

LEGISLATURE OF NEBRASKA
ONE HUNDRED FIFTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1005

FINAL READING

Introduced by Kolterman, 24.

Read first time January 16, 2018

Committee: Nebraska Retirement Systems

1 A BILL FOR AN ACT relating to government; to amend sections 23-2302,
2 23-2305, 23-2306.02, 23-2306.03, 23-2310.05, 23-2323.02, 23-2323.03,
3 23-3527, 24-704, 24-704.01, 24-710, 24-710.05, 24-710.06, 79-904,
4 79-905, 79-907, 79-915, 79-924, 79-933.01, 79-933.02, 79-933.03,
5 79-933.04, 79-933.07, 81-2019, 81-2031.03, 81-2031.04, 84-1305,
6 84-1310.01, 84-1311.03, 84-1312, 84-1313, 85-122, and 85-123.01,
7 Reissue Revised Statutes of Nebraska, sections 23-2305.01, 23-2306,
8 23-2309.01, 79-9,113, 81-2019.01, 81-2026, and 84-1305.02, Revised
9 Statutes Cumulative Supplement, 2016, and sections 23-2323.01,
10 79-902, 79-904.01, 79-926, 79-978, 79-1003, 79-1028.01, 81-2014,
11 84-1301, 84-1325, and 84-1503, Revised Statutes Supplement, 2017; to
12 change provisions relating to employer removal or withdrawal from
13 the Retirement System for Nebraska Counties or the School Employees
14 Retirement System of the State of Nebraska; to change provisions
15 relating to facility participation in a retirement system under the
16 County Employees Retirement Act; to provide authority relating to
17 the adoption of bylaws, prescription of forms, and adoption and
18 promulgation of rules and regulations by the Public Employees
19 Retirement Board to carry out state-administered retirement acts as
20 prescribed; to redefine actuarial equivalent in the School Employees
21 Retirement Act, the Nebraska State Patrol Retirement Act, and the
22 State Employees Retirement Act; to change calculation of retirement

1 benefits and required contributions under the Class V School
2 Employees Retirement Act; to redefine a term and change an exclusion
3 to levy limitations and budget limitations under the Tax Equity and
4 Educational Opportunities Support Act; to change provisions relating
5 to investment and management of the University Trust Fund; to
6 harmonize provisions; to provide operative dates; to provide
7 severability; to repeal the original sections; and to declare an
8 emergency.

9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 23-2302, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 23-2302 (1) A county employees retirement system shall be
4 established for the purpose of providing a retirement annuity or other
5 benefits for employees as provided by the County Employees Retirement
6 Act. It shall be known as the Retirement System for Nebraska Counties,
7 and by such name shall transact all business and hold all cash and other
8 property as provided in the County Employees Retirement Act.

9 (2) The retirement system shall not accept as contributions any
10 money from members or participating counties except the following:

11 (a) Mandatory contributions and fees established by sections 23-2307
12 and 23-2308;

13 (b) Payments on behalf of transferred employees made pursuant to
14 section 23-2306.02 or 23-2306.03;

15 (c) Money that is a repayment of refunded contributions made
16 pursuant to section 23-2320;

17 (d) Contributions for military service credit made pursuant to
18 section 23-2323.01;

19 (e) Actuarially required contributions pursuant to subdivision (4)
20 (b) of section 23-2317;

21 (f) Trustee-to-trustee transfers pursuant to section 23-2323.04;~~or~~

22 (g) Corrections ordered by the board pursuant to section 23-2305.01;

23 or -

24 (h) Payments made pursuant to subsection (4) of section 23-2306.

25 Sec. 2. Section 23-2305, Reissue Revised Statutes of Nebraska, is
26 amended to read:

27 23-2305 It shall be the duty of the board to administer the County
28 Employees Retirement Act as provided in section 84-1503. The board may
29 ~~shall~~ adopt and promulgate rules and regulations to carry out the act.

