and for clerk magistrates who are members of the Judges plan; the Director shall direct that a medical examination be made at the expense of the retirement system, which examination shall be conducted by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices, such physician to be selected by the retirement board, and the physician shall have certified to the board that the member is physically or mentally incapable of further performing his or her duties as a state, county or school employee and should be retired. When the director is satisfied that a sufficient examination had been made, the Director shall present the results of the examination and a recommendation to the Board, and the Board shall grant or deny the disability retirement application based on the examination and report of the physician, assisted by the recommendation of the Director.
  3. With respect to any Judge, the Board shall receive the report of the Commission on Judicial Qualifications that determines that a judge is permanently disabled; the Board shall then place the judge on retirement and grant a retirement annuity as provided in Neb. Rev. Stat. § 24-710.
  4. With respect to a member of the State Patrol, the Board shall not make any disability benefit payments unless adequate proof is furnished of the existence of the disability, and the Director, on behalf of the board, may demand a physical examination of the member by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices, chosen by the system and at the expense of the system.
  5. The Director, with the approval of the Board, may engage one or more Medical Advisors to assist the Director and the Board in analyzing the reports sent by physicians who have examined disability retirement applicants. The medical advisor shall be a physician legally authorized to practice medicine in Nebraska and hired by the Director, with the advice and consent of the Board. The duties of the Medical Advisor shall include, but shall not be limited to, the following:

- (a) Review all physicians' reports prior to the time at which the Director and/or Board reviews the reports.
  - (b) Do any follow-up gathering of information the Medical Advisor deems necessary to fully understand the physicians' reports he or she has the duty to review.
  - (c) Appear before the Board and assist the Director as he or she presents the reports of disinterested physicians to the Board and the Director's recommendation for action during any Executive sessions convened for that purpose.
  - (d) Answer questions about the reports that may be asked by the Director or members of the Board, provide expert assistance and knowledge of a trained physician to the Director and the Board in analyzing the medical questions involved in determining whether a disability retirement is appropriate, and provide his or her opinion on the medical condition of applicants, based on the reports he or she has reviewed.
  - (e) Any other such duties as the Director or the Board may deem necessary and appropriate to determine whether disability retirements should be granted to those who have made application under the applicable statutes.
6. (a) With respect to disability applications in which the disinterested physician states that the member is a person meeting the description of an incapacitated person as found in Neb. Rev. Stat. § 30-2601, the Board shall make reasonable inquiries as to whether it is satisfied by clear and convincing evidence that (i) the applicant is unable to manage his or her property and property affairs effectively for reasons such as mental illness, mental deficiency, physical illness or disability, chronic use of drugs, chronic intoxication, confinement, or lack of discretion in managing benefits received from public funds, detention by a foreign power, or disappearance; and (ii) the person has property in the retirement system which will be wasted or dissipated unless proper management is provided, or that retirement funds are needed for the support, care, and welfare of the applicant or those entitled to be supported by him or her and that protection is necessary or desirable to obtain or provide funds.
- (b) If the Board finds that such conditions are met, the Board may direct that a guardian, guardian for a limited purpose or conservator should be appointed under the provisions of the Nebraska Probate Code, Neb. Rev. Stat. Chapter 30 Article 26, prior to the Board allowing such an applicant to select a retirement option or otherwise allow the release of monies held by a retirement system on behalf of such an applicant.
7. All disability retirement applications approved by the Board may be re-evaluated one year from the effective date of retirement. The re-evaluations shall be made by a disinterested physician licensed to practice medicine in the state in which he or she practices medicine, under the conditions set forth in paragraph 10 of this policy.
8. If a member's disability retirement application is re-examined and continually approved for at least three years, the Public Employees Retirement Board may determine when the next reevaluation shall occur.
9. If an applicant dies during the period between making application for a disability retirement and the Board's approval of the applicant's application, the Board and Director may examine such applicant's death certificate and the report of a disinterested physician, if available, to make a determination on the disability application filed by the deceased applicant.
10. When ordering an examination by a disinterested physician both for initial and any further examinations, the Director and Board shall, if practicable, choose a disinterested physician who specializes in the area of medicine relating to the reason or source of disability as given by the applicant on his or her application.
11. Information provided in an application for disability includes medical records that contain personal and sensitive information that if improperly used or released may do significant harm to an applicant's interests or needless harm to an applicant's reputation. All review of members' disability applications shall take place in Executive Session, and all information submitted and discussed shall be kept confidential by the Board, the Director and their agents.

## Board Policy #6

Revised February 2012

### CONTRACTUAL SERVICES

In all cases, selection of contractual services is subject to and shall comply with the statutory provisions of State Contract for Services, Neb. Rev. Stat. §§73-501, et seq.

1. Selection and Renewal for Contracts \$50,000 or more
  - (a) If there is an existing contract to provide services of \$50,000 or more, then the Director shall provide the Board a report of the performance of the contract service providers not less than ninety (90) days prior to the expiration of the contract. If performance under the contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract. The Board may request the existing contract service provider to submit a renewal and cost proposal to the Board

for consideration, unless state law provides otherwise.

