

**ONE HUNDRED FIFTH LEGISLATURE - FIRST SESSION - 2017**  
**COMMITTEE STATEMENT (CORRECTED)**  
**LB415**

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**Hearing Date:** Monday February 27, 2017  
**Committee On:** Nebraska Retirement Systems  
**Introducer:** Kolterman  
**One Liner:** Provide and change notification requirements and duties and benefits for certain retirement system members, change certain annuity and disability benefit provisions, and provide duties for school districts and the Public Employees Retirement Board relating to retirement

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**Roll Call Vote - Final Committee Action:**  
Advanced to General File with amendment(s)

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**Vote Results:**  
**Aye:** 6 Senators Bolz, Groene, Kolowski, Kolterman, Lindstrom, Stinner  
**Nay:**  
**Absent:**  
**Present Not Voting:**

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**Verbal Testimony:**

<b>Proponents:</b> SENATOR MARK KOLTERMAN MIKE DULANEY DR. JON HABBEN	<b>Representing:</b> INTRODUCER NCSA NEBRASKA RURAL COMMUNITY SCHOOLS ASSOCIATION (NRCSA)
<b>Opponents:</b> DENTON BEACOM  JASON HAYES DELORIS TONACK	<b>Representing:</b> STUDENT EDUCATION ASSOCIATION OF NEBRASKA NSEA SELF
<b>Neutral:</b> ORRON HILL	<b>Representing:</b> NEBRASKA PUBLIC EMPLOYEES RETIREMENT BOARD AND NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS

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**Summary of purpose and/or changes:**

LB 415 As Introduced

In the School and Class V School Employees Retirement plans, a Rule of 90, with a minimum retirement age of 60, is proposed for employees who become members on or after July 1, 2017.

In the School Plan all the exemptions for service that can be provided during the 180-day break in service are eliminated which include intermittent voluntary or substitute service and service provided to the Nebraska Department of Education as provided in 79-920. In addition, a 3 year break in service is required if an employee received an early retirement incentive.

In the County, School, Class V School, Patrol and State Employees Retirement plans when a member retires the

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member and employer must certify under oath that there was no pre-arranged agreement to return to employment that was made prior to retirement. When a retired member is employed after retirement with an employer in another plan, the employee must also complete a certification under oath that the employee did not have a pre-arranged agreement prior to retirement to begin employment with the new employer.

Termination will not occur if the member begins employment for an employer in the County, School, Class V School, Patrol or State plan within 120 days (180 days for schools) after ceasing employment, or within 3 years if the member received an early retirement incentive.

If a retiree is re-employed or employed after retirement in one of the retirement systems, the vesting period is 10 years and only service credit earned during this 10-year vesting period will count towards vesting and retirement. If the re-employed retiree does not vest, then he or she will only receive his or her contributions plus interest.

#### LB 415 As Amended by Committee Amendment 923

In the School and Class V School Employees Retirement plans, the proposed Rule of 90, with a minimum retirement age of 60, is changed to a Rule of 85 with a minimum retirement age of 60. The change will apply to employees hired on or after July 1, 2018 rather than July 1, 2017 as originally provided in the bill.

In the School Plan the exemptions are eliminated that allow intermittent voluntary or substitute service during the 180-day separation of service after termination; service provided to the Nebraska Department of Education as provided in 79-920 is still allowed during the 180-day period. Definitions are added for early retirement inducement and service in any capacity.

Definitions are added to the Class V School Employees Retirement Act for employer, early retirement inducement, service in any capacity, termination, substitute employee and temporary employee.

Termination will not occur if a School member provides service in any capacity for any employer in the same plan or for an employer in the Class V plan within 180 days after ceasing employment, or within 36 months after termination if the member received an early retirement inducement.

In the Class V School plan, termination will also not occur if a Class V School member provides service in any capacity for an employer in the same plan or for any employer in the School plan within 180 days after ceasing employment, or within 36 months after termination if the member received an early retirement inducement.