30 Sec. 3. Section 23-2305.01, Revised Statutes Cumulative Supplement,
31 2016, is amended to read:

1 23-2305.01 (1)(a) If the board determines that the retirement system
2 has previously received contributions or distributed benefits which for
3 any reason are not in accordance with the statutory provisions of the
4 County Employees Retirement Act, the board shall refund contributions,
5 require additional contributions, adjust benefits, credit dividend
6 amounts, or require repayment of benefits paid. In the event of an
7 overpayment of a benefit, the board may, in addition to other remedies,
8 offset future benefit payments by the amount of the prior overpayment,
9 together with regular interest or interest credits, whichever is
10 appropriate, thereon. In the event of an underpayment of a benefit, the
11 board shall immediately make payment equal to the deficit amount plus
12 regular interest or interest credits, whichever is appropriate.

13 (b) The board shall have the power, through the director of the
14 Nebraska Public Employees Retirement Systems or the director's designee,
15 to make a thorough investigation of any overpayment of a benefit, when in
16 the judgment of the retirement system such investigation is necessary,
17 including, but not limited to, circumstances in which benefit payments
18 are made after the death of a member or beneficiary and the retirement
19 system is not made aware of such member's or beneficiary's death. In
20 connection with any such investigation, the board, through the director
21 or the director's designee, shall have the power to compel the attendance
22 of witnesses and the production of books, papers, records, and documents,
23 whether in hardcopy, electronic form, or otherwise, and issue subpoenas
24 for such purposes. Such subpoenas shall be served in the same manner and
25 have the same effect as subpoenas from district courts.

26 (2) The board ~~may shall~~ adopt and promulgate rules and regulations
27 implementing this section, which ~~may shall~~ include, but not be limited
28 to, the following: (a) The procedures for refunding contributions,
29 adjusting future contributions or benefit payments, and requiring
30 additional contributions or repayment of benefits; (b) the process for a
31 member, member's beneficiary, employee, or employer to dispute an

1 adjustment of contributions or benefits; and (c) notice provided to all
2 affected persons. All notices shall be sent prior to an adjustment and
3 shall describe the process for disputing an adjustment of contributions
4 or benefits.

5 Sec. 4. Section 23-2306, Revised Statutes Cumulative Supplement,
6 2016, is amended to read:

7 23-2306 (1) The membership of the retirement system shall be
8 composed of all persons who are or were employed by member counties and
9 who maintain an account balance with the retirement system.

10 (2) The following employees of member counties are authorized to
11 participate in the retirement system: (a) All permanent full-time
12 employees shall begin participation in the retirement system upon
13 employment and full-time elected officials shall begin participation in
14 the retirement system upon taking office, (b) all permanent part-time
15 employees who have attained the age of eighteen years may exercise the
16 option to begin participation in the retirement system within the first
17 thirty days of employment, and (c) all part-time elected officials may
18 exercise the option to begin participation in the retirement system
19 within thirty days after taking office. An employee who exercises the
20 option to begin participation in the retirement system shall remain in
21 the system until termination or retirement, regardless of any change of
22 status as a permanent or temporary employee.

23 (3) On and after July 1, 2010, no employee of a member county shall
24 be authorized to participate in the retirement system provided for in the
25 County Employees Retirement Act unless the employee (a) is a United
26 States citizen or (b) is a qualified alien under the federal Immigration
27 and Nationality Act, 8 U.S.C. 1101 et seq., as such act existed on
28 January 1, 2009, and is lawfully present in the United States.

29 (4)(a) The (4) On and after July 1, 2013, the board may determine
30 that a governmental entity currently participating in the retirement
31 system no longer qualifies, in whole or in part, under section 414(d) of

1 the Internal Revenue Code as a participating employer in a governmental
2 plan. ~~Upon such determination, affected plan members shall be considered~~
3 ~~fully vested. The board shall notify such entity within ten days after~~
4 ~~making a determination. Within ninety days after the board's notice to~~
5 ~~such entity, affected plan members shall become inactive. The board may~~
6 ~~adopt and promulgate rules and regulations to carry out this subsection.~~

7 (b)(i) To aid governmental entities in their business decisionmaking
8 process, any governmental entity currently participating in the
9 retirement system contemplating a business transaction that may result in
10 such entity no longer qualifying, in whole or in part, under section
11 414(d) of the Internal Revenue Code may notify the board in writing as
12 soon as reasonably practicable, but no later than one hundred eighty days
13 before the transaction is to occur.