- (b) If a contract is not renewed, then not less than sixty (60) days prior to the expiration of a service contract, the Director will draft a request for proposal (RFP). Upon the Board's approval, the Director shall, with the assistance of the Department of Administrative Services, Materiel Division, publish the RFP and follow the required procedures for the bidding process.
  - (c) Following receipt of RFP responses, the Director shall, with the assistance of the legal counsel and other management staff as needed, review all bids that qualify under the stated RFP requirements.
  - (d) As soon as is reasonably possible, the Director shall provide a summary of the returned proposals to the Board and a tentative finalist interview schedule. The Board or a committee of the Board will review the finalist bid proposals in advance of any scheduled interviews.
  - (e) If determined necessary, the Board or a committee of the Board and the Director shall interview all RFP finalists. The award of the contract will be subject to a majority vote of the Board during a regular or special session of the Board.
2. Selection and Renewal Option for Contracts less than \$50,000
- (a) If there is an existing contract to provide services for less than \$50,000, then the Director shall provide the Board a report of the performance of the contract service provider. If performance under the contract is determined to be satisfactory, the Board or Director may renew the contract for an additional term if permitted under the terms of the existing contract. The Board or Director may request the contract service provider to submit a renewal and cost proposal for consideration, unless state law provides otherwise.
  - (b) If a contract for services is not renewed, then the Director will conduct a state agency level request for proposal (RFP). The Director shall contact service providers and obtain at least two comparable bids for review. Following receipt of the bids, the Director shall, with the assistance of legal counsel and other management staff as needed, review the bids that qualify under the state agency level RFP requirements.
  - (c) As soon as is reasonably possible, the Director shall provide a report of the comparable bids received to the Board for consideration and approval. If time is of the essence to secure a service provider, then the Director shall inform and receive approval from the Board Chair prior to executing the service contract. Thereafter, the Director shall provide a report to the Board at the next occurring Board meeting.

3. Selection Process for Deferred Compensation Plan Annuity Provider
- (a) The Director shall provide the Board a review of the performance of the Deferred Compensation Plan Annuity Provider prior to the expiration of the contract. If performance under the existing contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract.
  - (b) If the existing contract is not renewed under paragraph 3(a), then the selection process for the annual contract to provide Deferred Compensation Plan annuities will be conducted at the agency level by the Director and agency staff.
  - (c) The Board or a committee of the Board will review a draft request for proposal (RFP). The final agency level RFP will be published. Upon receipt, proposals will be considered during the meeting of the Board, with a beginning contract date of July 1<sup>st</sup>, or as soon as is reasonably practicable thereafter.
4. The following is a schedule of existing contracts with renewal dates:

CONTRACT	TERM	COMPLETED	DUE
Compliance Audit	4–10 yr.	2012	2022
Actuarial Services	3 yr.	2016	2019
Actuarial Audit	10 yr.	2009	2023
Experience Study	4 yr.	2016	2020
Recordkeeping Services	5 yr.	2016	2021
Information Systems	1 yr.	2017	2018
DCP Annuity	1 yr.	2017	2018

## Board Policy #7

Revised September 2006

### CONFERENCE ATTENDANCE AND EXPENSE REIMBURSEMENT

The members of Public Employee Retirement Board (PERB) believe the affairs of the plans they administer are highly important and complex. The retirement obligations incurred and the administration of the plans are complex matters, and education in employee benefit matters is necessary. It is important for PERB members to be educated in matters relating to the plans they administer. PERB members are encouraged to attend one or more educational conference per year. These policy guidelines are adopted to address travel expenses related to educational conference attendance.

1. PERB members shall make travel requests to the Board at least 30 days in advance when possible.

2. Each request for travel by a Board member will include a business-related reason for that travel and an estimate of the cost.
3. Hotel and air travel reservations can be made by the Board member or the retirement office.
4. Travel by any Board member outside of Nebraska will be reviewed by the Board; a majority decision will prevail.
5. Any Board member who attends a conference or seminar will present either an oral or written report to the Board at the next meeting.
6. Special consideration will be given for the support of the conventions or seminars sponsored by the following organizations:
  - (a) NCTR (National Council on Teacher Retirement)
  - (b) NASRA (National Association of State Retirement Administrators)
  - (c) NCPERS (National Council Public Employee Retirement Systems)
  - (d) IFEBP (International Foundation of Employee Benefit Plans).
7. Board members attending the annual Board retreat shall have their actual expenses for official business paid by the agency in conformity with the Travel Expense Policies adopted by the Nebraska Department of Administrative Services, AM005.
8. Per diems will be paid to board members for activities that have been approved by the board at the rate allowed by law.
9. Board members will be reimbursed for actual costs for out-of-town meals in Nebraska not to exceed the maximum GSA meal guidelines. Board members must retain a record (log) or obtain receipts for each meal incurred while in travel status. The expense reimbursement document may be used as the Board member's record of travel expenses incurred. In lieu of obtaining and attaching original receipts for each meal incurred, the member may identify type of meal, actual amount paid, including tax and tip, restaurant name and location on the expense reimbursement document. Eligible meals are:
  - (a) **Breakfast** – when leaving for overnight travel or one-day travel on or before 6:30 a.m.
  - (b) **Lunch** – when leaving for overnight travel at or before 11:00 a.m. or return from overnight travel at or after 2:00 p.m. Lunch is not allowed on one-day travel unless part of an official business meeting with a working lunch part of the agenda.
  - (c) **Supper** – when returning from overnight travel or one-day travel at or after 7:00 p.m.

Board members will be reimbursed for actual meal costs in excess of the IRS guidelines if receipts for meals are attached to the expense reimbursement document.
10. Board members will be reimbursed for meals outside of Nebraska for reasonable and actual cost. Reasonable costs are the federal per diem standard. The standards can be found at Internet site: <http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0>.
11. Lodging for Board members will be reimbursed based on actual cost incurred while attending an official business function. If the meeting or conference is at a lodging establishment and the Board member chooses not to stay at the conference lodging establishment, other lodging may be reimbursed at reasonable amounts comparable to the posted conference room rate. Actual costs will be demonstrated by an original receipt.
12. In order to receive reimbursement, a Board member must complete an expense reimbursement document and attach actual receipts for all travel expenses except meals and immaterial travel expenses. Immaterial items are parking, tolls, intercity bus fares, baggage handling, tips, and taxi fare charges under \$10 per occurrence. Board members will be reimbursed for the use of their personal vehicles for official Board business. Reimbursement will be made in accordance with Neb. Rev. Stat. § 81-1176, at the rate per mile established by the Department of Administrative Services.
13. Board members will be reimbursed for one long distance call per day to their home while in travel status in accordance with the approved agency policy on file with the Department of Administrative Services.
14. No reimbursement is allowed for alcoholic beverages.

