

AMENDMENTS TO LB467

Introduced by Nebraska Retirement Systems.

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

3           Section 1. Section 81-2014, Reissue Revised Statutes of Nebraska, is  
4 amended to read:

5           81-2014 For purposes of the Nebraska State Patrol Retirement Act:

6           (1) Actuarial equivalent means the equality in value of the  
7 aggregate amounts expected to be received under different forms of  
8 payment or to be received at an earlier retirement age than the normal  
9 retirement age. The determinations shall be based on the 1994 Group  
10 Annuity Mortality Table reflecting sex-distinct factors blended using  
11 seventy-five percent of the male table and twenty-five percent of the  
12 female table. An interest rate of eight percent per annum shall be  
13 reflected in making the determinations until such percent is amended by  
14 the Legislature;

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

16           (3)(a)(i) Compensation means gross wages or salaries payable to the  
17 member for personal services performed during the plan year. Compensation  
18 does not include insurance premiums converted into cash payments,  
19 reimbursement for expenses incurred, fringe benefits, per diems, or  
20 bonuses for services not actually rendered, including, but not limited  
21 to, early retirement inducements, cash awards, and severance pay, except  
22 for retroactive salary payments paid pursuant to court order,  
23 arbitration, or litigation and grievance settlements. ~~For any officer~~  
24 ~~employed after January 4, 1979, compensation does not include~~  
25 ~~compensation for unused sick leave or unused vacation leave converted to~~  
26 ~~cash payments.~~ Compensation includes overtime pay, member retirement  
27 contributions, and amounts contributed by the member to plans under

1 sections 125 and 457 of the Internal Revenue Code as defined in section  
2 49-801.01 or any other section of the code which defers or excludes such  
3 amounts from income.

4 (ii) For any officer employed on or prior to January 4, 1979,  
5 compensation includes compensation for unused sick leave or unused  
6 vacation leave converted to cash payments.

7 (iii) For any officer employed after January 4, 1979, and prior to  
8 July 1, 2016, compensation does not include compensation for unused sick  
9 leave or unused vacation leave converted to cash payments and includes  
10 compensation for unused holiday compensatory time and unused compensatory  
11 time converted to cash payments.

12 (iv) For any officer employed on or after July 1, 2016, compensation  
13 does not include compensation for unused sick leave, unused vacation  
14 leave, unused holiday compensatory time, unused compensatory time, or any  
15 other type of unused leave, compensatory time, or similar benefits,  
16 converted to cash payments.

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

24 (4) Creditable service means service granted pursuant to section  
25 81-2034 and all service rendered while a contributing member of the  
26 retirement system. Creditable service includes working days, sick days,  
27 vacation days, holidays, and any other leave days for which the officer  
28 is paid regular wages except as specifically provided in the Nebraska  
29 State Patrol Retirement Act. Creditable service does not include  
30 eligibility and vesting credit nor service years for which member  
31 contributions are withdrawn and not repaid;

1 (5) Current benefit means the initial benefit increased by all  
2 adjustments made pursuant to the Nebraska State Patrol Retirement Act;

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

5 (7) DROP account means an individual DROP participant's defined  
6 contribution account under section 414(k) of the Internal Revenue Code;

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

10 (9) Eligibility and vesting credit means credit for years, or a  
11 fraction of a year, of participation in a Nebraska government plan for  
12 purposes of determining eligibility for benefits under the Nebraska State  
13 Patrol Retirement Act. Such credit shall be used toward the vesting  
14 percentage pursuant to subsection (2) of section 81-2031 but shall not be  
15 included as years of service in the benefit calculation;

16 (10) Initial benefit means the retirement benefit calculated at the  
17 time of retirement;

18 (11) Officer means an officer provided for in sections 81-2001 to  
19 81-2009;

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

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

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

30 (15) Retirement date means (a) the first day of the month following  
31 the date upon which a member's request for retirement is received on a