In the School and Class V School plans, when a member terminates, the member and employer must certify under oath that there was no verbal or written pre-arranged agreement made prior to termination for the member to return to employment. When a School member is employed after termination with an employer in the Class V School plan, the employee must complete a certification under oath, that the employee did not have a verbal or written pre-arranged agreement with the Class V School employer prior to termination to begin employment with the new employer. These certifications must be filed with the Public Employees Retirement Board within the specified time periods.

When a retired Class V School member is employed after termination with an employer in the School plan, the employee must complete a certification under oath, that the employee did not have a verbal or written pre-arranged agreement with the School employer prior to termination to begin employment with the new employer. These certifications must be filed with the Board of Trustees within the specified time periods.

A penalty section is added to the Class V School plan which tracks the penalty section in the School plan.

The re-employment restrictions and requirements that applied to the County, State and State Patrol plans are stricken from the bill. The re-employment after retirement, vesting and other restrictions that applied to the School and Class V School plans in the original bill, and the reporting requirement to the Nebraska Department of Education are also stricken from bill.

Bills Amended into LB 415 Committee Amendment 923

LB 31 Hearing February 27, 2017

Proponents:

Mike Dulaney, Nebraska Council of School Administrators

Orron Hill, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 31 As Introduced

LB 31 makes two changes to the School Employees and Class V School Employees Retirement Acts. For employees hired on or after July 1, 2017, creditable service includes only the days and types of leave specifically itemized which includes: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer. For employees hired prior to July 1, 2017 creditable service leave days remain unchanged and includes leave days for which the employee is paid regular wages as part of the employees agreement with the employer.

Also under LB 31, in the School Employees Retirement Act the authority of the employer to purchase creditable service for a member is deleted. The employee may still purchase creditable service.

As Amended by Committee Amendment 923

The effective date in the School and Class V School Employees Retirement Acts for the change in types of leave that will count towards creditable service is moved from July 1, 2017 to July 1, 2018.

LB 32 - Hearing January 24, 2017

Proponents

Beth Bazyn Ferrell, Nebraska Association of County Officials

Phyllis Chambers, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 32 changes the frequency and method of calculation of the county prior service annuity payments in the County Employees Retirement Act. Currently payments may be made monthly, however if the payment is less than \$10 then the payment may be made annually with each annual payment equal to 11.54 times the monthly payment. LB 32 removes the annual formula calculation and grants the county authority to pay the annuity monthly, quarterly, semi-annually or annually.

In the County and State Employees Retirement Acts the bill also eliminates the obligation of the Public Employees Retirement Board to provide county and state employees information on federal and state income tax consequences of the various annuities or retirement benefit options.

LB 110 - Hearing January 24, 2017

Proponents

Orron Hill, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Deann Haeffner, State Auditor

Opponents: None

Neutral: None

LB 110 eliminates the obligation of political subdivisions to file annual reports on defined contribution plans after December 31, 2017 and deletes the requirement for the Public Employees Retirement Board to design and provide the annual reporting form.

Beginning December 31, 2018 political subdivisions that offer defined benefit plans must electronically file an annual report with the Auditor of Public Accounts and the Nebraska Public Employees Retirement Systems Committee on a

reporting form created by the Auditor. The Auditor of Public Accounts is required to post the annual reports on its website.

LB 219 - Hearing January 31, 2017

Proponents

Phyllis Chambers, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 219 As Introduced

LB 219 amends the definition of actuarial equivalent in each plan. Members hired or rehired prior to the effective dates will continue to have annuities calculated based on the 1994 mortality table. All plan members hired or rehired on or after the respective effective dates in each plan will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board. The new language will allow the mortality table to be updated as actuarially determined without requiring a change in statute.

The effective date for the Judges', State Patrol and School Employees Retirement Acts, is July 1, 2017, which is based on the plan year which is the fiscal year. The effective dates for the State and County Employees Retirement Acts defined contribution and cash balance plans is January 1, 2018, which is based on the plan year which is the calendar year.