## Board Policy #8

Revised September 2017

### BOARD FUNDING

#### 1. INTRODUCTION AND BACKGROUND

The Nebraska Public Employees Retirement System (NPERS) administers five pre-funded defined benefit pension plans (i.e., School, State Patrol, Judges, State, and County). The School, State Patrol and Judges plans are traditional defined benefit plans with benefits based on the employee's final average compensation. The State and County plans are cash balance plans, which are considered hybrid defined benefit plans. The plans are funded based on legislatively determined contributions for employers (or court fees for Judges), employee contributions, and state contributions to the School plan. Additionally, the Nebraska Legislature is expected to appropriate additional funds for years when the contributions set in statute are insufficient to meet the actuarially determined contribution requirements.

The purposes of this funding policy are to state the overall funding goals, identify the benchmarks that will be used to measure progress in achieving those goals, and disclose the actuarial methods and assumptions that will be employed to develop the benchmarks. In addition, this Policy will provide annual actuarial metrics to guide the Nebraska Public Employees Retirement Board (Board) when considering items such as dividends for the cash balance plans or discretionary COLAs, as well as whether to pursue or support proposed contribution and benefit legislation. Finally, the policy will include a brief list of governance responsibilities regarding the commissioning, collection, and review of actuarial information.

It is the intention of the Board that this funding policy be considered a working document, reviewed periodically and, as necessary, altered in the future through formal action of the Board.

## 2. FUNDING GOALS

The objective of pre-funding the plans is to accumulate sufficient assets during a member's employment from employer and employee contributions and, as necessary, contributions from the State of Nebraska, to fully finance the benefits the member receives throughout retirement.

### **Achievement of the pre-funding objective is dependent on the following rules:**

- Maintaining an increasing ratio of assets to actuarial liabilities and reaching a funded ratio of at least 100 percent.
- Preserving the defined benefit plan structure of providing lifetime benefits to the employees of NPERS-affiliated employers.
- Demonstrating transparency and accountability through the continued maintenance of a defined benefit pension plan funding policy for the stakeholders of NPERS.
- Dedication to the balance between:
  - Contribution rate stability—keeping contributions relatively stable over time, and
  - Intergenerational equity—allocating costs over the employees' period of active service.
- Recognition that within a multiple-employer cost-sharing defined benefit plan, such as School and County, there are beneficial elements of pooled risk, both in the accrual of plan liabilities, recognizing actuarial gains and losses by plan, rather than by employer; and in the accumulation of plan assets through the engagement of an appropriate level of asset risk management.

## 3. ANNUAL ACTUARIAL METRICS

Below is a list of actuarial metrics to be assessed on an annual basis as of the actuarial valuation date. The

Board recognizes that a single year's results may not be indicative of long-term trends and projected results, but collectively, the annual metrics will build trends and help the Board achieve their objectives.

- Funded ratios: Calculate and review by plan:
  - The actuarial funded ratio based on the actuarial value of plan assets divided by the defined benefit pension plan's actuarial accrued liability (AAL), and
  - The market value funded ratio based on the market value of plan assets divided by the defined benefit pension plan's AAL.
- Contribution rate comparison: Calculate and review by plan:
  - Statutory contribution rates, and
  - Actuarially determined contribution (ADC) rates.
- Actuarial Projections (5 year and 30 year): Given that some of the plans have multiple benefit tiers that create different ongoing costs, there is value in anticipating longer term trends, particularly for the traditional DB plans. Therefore, a 30-year projection model will be prepared annually for the School, State Patrol and Judges plans and, at the Board's request for the State and County plans (the funded status and funding/benefit interaction make projections less valuable). The analysis, using the models, will include, but not be limited to, the following:
  - Funded ratio assuming only the current statutory contribution rates apply in all future years and all actuarial assumptions are met.
  - Additional State contributions necessary to meet the actuarially required contribution in each future year (both rates of pay and dollars), assuming all actuarial assumptions are met.

## 4. FUNDING VALUATION ELEMENTS

Annually, the Board's actuary will perform an actuarial valuation for funding purposes, and calculate the Actuarial Determined Contribution (ADC) rates against which to compare the contribution rates mandated under State statute. The ADC will be the sum of a payment based on normal cost and a payment on the UAAL which are determined by the following three major components of a funding valuation. All of these items are specified in statute rather than set by the Board:

- Actuarial Cost Method: This component determines the attribution method upon which the cost/liability of the retirement benefits are allocated to a given period, defining the normal cost or the annual cost associated with the projected benefits.
- The Entry Age Normal Cost Method (EAN), as is used for NPERS' annual actuarial valuation purposes, is to be used for the determination of

- the normal cost rate and the actuarial accrued liability for purposes of calculating the ADC.
- Under the EAN method, normal cost is calculated using benefits based on projected service and salary at retirement and is allocated over an individual's career as a level percent of payroll. Because EAN normal cost rates are level for each participant, the normal cost pattern for the entire plan under EAN is more stable in the face of demographic shifts in the workforce. It is this normal cost stability that makes the EAN method the preferred funding method for the majority of public defined benefit pension plans.
- **Asset Valuation Method:** This component dictates the method by which the asset value, used in the determination of the UAAL, is determined, which could be a market value or a smoothed actuarial value of assets.
  - Because investment markets are volatile and defined benefit pension plans typically have long investment horizons, application of an asset-smoothing technique can be an effective tool to manage contribution volatility and provide a more consistent measure of a pension plan's funding over time. Asset-smoothing methods reduce the effect of short-term market volatility on contributions, while still tracking the overall movement of the market value of plan assets, by recognizing the effects of investment gains and losses over a period of years.
  - The asset valuation method to be used shall be a five-year smoothed market value of assets which recognizes the dollar amount of the difference between actual market investment returns and the assumed investment return equally over a five-year period.
- **Amortization Method:** This component prescribes, in terms of duration and pattern, the systematic manner in which the difference between the actuarial accrued liability and the actuarial value of assets is reduced.
  - The "layered" amortization method is used to determine the payment schedule to be used to finance the unfunded actuarial accrued liability. Unexpected changes in the UAAL as identified in the annual actuarial valuation process, whether positive or negative, are amortized over a period beginning on that valuation date.
  - Once established for any component of the UAAL, the amortization period for that component will be closed and will decrease by one year annually.
  - The amortization payment will be determined on a level percentage-of-payroll basis for the traditional defined benefit (DB) plans and as a level dollar amount for the cash balance plans.