14 (ii) The board when timely notified shall, as soon as is reasonably
15 practicable, obtain from its contracted actuary the cost of any actuarial
16 study necessary to determine the potential funding obligation. The board
17 shall notify the entity of such cost.

18 (iii) If such entity pays the board's contracted actuary pursuant to
19 subdivision (4)(c)(vi) of this section for any actuarial study necessary
20 to determine the potential funding obligation, the board shall, as soon
21 as reasonably practicable following its receipt of the actuarial study,
22 (A) determine whether the entity's contemplated business transaction will
23 cause the entity to no longer qualify under section 414(d) of the
24 Internal Revenue Code, (B) determine whether the contemplated business
25 transaction constitutes a plan termination by the entity, (C) determine
26 the potential funding obligation, (D) determine the administrative costs
27 that will be incurred by the board or the Nebraska Public Employees
28 Retirement Systems in connection with the entity's removal from the
29 retirement system, and (E) notify the entity of such determinations.

30 (iv) Failure to timely notify the board pursuant to subdivision (4)
31 (b)(i) of this section may result in the entity being treated as though

1 the board made a decision pursuant to subdivision (4)(a) of this section.

2 (c) If the board makes a determination pursuant to subdivision (4)
3 (a) of this section, or if the entity engages in the contemplated
4 business transaction reviewed under subdivision (4)(b) of this section
5 that results in the entity no longer qualifying under section 414(d) of
6 the Internal Revenue Code:

7 (i) The board shall notify the entity that it no longer qualifies
8 under section 414(d) of the Internal Revenue Code within ten business
9 days after the determination;

10 (ii) The affected plan members shall be immediately considered fully
11 vested;

12 (iii) The affected plan members shall become inactive within ninety
13 days after the board's determination;

14 (iv) The entity shall pay to the County Employees Retirement Fund an
15 amount equal to any funding obligation;

16 (v) The entity shall pay to the County Employees Cash Balance
17 Retirement Expense Fund an amount equal to any administrative costs
18 incurred by the board or the Nebraska Public Employees Retirement Systems
19 in connection with the entity's removal from the retirement system; and

20 (vi) The entity shall pay directly to the board's contracted actuary
21 an amount equal to the cost of any actuarial study necessary to aid the
22 board in determining the amount of such funding obligation, if not
23 previously paid.

24 (d) For purposes of this subsection:

25 (i) Business transaction means a merger; consolidation; sale of
26 assets, equipment, or facilities; termination of a division, department,
27 section, or subgroup of the entity; or any other business transaction
28 that results in termination of some or all of the entity's workforce; and

29 (ii) Funding obligation means the financial liability of the
30 retirement system to provide benefits for the affected plan members
31 incurred by the retirement system due to the entity's business

1 transaction calculated using the methodology and assumptions recommended
2 by the board's contracted actuary and approved by the board. The
3 methodology and assumptions used must be structured in a way that ensures
4 the entity is financially liable for all the costs of the entity's
5 business transaction, and the retirement system is not financially liable
6 for any of the cost of the entity's business transaction.

7 (e) The board may adopt and promulgate rules and regulations to
8 carry out this subsection including, but not limited to, the methods of
9 notifying the board of pending business transactions, the acceptable
10 methods of payment, and the timing of such payment.

11 (5) Within the first one hundred eighty days of employment, a full-
12 time employee may apply to the board for vesting credit for years of
13 participation in another Nebraska governmental plan, as defined by
14 section 414(d) of the Internal Revenue Code. During the years of
15 participation in the other Nebraska governmental plan, the employee must
16 have been a full-time employee, as defined in the Nebraska governmental
17 plan in which the credit was earned. The board may adopt and promulgate
18 rules and regulations governing the assessment and granting of vesting
19 credit.

20 (6) Any employee who qualifies for membership in the retirement
21 system pursuant to this section may not be disqualified from membership
22 in the retirement system solely because such employee also maintains
23 separate employment which qualifies the employee for membership in
24 another public retirement system, nor may membership in this retirement
25 system disqualify such an employee from membership in another public
26 retirement system solely by reason of separate employment which qualifies
27 such employee for membership in this retirement system.