As Amended by Committee Amendment 923

As amended by Committee AM 923, the annuity rate used to calculate a county or state employee cash balance annuity is the rate recommended by the actuary and approved by the Public Employees Retirement Board which may be, but is not required to be the assumed rate. This provision applies to all members regardless of the member's date of hire. A definition is added in each of the plans for hire date or date of hire. Minor changes recommended by the actuary are made to the description of the mortality tables in each of the plans.

LB 278 - Hearing February 3, 2017

Proponents

Orron Hill, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 278 As Introduced

The definition of disability in the County, State and School Employees Retirement Acts clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. These changes are made to ensure compliance with Internal Revenue Code requirements for qualified pension plans.

It adds a provision to the County and State plans, similar to the School plan, that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist which include hospice placement or similar placement for a terminal illness or injury. In the School plan the five-year window for school plan member to file for a work-related disability is eliminated. All disability applications must be filed within one year of termination of employment.

As Amended by Committee Amendment 923

Committee AM 923 deletes existing redundant language in the County, State and School plans. In the County, State and School plans, the Public Employees Retirement Board may, but is not required, to adopt rules and regulations regarding the disability changes.

LB 413 -- Hearing February 3, 2017

Proponents

Orron Hill, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 413 is a technical clean-up bill introduced at the request of the Public Employees Retirement Board. Members of the Judges and State Patrol plans will be able to file for retirement 120 days rather than 90 days in advance of qualifying for retirement. The 120 day timeframe is consistent with the length of time allowed in the School plan, which is the other defined benefit plan administered by the Public Employees Retirement Board.

In the Judges' plan it clarifies that the additional supplemental payment that the Public Employees Retirement Board may grant for Tier 2 Judges if the plan is 100% funded is in fact, a one-time supplemental payment and not a cost-of-living adjustment.

The definition of officer in the State Patrol plan is clarified to mirror how the plan is currently implemented. It does so by: (1) referring to the definition of law enforcement officer in section 81-1401, the definitional section of the Nebraska State Patrols enabling legislation; and (2) stating that a law enforcement officer who is granted a conditional appointment contingent upon completion of a training program approved by the Nebraska Police Standards Advisory Council is excluded from the definition.

It reaffirms that Trooper candidates are enrolled in the State Employees Retirement Plan while they attend their training program and transition to the Patrol Plan upon graduation because only sworn officers are eligible to be in the State Patrol Retirement Plan.

None of these technical changes will have an impact on plan eligibility, cost-of-living protocol implementation, retirement eligibility or the retirement benefits for members of either plan.

LB 532 -- Hearing February 13, 2017

Proponents

Jason Hayes, Nebraska State Education Association

Orron Hill, Public Employee Retirement Board & Nebraska Public Employee Retirement Systems

Opponents: None

Neutral: None

LB 532 As Introduced

Under the changes in LB 532 the state is liable for funding any obligation in the Judges', State Patrol and State Employees Retirement plans to provide benefits based on the period of military service provided by the returning member. The county in which the employee is employed, and the school district in which a school member is employed is responsible respectively, to provide funding for benefits based on the period of military service provided by the returning member.

The funding obligations in the Judges', State Patrol and School defined benefit plans begin on the operative date of the bill, and the obligations in the County and State Employees plans begins on January 1, 2018. Prior to January 1, 2018, the county or state is obligated only to match the amount of the contribution made by such county or state plan member for periods of military service provided by the employee.

In the County plan, the county is liable for funding the obligations to the plan during the period of military service.

In the Judges' plan, the Supreme Court is liable for funding the obligations to the plan during the period of military service.

In the School plan, the employer/school district is liable for funding the obligations to the plan during the period of military service.

In the State Patrol plan, the Nebraska State Patrol is liable for funding the obligations to the plan during the period of

military service.