- The length of the amortization periods will be as follows:
  - (A) Traditional defined benefit plans 30 years from the date of the valuation.
  - (B) Cash balance plans – 25 years from the date of the valuation.
- As the funded status of the traditional defined benefit plans improves over time, the Board may wish to evaluate moving to a 25 year amortization period on new components of UAAL, as is used for the cash balance plans.
- If any future annual actuarial valuation indicates a plan has a negative UAAL (surplus), all existing amortization bases are eliminated and a new base with a 30-year amortization period is created.

In conjunction with the three major funding components discussed above, a number of actuarial assumptions are used to develop the annual actuarial metrics, as well as the ADC rates, and are described in detail in each of the annual actuarial valuation reports. The actuarial assumptions are derived and proposed by the Board's actuary, in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The Board will review the actuarial assumptions used to determine funding needs, on a regular basis, but change those assumptions only on the basis of a recent experience study or if the actuary recommends a review due to a significant change in the factors used to determine the assumptions. By statute, an experience study will be conducted every four years. The assumptions represent the Board's best estimate of anticipated experience under the benefit provisions of NPERS and are intended to be long-term in nature. In the development of actuarial assumptions, the Board considers not only past experience but also trends, external economic forces, and future demographic and economic expectations.

- **Actuarial Assumptions**—Actuarial assumptions are generally grouped into two major categories:
  - Demographic assumptions, which include rates of termination, retirement, disability, mortality, etc., and
  - Economic assumptions, which include investment return, salary increase, payroll growth, and inflation, cost-of-living, etc.

Actuarial assumptions do not impact the total cost of the plan (actual benefit payments and expenses), but rather the timing of prescribed contributions. To the extent that actuarial experience deviates from the assumptions, and actual contributions deviate from projected, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) the projected future contributions necessary to achieve or sustain a certain actuarial standard. It is in this vein that the ADC rates may help indicate if the statutory contribution rates are adequate to

meet the future cost requirements of the plan, although the ADC calculated in the valuation results has limitations due to the expected change to the ongoing costs over time due to different benefit tiers.

## 5. BOARD FUNDING CRITERIA AND DISCRETIONARY BENEFIT APPLICATIONS

**Traditional Defined Benefit Plans.** The Public Employees Retirement Board administers the three traditional defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

- (a) The School Employees' Retirement Plan, which covers all school employees, teachers and administrators in Nebraska, with the exception of the separate Omaha Public Schools plan, shall be funded each year in accordance with the actuary's recommendation. The primary source of funding, as outlined by Section 79-958, shall be the monthly employee and employer contribution rates and the required annual contribution outlined by Sections 79-966 and 79-966.01 for the State of Nebraska.
- (b) The State Judges' Retirement Plan, which covers all state judges and certain clerk magistrates, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee contributions and court fees and any required annual contribution by the State of Nebraska outlined in Section 24-703.
- (c) The State Patrol Retirement Plan, which covers all uniformed or certified patrol officers, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee and employer contributions and annual contributions by the State of Nebraska as outlined in Section 81-2017.
- (d) It is recognized that in all three of these traditional defined benefit plans the investment return on the assets is a vital part of the funding for the plans. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.

**Cash Balance Benefit.** The Public Employees Retirement Board administers the two hybrid defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

- (a) The State Employees and the County Employees Retirement Plans include a Cash Balance benefit that must be actuarially sound. These plans cover state and county employees and are primarily funded by employee and employer contributions as well as any required contribution by the employers (the State of Nebraska or participating employers in the County Plan).

- (b) It is recognized that the investment return on the assets is a vital part of the funding for the benefits. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.
- (c) Each year after the annual actuarial valuations results are received the Board will determine, based on the recommendation of the actuary, if a benefit improvement can be made, such as a dividend payment to individual Cash Balance member accounts, after allowing for the required ten percent funding reserve within the plan. If it is determined that the benefit improvement should be a dividend and that sufficient reserves exist, the dividend will be granted as follows:
  - i. The Board will determine if any dividend can be granted at the earliest possible date following the annual actuarial valuation, but in all cases the dividend will be retroactive to January 1st of that year.
  - ii. The long-term goal for the cash balance retirement plans is to provide long-term growth for member accounts equal to the long-term growth rate for the invested funds. However, in the short-run, some of the excess earnings may be held in reserve to serve as a buffer for short-term fluctuations in market return.
  - iii. Any dividend that is granted should conform with the following guidelines:
    - (A) The plan must maintain the 90% Benefit Threshold Rate after granting any dividend.
    - (B) There must be a minimum 100% Funded Ratio on both the Funded Basis and the Current Value Basis, both before and after the dividend is granted.
    - (C) The dividend plus the annual interest credit during the year cannot exceed the assumed rate of return unless a majority of Board agrees.
    - (D) No dividend will be granted for a year where the annual interest credit rate exceeds the actuarial assumed rate of return.
  - iv. The account balance used to determine the amount credited will be the balance as of December 31st of the previous year.
  - v. All accounts with an account balance as of December 31st of the previous year will be credited with the dividend amount, except that no dividend shall be paid to any account with a final account valuation made prior to December 31st of the year for which the dividend is granted.
  - vi. If a dividend is granted, the value of the dividend will be credited with interest between January 1st and the dividend distribution date, using the interest credit rate earned on regular contributions for the same period.



- (d) The Board recognizes that granting dividends impacts the benefits of members and thus do not wish to be overly conservative or aggressive in granting dividends. Generally, the Board will seek to grant the largest dividend possible that is consistent with the specified policies and that is consistent with meeting the funding needs of the plans.
- (e) The Board may also weigh the administrative complexities and costs versus the amount of dividend that may be granted in evaluating whether to grant the dividend.