1 retirement application if the member is eligible for retirement and has  
2 terminated employment or (b) the first day of the month following  
3 termination of employment if the member is eligible for retirement and  
4 has filed an application but has not yet terminated employment;

5 (16) Retirement system or system means the Nebraska State Patrol  
6 Retirement System as provided in the act;

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

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

28 (19) Termination of employment occurs on the date on which the  
29 Nebraska State Patrol determines that the officer's employer-employee  
30 relationship with the patrol is dissolved. The Nebraska State Patrol  
31 shall notify the board of the date on which such a termination has

1 occurred. Termination of employment does not include ceasing employment  
2 with the Nebraska State Patrol if the officer returns to regular  
3 employment with the Nebraska State Patrol or another agency of the State  
4 of Nebraska and there are less than one hundred twenty days between the  
5 date when the employee's employer-employee relationship ceased and the  
6 date when the employer-employee relationship commenced with the Nebraska  
7 State Patrol or another state agency. Termination of employment does not  
8 occur upon an officer's participation in DROP pursuant to section  
9 81-2041. It is the responsibility of the employer that is involved in the  
10 termination of employment to notify the board of such change in  
11 employment and provide the board with such information as the board deems  
12 necessary. If the board determines that termination of employment has not  
13 occurred and a retirement benefit has been paid to a member of the  
14 retirement system pursuant to section 81-2026, the board shall require  
15 the member who has received such benefit to repay the benefit to the  
16 retirement system.

17 Sec. 2. Section 81-2014.01, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

19 81-2014.01 Sections 81-2014 to 81-2041 and sections 6 and 7 of this  
20 act shall be known and may be cited as the Nebraska State Patrol  
21 Retirement Act.

22 Sec. 3. Section 81-2017, Reissue Revised Statutes of Nebraska, is  
23 amended to read:

24 81-2017 (1) Commencing July 1, 2010, and until July 1, 2011, each  
25 officer while in the service of the Nebraska State Patrol shall pay or  
26 have paid on his or her behalf a sum equal to sixteen percent of his or  
27 her monthly compensation. Commencing July 1, 2011, and until July 1,  
28 2013, each officer while in the service of the Nebraska State Patrol  
29 shall pay or have paid on his or her behalf a sum equal to nineteen  
30 percent of his or her monthly compensation. Commencing July 1, 2013, each  
31 officer who commenced service prior to July 1, 2016, while in the service

1 of the Nebraska State Patrol shall pay or have paid on his or her behalf  
2 a sum equal to sixteen percent of his or her monthly compensation. Each  
3 officer who commenced service on or after July 1, 2016, while in the  
4 service of the Nebraska State Patrol shall pay or have paid on his or her  
5 behalf a sum equal to seventeen percent of his or her monthly  
6 compensation. Such amounts shall be deducted monthly by the Director of  
7 Administrative Services who shall draw a warrant monthly in the amount of  
8 the total deductions from the compensation of members of the Nebraska  
9 State Patrol in accordance with subsection (4) of this section, and the  
10 State Treasurer shall credit the amount of such warrant to the State  
11 Patrol Retirement Fund. The director shall cause a detailed report of all  
12 monthly deductions to be made each month to the board.

13 (2) In addition, commencing July 1, 2010, and until July 1, 2011,  
14 there shall be assessed against the appropriation of the Nebraska State  
15 Patrol a sum equal to the amount of sixteen percent of each officer's  
16 monthly compensation which shall be credited to the State Patrol  
17 Retirement Fund. Commencing July 1, 2011, and until July 1, 2013, there  
18 shall be assessed against the appropriation of the Nebraska State Patrol  
19 a sum equal to the amount of nineteen percent of each officer's monthly  
20 compensation which shall be credited to the State Patrol Retirement Fund.  
21 Commencing July 1, 2013, for each officer who commenced service prior to  
22 July 1, 2016, there shall be assessed against the appropriation of the  
23 Nebraska State Patrol a sum equal to the amount of sixteen percent of  
24 each officer's monthly compensation which shall be credited to the State  
25 Patrol Retirement Fund. Commencing July 1, 2016, for each officer who  
26 commenced service on or after July 1, 2016, there shall be assessed  
27 against the appropriation of the Nebraska State Patrol a sum equal to the  
28 amount of seventeen percent of each officer's monthly compensation which  
29 shall be credited to the State Patrol Retirement Fund. This assessment  
30 constitutes an employer match and shall be contingent upon the officer  
31 making his or her contributions to the retirement system.