28 (7) A full-time or part-time employee of a city, village, or
29 township who becomes a county employee pursuant to a merger of services
30 shall receive vesting credit for his or her years of participation in a
31 Nebraska governmental plan, as defined by section 414(d) of the Internal

1 Revenue Code, of the city, village, or township.

2 (8) A full-time or part-time employee of a city, village, fire
3 protection district, or township who becomes a municipal county employee
4 shall receive credit for his or her years of employment with the city,
5 village, fire protection district, or township for purposes of the
6 vesting provisions of this section.

7 (9) A full-time or part-time employee of the state who becomes a
8 county employee pursuant to transfer of assessment function to a county
9 shall not be deemed to have experienced a termination of employment and
10 shall receive vesting credit for his or her years of participation in the
11 State Employees Retirement System of the State of Nebraska.

12 (10) Counties shall ensure that employees authorized to participate
13 in the retirement system pursuant to this section shall enroll and make
14 required contributions to the retirement system immediately upon becoming
15 an employee. Information necessary to determine membership in the
16 retirement system shall be provided by the employer.

17 Sec. 5. Section 23-2306.02, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 23-2306.02 Under such rules and regulations as the retirement board
20 ~~may adopt and promulgate~~ ~~adopts and promulgates~~, a full-time or part-time
21 employee of a city, village, or township who becomes a county employee
22 pursuant to a merger of services may pay to the retirement system an
23 amount equal to the sum of all deductions which were made from the
24 employee's compensation, plus earnings, during such period of employment
25 with the city, village, or township. Payment shall be made within five
26 years after the merger or prior to retirement, whichever comes first, and
27 may be made through direct payment, installment payments, or an
28 irrevocable payroll authorization.

29 Sec. 6. Section 23-2306.03, Reissue Revised Statutes of Nebraska, is
30 amended to read:

31 23-2306.03 Under such rules and regulations as the retirement board

1 ~~may adopt and promulgate~~ ~~adopts and promulgates~~, a full-time or part-time
2 employee of a city, village, fire protection district, or township who
3 becomes a municipal county employee shall transfer all of his or her
4 funds in the retirement system of the city, village, fire protection
5 district, or township by paying to the Retirement System for Nebraska
6 Counties from funds held by the retirement system of the city, village,
7 fire protection district, or township an amount equal to one of the
8 following: (1) If the retirement system of the city, village, fire
9 protection district, or township maintains a defined benefit plan, an
10 amount not to exceed the initial benefit transfer value as provided in
11 section 13-2401, leaving no funds attributable to the transferred
12 employee within the retirement system of the city, village, fire
13 protection district, or township; or (2) if the retirement system of the
14 city, village, fire protection district, or township maintains a defined
15 contribution plan, an amount not to exceed the employee and employer
16 accounts of the transferring employee plus earnings during the period of
17 employment with the city, village, fire protection district, or township.
18 The employee shall receive vesting credit for his or her years of service
19 in a governmental plan, as defined in section 414(d) of the Internal
20 Revenue Code, maintained by the city, village, fire protection district,
21 or township. Payment shall be made within five years after employment
22 begins with the receiving entity or prior to retirement, whichever comes
23 first, and may be made through direct payment, installment payments, or
24 an irrevocable payroll deduction authorization.

25 Sec. 7. Section 23-2309.01, Revised Statutes Cumulative Supplement,
26 2016, is amended to read:

27 23-2309.01 (1) Each member employed and participating in the
28 retirement system prior to January 1, 2003, who has elected not to
29 participate in the cash balance benefit, shall be allowed to allocate all
30 contributions to his or her employee account to various investment
31 options. The investment options shall include, but not be limited to, the

1 following:

2 (a) An investor select account which shall be invested under the
3 direction of the state investment officer with an asset allocation and
4 investment strategy substantially similar to the investment allocations
5 made by the state investment officer for the defined benefit plans under
6 the retirement systems described in subdivision (1)(a) of section
7 84-1503. Investments shall most likely include domestic and international
8 equities, fixed income investments, and real estate, as well as
9 potentially additional asset classes;

10 (b) A stable return account which shall be invested by or under the
11 direction of the state investment officer in a stable value strategy that
12 provides capital preservation and consistent, steady returns;

13 (c) An equities account which shall be invested by or under the
14 direction of the state investment officer in equities;