#### **State Patrol and Judges Tier 2 Supplemental Payment.**

Under certain statutory conditions, the Board is able to grant a one-time supplemental payment of up to 1.5% to certain retirees in the State Patrol and Judges defined benefit plans.

- (a) Under statute, the plan must remain fully funded after the payment is granted.
- (b) The Board generally will grant the maximum amount when possible. If only a lesser amount is possible, the Board may weigh the administrative complexities and costs versus the amount of benefit to determine if a payment will be granted.

#### *Statutory Reference for Cash Balance Plan Enhancements.*

Section 23-2317(4)(c) and section 84-1319(4)(c) – if the unfunded accrued actuarial liability under the entry age actuarial cost method is less than zero on an actuarial valuation date, and on the basis of all data in the possession of the retirement board, including such mortality and other tables as are recommended by the actuary engaged by the retirement board and adopted by the retirement board, the retirement board may elect to pay a dividend to all members participating in the cash balance option in an amount that would not increase the actuarial contribution rate above ninety percent of the actual contribution rate. Dividends shall be credited to the employee cash balance account and the employer cash balance account based on the account balances on the actuarial valuation date. In the event a dividend is granted and paid after the actuarial valuation date, interest for the period from the actuarial valuation date until the dividend is actually paid shall be paid on the dividend amount. The interest rate shall be the interest credit rate earned on regular contributions.

#### *Statutory reference for State Patrol and Judges Plan Enhancements*

#### **Judges**

Section 24-710.15 (1) applies for Judges who become members on or after July 1, 2015. If the annual valuation made by the actuary indicates that the retirement system is fully funded and has sufficient

actuarial surplus to provide for a supplemental, lump-sum cost-of-living payment, the Board may, in its discretion, elect to pay up to a maximum one and one-half percent supplemental lump-sum cost-of-living payment to each retirement member of beneficiary based on the retired member's or beneficiary's total monthly benefit through June 30 of the year for which the supplemental lump-sum cost-of-living payment is being calculated. In no event shall the Board declare a supplemental lump-sum cost-of-living payment if such payment would cause the plan to be less than fully funded.

#### **State Patrol**

Section 81-2027.10 (1) applies for officers who became members on or after July 1, 2016. If the annual valuation made by the actuary indicates that the retirement system is fully funded and has sufficient actuarial surplus to provide for a supplemental, lump-sum cost-of-living payment, the Board may, in its discretion, elect to pay up to a maximum one and one-half percent supplemental lump-sum cost-of-living payment to each retirement member of beneficiary based on the retired member's or beneficiary's total monthly benefit through June 30 of the year for which the supplemental lump-sum cost-of-living payment is being calculated. In no event shall the Board declare a supplemental lump-sum cost-of-living payment if such payment would cause the plan to be less than fully funded.

## 6. GOVERNANCE POLICY/PROCESSES

Below is a list of specific actuarial and/or funding-related studies, the frequency at which they should be commissioned/requested by the Board, and additional responsibilities relating to the studies:

- **Actuarial Valuation** (performed annually) — The Board is responsible for reviewing the annual actuarial valuation reports. In addition, the Board, in consultation with the retained actuary, will provide recommendations to the Nebraska Retirement Systems Committee regarding any necessary adjustments to the statutory employer and member contribution rates.
- **Actuarial Projections** (performed annually in conjunction with the funding valuation) – The funded status of each Plan will be monitored on an annual basis on a projected basis as well as a snapshot basis. These projections will indicate the expected future progress toward the overall funding goals of NPERS and provide an indication of any additional State contributions that might be required for each Plan.
- **Experience Analysis** (performed at least every four years) — The Board is responsible for ensuring that an experience analysis is performed as prescribed in statute (every four years), for reviewing the results of that

study, and for approving the actuarial assumptions and methodologies to be used for all actuarial purposes relating to the five defined benefit pension plans.

- **Actuarial Audit** (performed periodically) — The Board is responsible for ensuring that an actuarial audit of the funding valuations, to be conducted by an independent actuary, is performed periodically. The purpose of such a review is to provide a critique of the reasonableness of the actuarial methods and assumptions in use and to verify the resulting actuarial liabilities and contribution rates. The Board shall review the results of the audit and ensure that any suggested improvements the Board deems of value are implemented in a timely fashion.
- **Benefit Adequacy Study** (performed periodically) — The Board will perform a benefit adequacy study to evaluate each Plan's ability to provide the retirement income needed to maintain an employee's pre-retirement standard of living at and throughout retirement, provide retirement benefits at a level competitive with other regional statewide retirement systems and local employers, and provide the best retirement benefit possible given a fixed contribution level and investment risk tolerance.
- Review of the **Defined Benefit Pension Plan Funding Policy** (performed periodically)—The Board is responsible for the periodic review of the defined benefit pension plan funding policy, as is deemed necessary. The Board believes it is reasonable to review the Funding Policy in conjunction with the Experience Analysis, every four years, or more frequently if deemed necessary.