1           (3) For the fiscal year beginning on July 1, 2002, and each fiscal  
2 year thereafter, the actuary for the board shall perform an actuarial  
3 valuation of the system using the entry age actuarial cost method. Under  
4 this method, the actuarially required funding rate is equal to the normal  
5 cost rate, plus the contribution rate necessary to amortize the unfunded  
6 actuarial accrued liability on a level percentage of salary basis. The  
7 normal cost under this method shall be determined for each individual  
8 member on a level percentage of salary basis. The normal cost amount is  
9 then summed for all members. Beginning July 1, 2006, any existing  
10 unfunded liabilities shall be reinitialized and amortized over a thirty-  
11 year period, and during each subsequent actuarial valuation, changes in  
12 the funded actuarial accrued liability due to changes in benefits,  
13 actuarial assumptions, the asset valuation method, or actuarial gains or  
14 losses shall be measured and amortized over a thirty-year period  
15 beginning on the valuation date of such change. If the unfunded actuarial  
16 accrued liability under the entry age actuarial cost method is zero or  
17 less than zero on an actuarial valuation date, then all prior unfunded  
18 actuarial accrued liabilities shall be considered fully funded and the  
19 unfunded actuarial accrued liability shall be reinitialized and amortized  
20 over a thirty-year period as of the actuarial valuation date. If the  
21 actuarially required contribution rate exceeds the rate of all  
22 contributions required pursuant to the Nebraska State Patrol Retirement  
23 Act, there shall be a supplemental appropriation sufficient to pay for  
24 the differences between the actuarially required contribution rate and  
25 the rate of all contributions required pursuant to the Nebraska State  
26 Patrol Retirement Act. Such valuation shall be on the basis of actuarial  
27 assumptions recommended by the actuary, approved by the board, and kept  
28 on file with the board.

29           (4) The state shall pick up the member contributions required by  
30 this section for all compensation paid on or after January 1, 1985, and  
31 the contributions so picked up shall be treated as employer contributions

1 pursuant to section 414(h)(2) of the Internal Revenue Code in determining  
2 federal tax treatment under the code and shall not be included as gross  
3 income of the member until such time as they are distributed or made  
4 available. The contributions, although designated as member  
5 contributions, shall be paid by the state in lieu of member  
6 contributions. The state shall pay these member contributions from the  
7 same source of funds which is used in paying earnings to the member. The  
8 state shall pick up these contributions by a compensation deduction  
9 through a reduction in the cash compensation of the member. Member  
10 contributions picked up shall be treated for all purposes of the Nebraska  
11 State Patrol Retirement Act in the same manner and to the extent as  
12 member contributions made prior to the date picked up.

13 Sec. 4. Section 81-2026, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

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

27 (b) For retirement pursuant to subsection (2) of section 81-2025 on  
28 or after the fiftieth birthday of the member but prior to the fifty-fifth  
29 birthday of the member who has been in the employ of the state for less  
30 than twenty-five years, as calculated in section 81-2033, the annuity  
31 which would apply if the member were age fifty-five at the date of

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

8 (c) For purposes of this computation: ~~τ~~

9 (i) For an officer who became a member prior to July 1, 2016, final  
10 average monthly compensation means shall mean the sum of the officer's  
11 total compensation during the three twelve-month periods of service as an  
12 officer in which compensation was the greatest divided by thirty-six and:

13 (A) For ~~τ~~ and for any officer employed on or before January 4, 1979,  
14 the officer's total compensation includes shall include payments received  
15 for unused vacation and sick leave accumulated during the final three  
16 years of service; or ~~τ~~

17 (B) For any officer employed after January 4, 1979, and prior to  
18 July 1, 2016, the officer's total compensation includes payments received  
19 for unused holiday compensatory time and unused compensatory time; and

20 (ii) For an officer who became a member on or after July 1, 2016,  
21 final average monthly compensation means the sum of the officer's total  
22 compensation during the five twelve-month periods of service as an  
23 officer in which compensation was the greatest divided by sixty and does  
24 not include payments received for unused sick leave, unused vacation  
25 leave, unused holiday compensatory time, unused compensatory time, or any  
26 other type of unused leave, compensatory time, or similar benefits,  
27 converted to cash payments. The five twelve-month periods used for  
28 calculating an officer's final average monthly compensation ends with the  
29 month during which the officer's final compensation is paid. In the  
30 determination of compensation, that part of an officer's compensation for  
31 the plan year which exceeds the officer's compensation for the preceding

1 plan year by more than eight percent during the capping period shall be  
2 excluded. Such officer's compensation for the first plan year of the  
3 capping period shall be compared to the officer's compensation received  
4 for the plan year immediately preceding the capping period. For purposes  
5 of this subdivision, capping period means the five plan years preceding  
6 the officer's retirement date. The board shall adopt and promulgate rules  
7 and regulations for the implementation of this section, including rules  
8 and regulations related to prorating, annualizing, or recalculating an  
9 officer's final average monthly compensation for each plan year in the  
10 capping period.

11 (2) Any officer qualified for an annuity as provided in section  
12 81-2025 for reasons of disability shall be entitled to receive a monthly  
13 annuity for the remainder of the period of disablement as provided in  
14 sections 81-2028 to 81-2030. The amount of the annuity shall be fifty  
15 percent of the officer's monthly compensation at the date of disablement  
16 if the officer has completed seventeen or fewer years of creditable  
17 service. If the officer has completed more than seventeen years of  
18 creditable service, the amount of the annuity shall be three percent of  
19 the final monthly compensation at the date of disablement multiplied by  
20 the total years of creditable service but not to exceed seventy-five  
21 percent of the final average monthly compensation as defined in  
22 subsection (1) of this section. The date of disablement shall be the date  
23 on which the benefits as provided in section 81-2028 have been exhausted.

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

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

31 (b) If there is a surviving spouse and the surviving spouse has in

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

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

27 (d) If there is no surviving spouse and a dependent child or  
28 children of the officer under nineteen years of age, the benefit shall be  
29 equal to seventy-five percent of the officer's annuity to the dependent  
30 children of the officer under nineteen years of age to be divided equally  
31 among such dependent children. At such time as any dependent child of the

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

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

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

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

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

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

30 (c) If there is a surviving spouse and the surviving spouse has in  
31 his or her care a dependent child or children of the officer under

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

17 (d) If there is no surviving spouse and a dependent child or  
18 children of the officer under nineteen years of age, the benefit shall be  
19 equal to seventy-five percent of the officer's annuity to the dependent  
20 children of the officer under nineteen years of age to be divided equally  
21 among such dependent children. At such time as any dependent child of the  
22 officer attains nineteen years of age, the benefit shall be divided  
23 equally among the remaining dependent children of the officer who have  
24 not yet attained nineteen years of age; and

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

28 (6) A lump-sum death benefit paid to the member's beneficiary, other  
29 than the member's estate, that is an eligible distribution may be  
30 distributed in the form of a direct transfer to a retirement plan  
31 eligible to receive such transfer under the provisions of the Internal

1 Revenue Code.

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

10 (8) Any changes made to this section by Laws 2004, LB 1097, shall  
11 apply only to retirements, disabilities, and deaths occurring on or after  
12 July 16, 2004.