15 (d) A balanced account which shall be invested by or under the
16 direction of the state investment officer in equities and fixed income
17 instruments;

18 (e) An index fund account which shall be invested by or under the
19 direction of the state investment officer in a portfolio of common stocks
20 designed to closely duplicate the total return of the Standard and Poor's
21 division of The McGraw-Hill Companies, Inc., 500 Index;

22 (f) A fixed income account which shall be invested by or under the
23 direction of the state investment officer in fixed income instruments;

24 (g) A money market account which shall be invested by or under the
25 direction of the state investment officer in short-term fixed income
26 securities; and

27 (h) Beginning July 1, 2006, an age-based account which shall be
28 invested under the direction of the state investment officer with an
29 asset allocation and investment strategy that changes based upon the age
30 of the member. The board shall develop an account mechanism that changes
31 the investments as the employee nears retirement age. The asset

1 allocation and asset classes utilized in the investments shall move from
2 aggressive, to moderate, and then to conservative as retirement age
3 approaches.

4 If a member fails to select an option or combination of options, all
5 of his or her funds shall be placed in the option described in
6 subdivision (b) of this subsection. Each member shall be given a detailed
7 current description of each investment option prior to making or revising
8 his or her allocation.

9 (2) Members of the retirement system may allocate their
10 contributions to the investment options in percentage increments as set
11 by the board in any proportion, including full allocation to any one
12 option. A member under subdivision (1)(a) of section 23-2321 or his or
13 her beneficiary may transfer any portion of his or her funds among the
14 options, except for restrictions on transfers to or from the stable
15 return account pursuant to rule or regulation. The board ~~may shall~~ adopt
16 and promulgate rules and regulations for changes of a member's allocation
17 of contributions to his or her accounts after his or her most recent
18 allocation and for transfers from one investment account to another.

19 (3) The board shall develop a schedule for the allocation of
20 administrative costs of maintaining the various investment options and
21 shall assess the costs so that each member pays a reasonable fee as
22 determined by the board.

23 (4) In order to carry out this section, the board may enter into
24 administrative services agreements for accounting or record-keeping
25 services. No agreement shall be entered into unless the board determines
26 that it will result in administrative economy and will be in the best
27 interests of the county and its participating employees.

28 (5) The state, the board, the state investment officer, the members
29 of the Nebraska Investment Council, or the county shall not be liable for
30 any investment results resulting from the member's exercise of control
31 over the assets in the employee account.

1 Sec. 8. Section 23-2310.05, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 23-2310.05 (1) Each member employed and participating in the
4 retirement system prior to January 1, 2003, who has elected not to
5 participate in the cash balance benefit, shall be allowed to allocate all
6 contributions to his or her employer account to various investment
7 options. Such investment options shall be the same as the investment
8 options of the employee account as provided in subsection (1) of section
9 23-2309.01. If a member fails to select an option or combination of
10 options, all of his or her funds in the employer account shall be placed
11 in the balanced account option described in subdivision (1)(d) of section
12 23-2309.01. Each member shall be given a detailed current description of
13 each investment option prior to making or revising his or her allocation.

14 (2) Each member of the retirement system may allocate contributions
15 to his or her employer account to the investment options in percentage
16 increments as set by the board in any proportion, including full
17 allocation to any one option. A member under subdivision (1)(a) of
18 section 23-2321 or his or her beneficiary may transfer any portion of his
19 or her funds among the options. The board ~~may shall~~ adopt and promulgate
20 rules and regulations for changes of a member's allocation of
21 contributions to his or her accounts after his or her most recent
22 allocation and for transfers from one investment account to another.

23 (3) The board shall develop a schedule for the allocation of
24 administrative costs of maintaining the various investment options and
25 shall assess the costs so that each member pays a reasonable fee as
26 determined by the board.

27 (4) In order to carry out the provisions of this section, the board
28 may enter into administrative services agreements for accounting or
29 record-keeping services. No agreement shall be entered into unless the
30 board determines that it will result in administrative economy and will
31 be in the best interests of the state and participating employees.

1 (5) The state, the board, the state investment officer, the members
2 of the Nebraska Investment Council, or the county shall not be liable for
3 any investment results resulting from the member's exercise of control
4 over the assets in the employer account.