## 7. GLOSSARY OF FUNDING POLICY TERMS

- **Actuarial Accrued Liability (AAL):** The AAL is the value at a particular point in time of all past normal costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions, and participant data had always been in effect, contributions equal to the normal cost had been made, and all actuarial assumptions had been met.
- **Actuarial Cost Method:** The actuarial cost method allocates a portion of the total cost (present value of benefits) to each year of service, both past service and future service.
- **Active Member:** a member currently making employee contributions to the plan.
- **Asset Values:** For each of the NPERS defined benefit plans, two values are determined:
- **Actuarial Value of Assets (AVA):** The AVA is the market value of assets less the deferred investment gains or losses not yet recognized by the asset smoothing method.
- **Market Value of Assets (MVA):** The MVA is the fair value of assets of the plan as reported in the plan's financial statements.
- **Defined Benefit Plan:** Monthly benefits payable from a traditional defined benefit plan, such as the School, Patrol or Judges Plans, are based on a benefit multiplier, years of service, and the member's final average salary. Cash Balance Plans, such as the State and County Plans, accrue benefits in a different manner. A hypothetical account balance is maintained while the member is working and employee and employer contributions, along with an interest credit, is posted to the account each year. Once the member is inactive, only the interest credit increases the account balance. At retirement, the account balance is converted to an equivalent monthly benefit unless the member elects to receive a lump sum distribution.
- **Entry Age Normal Actuarial Cost Method (EAN):** The EAN actuarial cost method is a funding method that calculates the normal cost as a level percentage of pay or level dollar amount over the working lifetime of the plan's members.
- **Funded Ratio:** The funded ratio is the ratio of the plan assets to the plan's actuarial accrued liabilities.
  - **Actuarial Value Funded Ratio:** Is the ratio of the AVA to the AAL.
  - **Market Value Funded Ratio:** Is the ratio of the MVA to the AAL.
- **Inactive Member:** a member no longer employed and contributing to the plan, but not yet receiving benefits.
- **Normal Cost:** The normal cost is the cost allocated under the actuarial cost method to each year of active member service.
- **Present Value of Benefits (PVB) or total cost:** The PVB is the value at a particular point in time of all projected future benefit payments for current plan members. The future benefit payments and the value of those payments are determined using actuarial assumptions regarding future events. Examples of these assumptions are estimates of retirement and termination patterns, salary increases, investment returns, etc.
- **Retired Member:** A member or their beneficiary who is currently receiving monthly benefits from the plan.
- **Surplus:** A surplus refers to the positive difference, if any, between the AVA and the AAL.
- **Unfunded Actuarial Accrued Liability (UAAL):** The UAAL is the portion of the AAL that is not currently covered by the AVA. It is the positive difference between the AAL and the AVA.
- **Valuation Date:** The valuation date is the annual date upon which an actuarial valuation is performed; meaning that the trust assets and liabilities of the plan are valued as of that date.

## Board Policy #9

Revised August 2007

### BOARD PER DIEM

1. Pursuant to the provisions of subsection 84-1502(3), per diems for PERB members may be paid to a member when the member personally participates in one or more of the following Board activities:
  - (a) Monthly Board meetings;
  - (b) Special or emergency Board meetings;
  - (c) Board committee meetings;
  - (d) Board-approved seminars and conferences; or,
  - (e) Other such activities as approved by the Board.
2. The member must complete a Request for Per Diem Compensation form and submit it to the Secretary for any claim other than Board meetings before a per diem claim will be paid.
3. A member may, in lieu of submitting Requests for Per Diem Compensation, submit in writing a statement indicating that the member does not wish to receive per diem compensation. Such statement shall be retained by the Secretary of the Board and thereafter shall be in force until revoked in writing by the member.

## Board Policy #10

Revised September 2006

### DIRECTORS SUCCESSION PLAN

#### 1. ANNUAL TRAINING

- (a) New Board Members – In order to promote education and to adequately train new Public Employees' Retirement Board members, each new member will be strongly encouraged to attend an educational session to learn the basics of the administration of retirement plans within the first twelve months of his/her becoming a member.
- (b) Existing Board Members – Due to the ongoing fiduciary responsibilities of all Board members, each member will be encouraged to attend at least one educational session or conference per year to stay current with regulatory and administrative issues.

#### 2. CONTINUITY PLAN

- (a) Board Members – In addition to education, to assist with continuity on the Board, new

members, whenever possible will be paired with an existing Board member who will assist that new member during the first six months of his/her term.

- (b) Agency Director – The Board has adopted a Succession Plan and shall maintain the Plan as conditions may warrant for the time when a replacement must be found for the Director. In addition, the Director shall advise the Board of the name of his/her emergency replacement if the Director must be absent for an extended period. The Director shall "groom" someone from within the agency who could be his/her successor, either temporarily or on a permanent basis.

#### 3. ANNUAL RETREAT

- (a) Each year the Board sets aside an additional day combined with its regular monthly board meeting to review policies, set goals for the new year and receive additional training and/or updates on their fiduciary duties as Board members.
- (b) The Board has committed additional resources to holding the retreat in an appropriate location that is a reasonable distance for members to travel. Resources have also been allocated for the cost of outside speakers on matters of interest to the Board.

## Board Policy #11

Revised January 2011

### SERVICE DELIVERY

1. To accurately calculate a retirement benefit, the Nebraska Public Employees Retirement Systems ('NPERS') needs all retirement contributions and salary to post to a member's account prior to such calculation. This interim period can take several months and can delay benefit payments.
2. In order to provide a timely retirement benefit for retirees, NPERS will calculate a preliminary benefit during the interim period. The member will be paid a preliminary benefit equal to ninety-five percent (95%) of the benefit calculated based on the total service and salary information available at the time of the preliminary calculation. A preliminary benefit will not be calculated until the member's most recent posted retirement contribution and salary is within one or two months of the member's final pay date. The preliminary benefit should be calculated within ninety days (90) of the effective date of the member's retirement. The member's preliminary benefit will be recalculated and changed to a final monthly benefit approximately five (5) months after the effective date of retirement.

3. Under certain circumstances such as a salary dispute, untimely paperwork filed by a member, or an extended contract negotiation, it may be more than ninety days (90) since the effective date of the member's retirement before the calculation of the preliminary benefit occurs, and it may be more than five (5) months before the final recalculation occurs. This calculation and recalculation will be retroactive to the member's effective date of retirement and will include all salary and contributions received from the member's employer.
4. If the member's final calculated monthly benefit is within thirty dollars (\$30) or two percent (2%) of the member's one-hundred percent (100%) preliminary benefit, then the recalculation is performed automatically by NPRIS and does not require a manual calculation by NPERS staff.
5. If the member's final calculated monthly benefit is greater than thirty dollars (\$30) or two percent (2%) of the member's one-hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.
6. If the member's final calculated monthly benefit is less than the member's one-hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.