13 Sec. 5. Section 81-2027.08, Reissue Revised Statutes of Nebraska, is  
14 amended to read:

15 81-2027.08 (1) Beginning July 1, 2011, and each July 1 thereafter,  
16 the board shall determine the number of retired members or beneficiaries  
17 described in subdivision (4)(b) of this section in the retirement system  
18 and an annual benefit adjustment shall be made by the board for each  
19 retired member or beneficiary under one of the cost-of-living adjustment  
20 calculation methods found in subsection (2), (3), or (4) of this section.  
21 Each retired member or beneficiary, if eligible, shall receive an annual  
22 benefit adjustment under the cost-of-living adjustment calculation method  
23 that provides the retired member or beneficiary the greatest annual  
24 benefit adjustment increase. No retired member or beneficiary shall  
25 receive an annual benefit adjustment under more than one of the cost-of-  
26 living adjustment calculation methods provided in this section.

27 (2) The current benefit paid to a retired member or beneficiary  
28 under this subsection shall be adjusted so that the purchasing power of  
29 the benefit being paid is not less than sixty percent of the purchasing  
30 power of the initial benefit. The purchasing power of the initial benefit  
31 in any year following the year in which the initial benefit commenced

1 shall be calculated by dividing the United States Department of Labor,  
2 Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners  
3 and Clerical Workers factor on June 30 of the current year by the  
4 Consumer Price Index for Urban Wage Earners and Clerical Workers factor  
5 on June 30 of the year in which the benefit commenced. The result shall  
6 be multiplied by the product that results when the amount of the initial  
7 benefit is multiplied by sixty percent. In any year in which applying the  
8 adjustment provided in subsection (3) of this section results in a  
9 benefit which would be less than sixty percent of the purchasing power of  
10 the initial benefit as calculated in this subsection, the adjustment  
11 shall instead be equal to the percentage change in the Consumer Price  
12 Index for Urban Wage Earners and Clerical Workers factor from the prior  
13 year to the current year.

14 (3) The current benefit paid to a retired member or beneficiary  
15 under this subsection shall be increased annually by the lesser of (a)  
16 the percentage change in the Consumer Price Index for Urban Wage Earners  
17 and Clerical Workers for the period between June 30 of the prior year to  
18 June 30 of the present year or (b) two and one-half percent.

19 (4)(a) The current benefit paid to a retired member or beneficiary  
20 under this subsection shall be calculated by multiplying the retired  
21 member's or beneficiary's total monthly benefit by the lesser of (i) the  
22 cumulative change in the Consumer Price Index for Urban Wage Earners and  
23 Clerical Workers from the last adjustment of the total monthly benefit of  
24 each retired member or beneficiary through June 30 of the year for which  
25 the annual benefit adjustment is being calculated or (ii) an amount equal  
26 to three percent per annum compounded for the period from the last  
27 adjustment of the total monthly benefit of each retired member or  
28 beneficiary through June 30 of the year for which the annual benefit  
29 adjustment is being calculated.

30 (b) In order for a retired member or beneficiary to receive the  
31 cost-of-living adjustment calculation method in this subsection, the

1 retired member or beneficiary shall be (i) a retired member or  
2 beneficiary who has been receiving a retirement benefit for at least five  
3 years if the member had at least twenty-five years of creditable service,  
4 (ii) a member who has been receiving a disability retirement benefit for  
5 at least five years pursuant to section 81-2025, or (iii) a beneficiary  
6 who has been receiving a death benefit pursuant to section 81-2026 for at  
7 least five years, if the member's or beneficiary's monthly accrual rate  
8 is less than or equal to the minimum accrual rate as determined by this  
9 subsection.

10 (c) The monthly accrual rate under this subsection is the retired  
11 member's or beneficiary's total monthly benefit divided by the number of  
12 years of creditable service earned by the retired or deceased member.