In the State Employees plan, the agency re-employing the returning member is liable for funding the obligations to the plan during the period of military service.

The Public Employees Retirement Board may promulgate rules and regulations for all the plans to include, but not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniform Services Employment and Re-employment Rights Act (USERRA)

The liability for payment of contributions in all of the plans only applies to military service that falls within the definition of uniformed service under USERRA and does not include service provided pursuant to the Military Code.

As Amended by Committee Amendment 923

Committee AM 923 changes the timeframe in each of the plans for the respective employer/entity to comply with the funding obligation to the Nebraska Public Employees Retirement Systems and also clarifies what is not included in the funding obligation. If the payment is not made to Nebraska Public Employees Retirement Systems within 18 months of the date that the Public Employees Retirement Board notifies the appropriate employer/entity, then that employer/entity is also liable for payment of listed actuarial and interest costs.

The state court administrator, rather than the Supreme Court, is responsible for funding the obligation to the plan during a judge's period of military service.

It also clarifies that the employer/entity is not required to pay the member and employer contributions for military service provided under the state Military Code pursuant to sections 55-101 to 55-181.

Section-by-Section Summary of Committee Amendment 923

Section 1. [2-3228 [LB 110] Eliminates the requirement that the Nebraska Association of Resource Districts file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 1-3]

Section 2. [12-101] [LB 110] Eliminates the requirement that Wyuka Cemetery file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 3-6]

Section 3. [14-567] [LB 110] Eliminates the requirement that the Metropolitan Class Cities file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, metropolitan cities must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 6-9]

Section 4. [14-1805.01] [LB 110] Eliminates the requirement that the Metropolitan Transit Authority file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Metropolitan Transit Authority must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 9-11]

Section 5. [14-2111] [LB 110] Eliminates the requirement that Metropolitan Utility District file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Metropolitan Utility District must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 11-15]

Section 6. [15-1017] [LB 110] Eliminates the requirement that Primary Class Cities file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, primary class cities must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 15-18]

Section 7. [16-1017] [LB 110] Eliminates the requirement that First Class Cities with Police Officers that serve under the

Police Officer Retirement Plan, file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, First Class Cities with Police Officers that serve under the Police Officer Retirement Plan must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 18-21]

Section 8. [16-1037] [LB 110] Eliminates the requirement that First Class Cities with Firefighters that serve under the Firefighters Retirement Plan, file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, First Class Cities with Firefighters that serve under the Firefighters Retirement Plan must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 21-24]

Section 9. [19-3501] [LB 110] Eliminates the requirement that First Class Cities and Villages file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 24-26]

Section 10. [23-1118] [LB 110] Eliminates the requirement that counties with population over 150,000 file an annual report on its defined contribution retirement plan after December 31, 2017. [pages 26-30]  
County Employees Retirement Act

Section 11. [23-2301] Definitions [pages 30-37]

[LB 219] Amends the definition of actuarial equivalent. Under the amended definition, county plan members hired prior to January 1, 2018 will continue to have annuities calculated based on the 1994 mortality table. Members hired or re-hired on or after January 1, 2018 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 278] Amends the definition of disability to mean an inability to engage in any substantially gainful activity due to 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

[LB 219] Adds new definition for hire date or date of hire.

Section 12. [23-2308.01] Internal reference change. [pages 37-39]

Section 13. [23-2315.01] [LB 278] Clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. It adds a provision that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist, which include hospice placement or similar placement for a terminal illness or injury. [pages 39-40]

Section 14. [23-2317] [LB 219] The annuity rate used to calculate the county employee cash balance annuity is the rate recommended by the actuary and approved by the Public Employees Retirement Board which may be, but is not required to be the assumed rate. This provision applies to all members regardless of the member's date of hire. [pages 40-45]

Section 15. [23-2323.01] [LB 532] For military service rendered after December 12, 1994 and prior to January 1, 2018, the employer will match contributions made by county members to make up contributions that would have been made during the period of military service.