## Board Policy #12

Revised July 2014

### ELECTRONIC DISBURSEMENT

#### 1. GENERAL PROVISION

Electronic disbursements through direct deposit or a deposit (load) to a prepaid debit card shall be the Nebraska Public Employees Retirement Systems' required method for issuing annuity benefit payments to retired members.

Beginning May 1, 2011, all new retired members must provide written authorization for either a direct deposit or a load to a prepaid debit card using NPERS' Electronic Disbursement Authorization Form. The electronic disbursement will remain in effect until changed or canceled by the retired member in writing. The member must choose one disbursement method only.

#### 2. REASON FOR POLICY

The purpose of this policy is to promote safe, confidential, economical, convenient and fast annuity benefit payments to retired members.

#### 3. POLICY AND PROCEDURES

Direct Deposit is the electronic deposit of funds directly into a bank account as a form of payment. NPERS offers direct deposit for a retired member's annuity benefit payment. Electronic deposit of funds can be made to any financial institution in the United States. Direct deposit assures that a retired member's annuity benefit payment is deposited in their bank account(s) on the day of payment. All retired members receiving retirement annuity benefits from NPERS are eligible for direct deposit.

To authorize or change their direct deposit, a retired member must complete and sign a new Electronic Disbursement Authorization Form and attach a voided check for checking account deposit and a deposit slip for savings account deposit.

In the alternative, a member may select a deposit (load) to be made to a prepaid debit card. A prepaid debit card has the same functionality as a regular checking account, but the member withdraws funds with the use of a debit card rather than the use of checks. The State of Nebraska contracts with a prepaid debit card financial institution vendor to provide this service to members who do not want their annuity benefit payment made by direct deposit into a regular bank account.

Once the authorization is received by NPERS, it may take up to one annuity benefit payment cycle to become active. Any change MUST be received by NPERS two weeks prior to the date scheduled for the annuity benefit payment for which the change is to occur.

In order for this policy to be effective, it is essential that NPERS be provided with current and accurate information regarding the address and account number and demographic information for each retiree receiving a benefit by electronic means. In addition, the fact that a member is not receiving written communication from NPERS may indicate that payments are being misdirected or the member has undergone a change of address, bank account or status.

Therefore, in order to help assure all benefit payments are delivered only to their intended recipients, NPERS may suspend the delivery of benefit payments to any member who cannot be contacted for a period of 60 days at the address on file for such member in NPERS' database. Mail that is returned undelivered by the United States Postal Service or other recognized delivery service shall be deemed as evidence of the inability to contact a member. Any such suspension of benefit payments will continue until such time as direct contact is made between NPERS and the related member (or the member's legally designated representative). Upon confirmation of such member's address and

status, payments will resume and any payments suspended shall be made to the member as soon as administratively possible.

NPERS staff shall develop such internal procedures as are necessary to implement this policy.

## ***Board Policy #13***

Revised May 2012

### **CASH BALANCE BENEFIT ELECTION**

#### **001 SCOPE OF THE POLICY**

The provisions of this policy apply to active members participating in the defined contribution benefit in the Retirement System for Nebraska Counties (County Plan) and the State Employees Retirement System (State Plan). This policy contains the procedures for conducting a cash balance benefit election and conversion thereby permitting State and County Plan active members who have a defined contribution benefit to make a onetime election and conversion into the cash balance benefit in accordance with the provisions found in Neb. Rev. Stat. §§ 23-2308.01 and 84-1309.02.

#### **002 DEFINITIONS**

**002.01** Definitions provided in Nebraska statutory law for each plan shall apply to the provisions herein as they relate to the plan. In addition to those definitions, the following definitions shall apply:

**002.02** Agency means the Nebraska Public Employees Retirement Agency.

**002.03** Cash Balance Benefit Election Period means the statutory calendar period beginning September 1, 2012, through October 31, 2012.

**002.04** Electing Member means a state or county defined contribution benefit active member who makes an election during the Cash Balance Benefit Election Period.

#### **003 GENERAL PROVISIONS**

**003.01** A state or county defined contribution benefit active member shall make a onetime election into the cash balance benefit beginning: September 1, 2012, through October 31, 2012, in order to participate in the cash balance benefit. Once an election is made, the decision by the member is irrevocable.

**003.02** If no such election is made, the member shall be treated as though he or she elected to continue participating in the defined contribution benefit as provided in the act prior to January 1, 2003.

**003.03** Members who elect to participate in the Cash Balance Benefit Election Period, shall commence participation in the cash balance benefit on January 2, 2013.

**003.04** Any member who made the election prior to April 7, 2012 and/or who is currently a member of the cash balance benefit does not have to make another election during the Cash Balance Benefit Election Period.

**003.05** For a member employed and participating in the retirement system, who elects to convert his or her employee and employer accounts to the cash balance benefit, the employee and employer cash balance benefit accounts shall initially be equal to the employee and employer account balances, transferred from the member's defined contribution plan employee and employer accounts.

**003.06** If an active member has multiple defined contribution plan accounts (i.e. an active member having State Plan defined contribution accounts, who also is an inactive member having County Plan defined contribution accounts, or vice versa) then the member will only be able to make in election in the plan under which he or she is currently an active member during the Cash Balance Benefit Election Period.

#### **004 ELECTION PERIOD AND ELIGIBILITY REQUIREMENTS**

**004.01** The Cash Balance Benefit Election Period begins on September 1, 2012, and continues through October 31, 2012. A onetime election may only be made during this election period.

**004.02** The defined contribution benefit member must remain an active employee member through October 31, 2012 in order to make an election during the election period. A termination, as defined by Neb. Rev. Stat. §§ 23-2301(33) and 84-1301(33), or a temporary break in service during the Cash Balance Benefit Election Period will result in an invalid election.

**004.03** An alternate payee, as defined by Neb. Rev. Stat. § 42-1102(1), with a defined contribution account is unable to make an election into the cash balance benefit.