13 (d) The total monthly benefit under this subsection is the total  
14 benefit received by a retired member or beneficiary pursuant to the  
15 Nebraska State Patrol Retirement Act and previous adjustments made  
16 pursuant to this section or any other provision of the act that grants a  
17 benefit or cost-of-living increase, but the total monthly benefit shall  
18 not include sums received by an eligible retired member or eligible  
19 beneficiary from federal sources.

20 (e) Beginning July 1, 2010, the minimum accrual rate under this  
21 subsection was forty dollars and sixteen cents. Beginning July 1, 2011,  
22 the minimum accrual rate under this subsection was forty-one dollars and  
23 seventy-nine cents. Beginning July 1, 2012, the minimum accrual rate  
24 under this subsection was forty-two dollars and forty-five cents.  
25 Beginning July 1, 2013, the board shall annually adjust the minimum  
26 accrual rate to reflect the cumulative percentage change in the Consumer  
27 Price Index for Urban Wage Earners and Clerical Workers from the last  
28 adjustment of the minimum accrual rate.

29 (5) Beginning July 1, 2011, and each July 1 thereafter, each retired  
30 member or beneficiary shall receive the sum of the annual benefit  
31 adjustment and such retiree's total monthly benefit less withholding,

1 which sum shall be the retired member's or beneficiary's adjusted total  
2 monthly benefit. Each retired member or beneficiary shall receive the  
3 adjusted total monthly benefit until the expiration of the annuity option  
4 selected by the member or until the retired member or beneficiary again  
5 qualifies for the annual benefit adjustment, whichever occurs first.

6 (6) The annual benefit adjustment pursuant to this section shall not  
7 cause a current benefit to be reduced, and a retired member or  
8 beneficiary shall never receive less than the adjusted total monthly  
9 benefit until the annuity option selected by the member expires.

10 (7) The board shall adjust the annual benefit adjustment provided in  
11 this section so that the cost-of-living adjustment provided to the  
12 retired member or beneficiary at the time of the annual benefit  
13 adjustment does not exceed the change in the Consumer Price Index for  
14 Urban Wage Earners and Clerical Workers for the period between June 30 of  
15 the prior year to June 30 of the present year. If the consumer price  
16 index used in this section is discontinued or replaced, a substitute  
17 index published by the United States Department of Labor shall be  
18 selected by the board which shall be a reasonable representative  
19 measurement of the cost-of-living for retired employees.

20 (8) This section applies to an officer who became a member prior to  
21 July 1, 2016 ~~The state shall contribute to the State Patrol Retirement~~  
22 ~~Fund an annual level dollar payment certified by the board. For the~~  
23 ~~2011-12 fiscal year through the 2012-13 fiscal year, the annual level~~  
24 ~~dollar payment certified by the board shall equal 3.04888 percent of six~~  
25 ~~million eight hundred ninety-five thousand dollars.~~

26 Sec. 6. On July 1 of each year, for officers who became members on  
27 or after July 1, 2016:

28 (1) The board shall determine the number of retired members or  
29 beneficiaries of members in the retirement system who became members on  
30 or after July 1, 2016, and an annual benefit adjustment shall be made by  
31 the board for each such retired member or beneficiary. The benefit paid

1 to a retired member or beneficiary under this section shall be increased  
2 annually by the lesser of (a) the percentage change in the Consumer Price  
3 Index for Urban Wage Earners and Clerical Workers for the period between  
4 June 30 of the prior year to June 30 of the present year or (b) one  
5 percent. If the consumer price index used in this section is discontinued  
6 or replaced, a substitute index published by the United States Department  
7 of Labor shall be selected by the board which shall be a reasonable  
8 representative measurement of the cost-of-living for retired employees;

9 (2) Each retired member or beneficiary shall receive the sum of the  
10 annual benefit adjustment and such retired member's or beneficiary's  
11 total monthly benefit less withholding, which sum shall be the retired  
12 member's or beneficiary's adjusted total monthly benefit. Each such  
13 retired member or beneficiary shall receive the adjusted total monthly  
14 benefit until the expiration of the annuity option selected by the member  
15 or until the retired member or beneficiary again qualifies for the annual  
16 benefit adjustment, whichever occurs first; and

17 (3) The annual benefit adjustment pursuant to this section shall not  
18 cause a current benefit to be reduced, and a retired member or  
19 beneficiary shall never receive less than the adjusted total monthly  
20 benefit until the annuity option selected by the member expires.