For military service rendered on or after January 1, 2018, the county is liable for funding any obligation of the plan to provide benefits based on the period of military service. The county is responsible for payment of both employer and employee contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the board notifies the county, then such county is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181.

[LB 32] Eliminates the Public Employees Retirement Board's obligation to provide education to County members regarding the tax consequences of retirement options. [pages 45-58]

Section 16. [23-2334] [LB 32] Grants counties the authority to issue prior service annuity payments either monthly, quarterly, semi-annually or annually and removes the annual payment formula if the month payment is under \$10. [page 48]

Section 17. [23-3526] [LB 110] Eliminates the requirement that county medical and multiunit facilities file an annual report on the county medical or multiunit facility's defined contribution retirement plan after December 31, 2017. [pages 48-50]

#### Judges' Retirement Act

Section 18. [24-701] Definitions. [pages 50-57]

[LB 219] Amends the definition of actuarial equivalent. Judges hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. Judges hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 219] Adds new definition for hire date or date of hire.

Section 19. [24-708] [LB 413] Extends the period from 90 to 120 days for a judge to file for retirement in advance of qualifying for retirement. [page 57-59]

Section 20. [24-710.04] [LB 532] The language is amended to clarify that the state court administration is liable for funding any obligation of the plan to provide benefits based on the period of military service. The state court administrator is responsible for payment of the judge's contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the board notifies the state court administrator, then the state court administrator is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181. [pages 59-60]

Section 21. [24-710.15] [LB 413] Clarifies that the additional payment the Public Employees Retirement Board may authorize for Tier 2 Judges if the plan is over 100% funded, is in fact a one-time payment and is not a cost-of-living-adjustment. The current language refers to it as a one-time adjustment rather than a one-time payment. [pages 60-61]

Section 22. [71-16.31.02] [LB 110] Eliminates the requirement that Local Boards of Health file an annual report after December 31, 2017 if it offers a defined contribution plan. Beginning December 31, 2018, the Local Boards of Health must electronically file an annual report on its defined benefit plan, with the State Auditor and Nebraska Retirement Systems Committee. The annual report form will be created by the State Auditor. [pages 61-64]



## School Employees Retirement Act

### Section 23. [79-902] Definitions. [pages 64-75]

[LB 219] Amends the definition of actuarial equivalent. School employees hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. School employees hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary & approved by Public Employees Retirement Board.

[LB 31] Amends the definition of creditable service in the School Employees Retirement Act. Creditable service for employees hired prior to July 1, 2018 will continue to include leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

For employees hired on or after July 1, 2018, types of leave that qualify for creditable service are specified in statute and include: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer.

[LB 278] Amends the definition of disability in the School Employees Retirement Act to clarify that disability is the inability to engage in any substantially gainful activity. It also clarifies a disability must be initially diagnosed or become disabling while the member is an active participant in the plan and the disability is expected to be of a long-continued duration or result in death.

[LB 415] Inserts new definition for early retirement inducement.

[LB 219] Adds new definition for hire date or date of hire.

[LB 415] Inserts new definition for service in any capacity.

[LB 415] Amends the definition of termination to clarify that termination does not occur: (1) if the member enters into an employee-employer relationship in any capacity with the same employer or another school district and there are less than 180 days between the time the employment ceased and the new employment began; or (2) if the employee provides service to any employer participating in the Class V Schools plan and there are less than 180 days between ceasing and beginning employment; or (3) if the member accepted an early retirement inducement and within 36 months subsequently provides service in any capacity to an employer participating in the Class V School plan.

The intermittent substitute or voluntary service exemptions are eliminated from the 180-day break in service period. Service provided to the Nebraska Department of Education pursuant to 79-920 still is allowed during the 180-day period.