#### **005 ELECTION MATERIALS AND DISTRIBUTION**

**005.01** Beginning on September 1, 2012, cash balance benefit election materials will be mailed to confirmed state and county active members who have employee and employer accounts in the defined contribution benefit. A downloadable copy

of election materials will be placed on the Agency website on September 1, 2012.

**005.02** A cash balance benefit election can only be made upon official forms provided by the Agency, or as provided in subsection 005.03. The form must be signed by the active member making the election, and can be received only by postal mail or hand delivery to the Agency. A form sent via facsimile machine will not be accepted. If the cash balance benefit election form is mailed during the Cash Balance Benefit Election Period, then the mailed envelope must be postmarked on or before October 31, 2012.

**005.03** A cash balance benefit election may be made by a member submitting an online electronic form found on a website administered by either the Agency or a contractor of the Agency. The Agency is not responsible for a member failing to make a valid cash balance benefit election due to either a website server failure or a member using incompatible web browser software to access the server. If a member believes that he or she may have incompatible software or the website server is offline prior to the cash balance benefit election deadline, then the member should allow sufficient time to submit his or her cash balance benefit election form in the manner provided in subsection 005.02.

**005.04** No cash balance benefit election forms will be recognized by the Agency as having been received until September 1, 2012. Applications delivered to the Agency prior to September 1, 2012, will be held and not officially received for the purpose of the cash balance benefit election until September 1, 2012.

**005.05** Once a cash balance benefit election form has been received by the Agency during the Cash Balance Benefit Election Period on or after September 1, 2012, a confirmation of receipt will be sent to the member. The confirmation will be mailed to the member's current address of record within ten (10) business days following the Agency's official receipt of the member's cash balance benefit election form. If a member does not receive a confirmation of receipt within this time period, he or she should immediately contact the Agency to verify that his or her election form has been properly received by the Agency. If a member makes in election online as described in subsection 005.03, then a confirmation of receipt will be obtained online by the member in lieu of a mailed confirmation.

**005.06** If a member does not receive a timely confirmation of receipt described in subsection 005.05 and also fails to notify the Agency that he or she did not receive a timely confirmation, then such inaction by the member may result in the member

not making a valid Cash Balance benefit election. The Agency is not responsible for a Cash Balance benefit election form either lost or delayed while in the custody of the U.S. Postal Service or other shipping delivery service.

## 006 PROCEDURES FOLLOWING THE ELECTION PERIOD

**006.01** A proper and valid election shall only occur if an election to the Cash Balance benefit is made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

**006.02** Electing Members shall commence participation in the Cash Balance benefit on January 2, 2013. Electing Members' Defined Contribution benefit assets and accounts will be converted to Cash Balance benefit assets and accounts on January 2, 2013.

**006.03** Once an election is made during the election plan period, no partial or full distributions shall occur from the point of time an election is made until January 3, 2013.

**006.04** An Electing Member may continue to make trades in his or her accounts and transfer assets between Defined Contribution fund options until December 31, 2012, subject to current trading restrictions; including, but not limited to rules on excessive trading and trading stable value fund assets. The Electing Member's account balances will not be frozen by the Agency once a Cash Balance benefit election is made. The Electing Member's account values will continue to be subject to market gains and losses during this time period based on the Electing Member's investment decisions.

**006.05** The final value of Defined Contribution fund assets transferred into Cash Balance benefit fund assets will be the end of the market day price on January 2, 2013. The Defined Contribution account balance will be subject to market fluctuations (gains and losses) prior to the completion of the asset transfer on January 2, 2013, which may result in a reduction of the Electing Member's employee and employer account asset value following the day of the transfer. Following the completion of the asset transfer on January 2, 2013, the Agency or a contractor of the Agency will send the Electing Member a confirmation of election.

**006.06** An Electing Member has until February 1, 2013, to notify the Agency if there was a possible error. If the Electing Member does not receive a confirmation of election described in subsection 006.05 or believes that his or her account assets were not properly transferred from the Defined Contribution benefit plan to the Cash Balance bene-

fit plan, as described in subsection 006.05, then notification under this subsection must be made. If no such notification occurs prior to February 1, 2013, then the Agency will conclude the following:

- (a) the Electing Member's assets have been properly transferred from the Defined Contribution benefit plan to the Cash Balance benefit plan, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors; or,
- (b) the member's assets have properly remained in the Defined Contribution benefit plan as intended by the member, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors.

## 007 DETERMINATION OF AN INVALID ELECTION

**007.01** An election may be determined invalid by the Agency if any of the following findings are made:

- (a) The member was an inactive member on October 31, 2012 and therefore was ineligible to make an election.
- (b) The member was not in the Defined Contribution benefit during the election period.
- (c) A fraudulent election form was received by or transmitted to the Agency.
- (d) There is evidence of fraud involved in the member's election or conversion of assets.
- (e) The member experienced a termination or a temporary break in service (lasting less than 120 days) during the Cash Balance Benefit Election Period and the member was not an active member on October 31, 2012.
- (f) The election to the Cash Balance benefit was not made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

**007.02** Once a determination is made by the Agency that an invalid election occurred, written notice will be sent immediately to the member. The notice will be mailed to the member's current address of record.

**007.03** If a determination is made following the account conversion on January 2, 2013, then the improperly converted Defined Contribution benefit assets will be removed from the Cash Balance benefit fund within ten (10) business days and placed in the Defined Contribution benefit money market fund described in Neb. Rev. Stat. §§ 23-2309.01(g) and 84-1310.01(g). The amount of the removed

assets will equal the amount of assets initially transferred into the member's Cash Balance benefit accounts on January 2, 2013.

**007.04** Any interest credited to the member's Cash Balance benefit employee or employer accounts will be forfeited prior to the assets being removed from the Cash Balance benefit fund due to an invalid election, as described in subsection 007.03. The Agency will not be responsible for any market gains or losses that may have resulted had the member's assets originally remained in his or her Defined Contribution benefit accounts.



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