21 Sec. 7. (1) Beginning July 1, 2016, for officers who became members  
22 on or after July 1, 2016, if the annual valuation made by the actuary, as  
23 approved by the board, indicates that the retirement system is fully  
24 funded and has sufficient actuarial surplus to provide for a  
25 supplemental, lump-sum cost-of-living payment, the board may, in its  
26 discretion, elect to pay up to a maximum one and one-half percent  
27 supplemental, lump-sum cost-of-living payment to each retired member or  
28 beneficiary based on the retired member's or beneficiary's total monthly  
29 benefit through June 30 of the year for which the supplemental, lump-sum  
30 cost-of-living payment is being calculated. The supplemental, lump-sum  
31 cost-of-living payment shall be paid within sixty days after the board's

1 decision. In no event shall the board declare a supplemental, lump-sum  
2 cost-of-living payment if such adjustment would cause the plan to be less  
3 than fully funded.

4 (2) For purposes of this section, fully funded means the unfunded  
5 actuarial accrued liability, based on the lesser of the actuarial value  
6 and the market value, under the entry age actuarial cost method, is less  
7 than zero on the most recent actuarial valuation date.

8 (3) Any decision or determination by the board to declare or not  
9 declare a cost-of-living payment or as to whether the annual valuation  
10 indicates a sufficient actuarial surplus to provide for a cost-of-living  
11 payment shall be made in the sole, absolute, and final discretion of the  
12 board and shall not be subject to challenge by any member or beneficiary.  
13 In no event shall the Legislature be constrained or limited in amending  
14 the system notwithstanding the effect of any such change upon the  
15 actuarial surplus of the system and the ability of the board to declare  
16 future cost-of-living payments.

17 Sec. 8. Section 81-2041, Reissue Revised Statutes of Nebraska, is  
18 amended to read:

19 81-2041 (1) Any officer who became a member prior to July 1, 2016,  
20 and member who meets the participation requirements of subsection (2) of  
21 this section may participate in DROP. DROP provides that subsequent to  
22 attaining normal age and service retirement eligibility, a member may  
23 voluntarily choose to participate in DROP upon its adoption which, for  
24 purposes of this section, shall be the earlier of September 1, 2008, or  
25 the first of the month following a favorable letter determination by the  
26 Internal Revenue Service. If the member chooses to participate in DROP,  
27 the member shall be deemed to have retired but shall not be deemed to be  
28 terminated, and the member may continue in active employment for up to a  
29 five-year period. During the DROP period, the member's retirement benefit  
30 payments shall be deposited into the DROP account for the benefit of the  
31 member until the member actually retires from active employment at or

1 before the expiration of the DROP period. Thereafter, future retirement  
2 benefit payments shall be made directly to the member, and the member  
3 shall have access to all funds in the DROP account designated for the  
4 benefit of the member. DROP funds shall be held and invested in a defined  
5 contribution account under section 414(k) of the Internal Revenue Code  
6 and shall meet the limitations in section 415 of the code.