### Section 24. [79-904.01] [LB 415] Changes internal reference. [pages 75-77]

Section 25. [79-921] [LB 415] Adds a duty for the employer and the member to certify in writing under penalty of prosecution, whether or not the member was offered and received an early retirement inducement, and to certify in writing that prior to the member's retirement there was no prearranged agreement to provide service in any capacity. It also requires the member to certify that there was no prearranged agreement to work for any other employer or for the Class V School Retirement System.

The Public Employees Retirement is granted authority to adopt rules and regulations to prescribe forms and ensure full disclosure and reporting in order to minimize fraud and abuse

Section 26. [79-926] [LB 532] The language is amended to clarify that the employer is liable for funding any obligation of the plan to provide benefits based on the period of military service. The employer is responsible for payment of both employer and member contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the board notifies the employer, then the employer is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provided pursuant to sections 55-101 to 55-181. [pages 77-82]

Section 27. [79-931] [LB 415] Creates a new Rule of 85 in the School Plan for a member hired or re-hired on or after July 1, 2018, or a member who has taken a retirement or refund that relinquished all prior service credit and who has not repaid the full amount of the refund pursuant to section 79-921. In order to receive an unreduced benefit, a member must be at least 60 years of age and the sum of the member's age and years of service must total 85, or the member must be at least 65 years of age with at least 5 years of service. [pages 82-83]

Section 28. [79-933.08] [LB 31] Only the member may purchase creditable service; the employer no longer has the authority to purchase creditable service. [pages 83-84]

Section 29. [79-934] [LB 415] A member hired on or after July 1, 2016 and prior to July 1, 2018, or a member who has taken a retirement or refund that relinquished all prior service credit and who has not repaid the full amount of the refund pursuant to section 79-921 and is rehired or hired by any employer covered by the retirement system on or after July 1, 2016 and prior to July 1, 2018, will not receive a reduced annuity if the annuity begins at a time when the sum of the member's attained age and creditable service totals 85 and the member is at least 55 years of age.

A member who hired on or after July 1, 2018, or a member who has taken a retirement or refund that relinquished all prior service credit and who has not repaid the full amount of the refund pursuant to section 79-921 and is rehired or hired by any employer covered by the retirement system on or after July 1, 2018, must have attained the age and creditable service that totals 85 and the member must be at least 60 years of age in order to receive an unreduced retirement benefit.

If the annuity begins on after the member's 60th birthday and the member has completed at least 5 years of creditable service, but has not yet qualified for an unreduced annuity, the annuity is reduced by 3% for each year after the member's 60th birthday and prior to his or her 65th birthday. [pages 84-90]

Section 30. [79-951] [LB 278] Strikes the current statutory language regarding disability and replaces it with the same reorganized provisions and clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. These changes are made to ensure compliance with Internal Revenue Code requirements for qualified pension plans. Eliminates the 5-year period for a terminated member to apply for a work-related disability - all disability applications must be filed within one year of termination. The Public Employees Retirement Board is authorized to promulgate rules and regulations to carry out these provisions. [pages 90-91]

Section 31. [79-954] [LB 278] Removes redundant language [pages 91-92]

Section 32. [79-958] [LB 31] Strikes the reference to section 79-933.08 from the statutes cited regarding employer purchase of creditable service. [pages 92-93]

#### Class V School Employees Retirement Act

Section 33. [79-978] Definitions. [pages 93-100]

[LB 31] Amends the definition of creditable service in the Class V School Employees Retirement Act. Creditable service for employees hired prior to July 1, 2018 will continue to include leave days for which the employee is paid regular wages as part of the employee's agreement with the employer.

For employees hired on or after July 1, 2018, types of leave that qualify for creditable service are specified in statute and include: working days, used accrued sick days, used accrued vacation days, federal and state holidays and jury duty leave for which the member is paid full compensation by the employer.

[LB 415] Inserts new definition for early retirement inducement.

[LB 415] Inserts new definition for employer.

[LB 415] Adds new definition for hire date or date of hire.

[LB 415] Inserts new definition for service in any capacity.

[LB 415] Inserts new definition for substitute employee.

[LB 415] Inserts new definition for temporary employee.

[LB 415] Inserts a definition for termination to clarify that termination does not occur: (1) if the member enters into an employee-employer relationship in any capacity with the same employer and there are less than 180 days between the time the employment ceased and the new employment began; or (2) if the employee provides service to an employer participating in the School Employees Retirement Act and there are less than 180 days between ceasing and beginning employment; or (3) if the member accepted a retirement incentive and within 36 months subsequently provides service in any capacity to an employer participating in the Class V or School Employees Retirement Act.

Section 34. [79-978.01] [LB 415] Adds references to new sections. [page 100]

Section 35. [79-987] [LB 110] Beginning May 1, 2018 the Class V School Employees Retirement System shall file an annual report on its defined benefit plan with the State Auditor and Nebraska Retirement Systems Committee. [pages 100-101]

Section 36. [79-992] [LB 415] Strikes the term severance and inserts the newly defined term termination; includes an internal reference to new section. [pages 101-104]

Section 37. NEW SECTION [LB 415] Creates a duty for the employer and the member to certify under penalty of prosecution, whether or not the member was offered and received an early retirement inducement, and to certify that prior to the members retirement there was no prearranged agreement to provide service in any capacity. It also requires the member to certify that there was no prearranged agreement to work for any other employer or for the School Employees Retirement System.

The Board of Trustees is granted authority to adopt rules and regulations to ensure prescribe forms and full disclosure and reporting in order to minimize fraud and abuse. [page 104]

Section 38. NEW SECTION [LB 415] Adds penalty section that tracks the penalty section in the School Employees Retirement Act regarding false or fraudulent claim or benefit application. Class II misdemeanor (6 months, \$1000, or both; minimum none) Also creates penalty for employer refusal to furnish information and establishes Class V misdemeanor penalty (no imprisonment, \$100 fine - minimum none). [page 105]

Section 39. [79-9,100.01] [LB 415] In the Class V School Employees Retirement Plan, for employees hired on or after July 1, 2018, the Rule of 85 will apply which includes a minimum retirement age of 60 in order to receive an unreduced benefit. [pages 105-106]

Section 40. [79-9,105] [LB 415] Amends the disability section to reflect the new Rule of 85 for employees hired on and after July 1, 2018 as it relates to retirement annuity for a disabled member. [pages 106-109]  
Nebraska State Patrol Retirement Act

Section 41. [81-2014] Definition changes. [pages 109-114]

[LB 219] Amends the definition of actuarial equivalent Patrol officers hired prior to July 1, 2017 will continue to have annuities calculated based on the 1994 mortality table. Patrol officers hired or re-hired on or after July 1, 2017 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board. [LB 219] Adds new definition for date of hire

[LB 413] The definition of officer is clarified to mirror how the plan is currently implemented. It does so by: (1) referring to the definition of law enforcement officer in section 81-1401, the definitional section of the Nebraska State Patrol's enabling legislation; and (2) stating that a law enforcement officer who is granted a conditional appointment contingent upon completion of a training program approved by the Nebraska Police Standards Advisory Council is excluded from the definition.

It reaffirms that Trooper candidates are enrolled in the State Employees Retirement Plan while they attend their training program and transition to the Patrol Plan upon graduation because only sworn officers are eligible to be in the State Patrol Retirement Plan.