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

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

15 (b) A member who elects to enter DROP shall be entitled to receive  
16 regular age and service retirement benefits in accordance with section  
17 81-2026. A member is entitled to remain in DROP for a maximum of five  
18 years subsequent to the date of the member's DROP election. A member may  
19 separate from service and thereby exit DROP at any time during the DROP  
20 period. On or before the completion of the DROP period, the member must  
21 separate from active employment and exit DROP. During the DROP period, a  
22 member's retirement benefit shall be payable to the DROP account vendor  
23 designated in the member's name. Amounts transferred or paid to a  
24 participating member's DROP account shall not constitute annual additions  
25 under section 415 of the Internal Revenue Code;

26 (c) A member electing to enter DROP shall choose an annuity payment  
27 option. After the option is chosen, the member shall not be entitled to  
28 any retirement benefit changes, for reasons including, but not limited  
29 to, wage increases, promotions, and demotions, except that the  
30 restriction on retirement benefit changes shall not apply in the event of  
31 duty-related death or duty-related disability. The benefit amount shall

1 be fixed as of the date of election and shall be payable as if the  
2 employee retired on that date and separated from active employment. Upon  
3 the death of a member during the DROP period, monthly benefits shall be  
4 provided as a percentage of the amount of the member's annuity as set  
5 forth in subsection (3) of section 81-2026 based upon the annuity benefit  
6 calculation made at commencement of the DROP period. In addition, the  
7 balance of the DROP account, if any, shall be provided to the beneficiary  
8 or beneficiaries of the member in accordance with subsection (6) of  
9 section 81-2026 or, if no beneficiary is provided, to the estate of the  
10 member. Upon the disability of a member during the DROP period, the  
11 member shall be deemed to have completed the DROP period, shall begin  
12 receiving the annuity benefit as calculated at the commencement of the  
13 DROP period, and shall be paid the balance of the DROP account, if any;

14 (d) No member shall be allowed to continue making the required  
15 contributions while the member is enrolled in DROP;

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

19 (f) The member shall be paid the balance of the DROP account upon  
20 the member's separation from active employment or at the expiration of  
21 the DROP period thereby ending the member's participation in DROP. If a  
22 member has not voluntarily separated from active employment on or before  
23 the completion of the DROP period, the member's retirement benefit shall  
24 be paid directly to the member thereby ending the member's active  
25 employment. The member's DROP account shall consist of accrued retirement  
26 benefits and interest on such benefits;

27 (g) Any member that is enrolled in DROP shall be responsible for  
28 directing the DROP account designated for the benefit of the member by  
29 investing the account in any DROP investment options. There shall be no  
30 guaranteed rate of investment return on DROP account assets. Any losses,  
31 charges, or expenses incurred by the participating DROP member in such

1 member's DROP account by virtue of the investment options selected by the  
2 participating DROP member shall not be made up by the retirement system  
3 but all of the same shall be borne by the participating DROP member. The  
4 retirement system, the state, the board, and the state investment officer  
5 shall not be responsible for any investment results under the DROP  
6 agreement. Transfers between investment options shall be in accordance  
7 with the rules and regulations of DROP. A DROP account shall be  
8 established for each participating DROP member. Such DROP account shall  
9 be adjusted no less frequently than annually for the member's retirement  
10 benefit distributions and net investment earnings and losses;

11 (h) If the DROP account is subject to administrative or other fees  
12 or charges, such fees or charges shall be charged to the participating  
13 DROP member's DROP account;~~and~~

14 (i) Cost-of-living adjustments or payments as provided for in  
15 section 81-2027.08 or sections 6 and 7 of this act shall not be applied  
16 to retirement benefits during the DROP period; and -

17 (j) Any officer who became a member on or after July 1, 2016, is  
18 specifically prohibited from participating in DROP.

19 Sec. 9. If any section in this act or any part of any section is  
20 declared invalid or unconstitutional, the declaration shall not affect  
21 the validity or constitutionality of the remaining portions.

22 Sec. 10. Original sections 81-2014, 81-2014.01, 81-2017, 81-2026,  
23 81-2027.08, and 81-2041, Reissue Revised Statutes of Nebraska, are  
24 repealed.

25 Sec. 11. Since an emergency exists, this act takes effect when  
26 passed and approved according to law.