Section 42. [81-2025] [LB 413] Extends the period from 90 to 120 days for an officer to file for retirement prior to qualifying for retirement. [pages 114-115]

Section 43. [81-2034] [LB 532] The language is amended to clarify that the state is liable for funding any obligation of the plan to provide benefits based on the period of military service. The Nebraska State Patrol is responsible for payment of both employer and officer contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the board notifies the Nebraska State Patrol, then the Nebraska State Patrol is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provided pursuant to sections 55-101 to 55-181. [pages 115-117]

#### State Auditor

Section 44. [84-304] [LB 110] Through December 31, 2017, the Auditor may conduct audits on the reports filed by the Nebraska Association of Resource Districts, the Wyuka Cemetery, First Class Cities and Villages, counties with population over 150,000, and county medical and multi-unit facilities. Beginning on the effective date of the act, the Auditor is directed to prescribe the form for annual filing of the defined benefit plans by Metropolitan Class cities, Metro Area Transit, Metropolitan Utility District, First Class Police and Firefighters, Local Boards of Health and Class V School Employees and to post the annual reports on the Auditor website. [pages 117-122]

Section 45. [84-304.02] [LB 110] The Auditor may review the reports of any of the political subdivision entities that file annual reports with the Auditor. [page 122]

#### State Employees Retirement Act

Section 46. [84-1301] Definition changes and additions. [pages 122-130]

[LB 219] Amends the definition of actuarial equivalent. State plan members hired prior to January 1, 2018 will continue to have annuities calculated based on the 1994 mortality table. Members hired or re-hired on or after January 1, 2018 or those who retire or take a refund, will have annuities calculated using the mortality table recommended by the actuary and approved by the Public Employees Retirement Board.

[LB 278] Amends the definition of disability in the State Employees Retirement Act to clarify that disability is the inability to engage in any substantially gainful activity. It also clarifies a disability must be initially diagnosed or become disabling while the member is an active participant in the plan and the disability is expected to be of a long-continued duration or result in death.

[LB 219] Adds new definition for hire date or date of hire.

Section 47. [84-1319] [LB 219] The annuity rate used to calculate the state employee cash balance annuity is the rate recommended by the actuary and approved by the Public Employees Retirement Board which may be, but is not required to be, the assumed rate. This provision applies to all members regardless of the member's date of hire.

[LB 32] Eliminates the Public Employees Retirement Board's obligation to provide education to State members regarding the tax consequences of retirement options. [pages 130-135]

Section 48. [84-1323.01] [LB 278] Clarifies that disability is the inability to engage in any substantially gainful activity due to a medically determinable physical or mental impairment and the disability must be expected to result in death or to be of a long-continued duration. It also clarifies that a medical condition may be qualifying if it is either initially diagnosed or becomes disabling while the member is an active participant in the plan. It adds a provision that the medical examination may be waived if the Public Employees Retirement Board determines that extraordinary circumstances exist, which include hospice placement or similar placement for a terminal illness or injury. [pages 135-136]

Section 49. [84-1325] [LB 532] For military service rendered after December 12, 1994 and prior to January 1, 2018, the employer will match contributions made by state members to make up contributions that would have been made during the period of military service.

For military service rendered on or after January 1, 2018, the state is liable for funding any obligation of the plan to provide benefits based on the period of military service. The agency employing the employee is responsible for payment of both employer and employee contributions that would have been paid during the period of military service. If the payment is not made within 18 months of the date the board notifies the agency employing the employee, then such agency is also liable for payment of listed actuarial and interest costs.

The Public Employees Retirement Board may promulgate rules and regulations to include, but are not limited to: (1) employee and employer notification regarding military service; (2) determination of compensation on which contributions are made; (3) acceptable methods of payments; and (4) documentation necessary to verify re-employment under the Uniformed Services Employment and Reemployment Rights Act (USERRA).

These requirements only apply to military service that falls within the definition of uniformed service under USERRA and does not include service provide pursuant to sections 55-101 to 55-181. [pages 136-138]

Public Employees Retirement Board

Section 50. [84-1503] [LB 110] The Public Employees Retirement Board is no longer required to prescribe and furnish forms for the annual reports after December 31, 2017. [pages 138-145]

Section 51. Operative dates.

Section 52. Repealer

Section 53. Repealer

Section 54. Outright repealed

Section 55. Emergency Clause.

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**Explanation of amendments:**

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Mark Kolterman, Chairperson