5 Sec. 9. Section 23-2323.01, Revised Statutes Supplement, 2017, is
6 amended to read:

7 23-2323.01 (1)(a) For military service beginning on or after
8 December 12, 1994, but before January 1, 2018, any employee who, while an
9 employee, entered into and served in the armed forces of the United
10 States and who within ninety days after honorable discharge or honorable
11 separation from active duty again became an employee shall be credited,
12 for the purposes of section 23-2315, with all the time actually served in
13 the armed forces as if such person had been an employee throughout such
14 service in the armed forces pursuant to the terms and conditions of
15 subdivision (b) of this subsection.

16 (b) Under such rules and regulations as the retirement board may
17 adopt and promulgate ~~adopts and promulgates~~, an employee who is
18 reemployed on or after December 12, 1994, pursuant to 38 U.S.C. 4301 et
19 seq., may pay to the retirement system an amount equal to the sum of all
20 deductions which would have been made from the employee's compensation
21 during such period of military service. Payment shall be made within the
22 period required by law, not to exceed five years. To the extent that
23 payment is made, (i) the employee shall be treated as not having incurred
24 a break in service by reason of the employee's period of military
25 service, (ii) the period of military service shall be credited for the
26 purposes of determining the nonforfeitability of the employee's accrued
27 benefits and the accrual of benefits under the plan, and (iii) the
28 employer shall allocate the amount of employer contributions to the
29 employee's employer account in the same manner and to the same extent the
30 allocation occurs for other employees during the period of service. For
31 purposes of employee and employer contributions under this section, the

1 employee's compensation during the period of military service shall be
2 the rate the employee would have received but for the military service
3 or, if not reasonably determinable, the average rate the employee
4 received during the twelve-month period immediately preceding military
5 service.

6 (c) The employer shall pick up the employee contributions made
7 through irrevocable payroll deduction authorizations pursuant to this
8 subsection, and the contributions so picked up shall be treated as
9 employer contributions in the same manner as contributions picked up
10 under section 23-2307.

11 (2)(a) For military service beginning on or after January 1, 2018,
12 any employee who is reemployed pursuant to 38 U.S.C. 4301 et seq., shall
13 be treated as not having incurred a break in service by reason of the
14 employee's period of military service. Such military service shall be
15 credited for purposes of determining the nonforfeitability of the
16 employee's accrued benefits and the accrual of benefits under the plan.

17 (b) The county employing the employee shall be liable for funding
18 any obligation of the plan to provide benefits based upon such period of
19 military service. To satisfy the liability, the county employing the
20 employee shall pay to the retirement system an amount equal to:

21 (i) The sum of the employee and employer contributions that would
22 have been paid during such period of military service; and

23 (ii) Any actuarial costs necessary to fund the obligation of the
24 plan to provide benefits based upon such period of military service. For
25 the purposes of determining the amount of such liability and obligation
26 of the plan, earnings and forfeitures, gains and losses, regular
27 interest, interest credits, or dividends that would have accrued on the
28 employee and employer contributions that are paid by the employer
29 pursuant to this section shall not be included.

30 (c) The amount required pursuant to subdivision (b) of this
31 subsection shall be paid to the retirement system as soon as reasonably

1 practicable following the date of reemployment but must be paid within
2 eighteen months of the date the board notifies the employer of the amount
3 due. If the employer fails to pay the required amount within such
4 eighteen-month period, then the employer is also responsible for any
5 actuarial costs and interest on actuarial costs that accrue from eighteen
6 months after the date the employer is notified by the board until the
7 date the amount is paid.

8 (d) The retirement board may adopt and promulgate rules and
9 regulations to carry out this subsection, including, but not limited to,
10 rules and regulations on:

11 (i) How and when the employee and employer must notify the
12 retirement system of a period of military service;

13 (ii) The acceptable methods of payment;

14 (iii) Determining the service and compensation upon which the
15 contributions must be made;

16 (iv) Accelerating the payment from the employer due to unforeseen
17 circumstances that occur before payment is made pursuant to this section,
18 including, but not limited to, the employee's termination or retirement
19 or the employer's reorganization, consolidation, merger, or closing; and

20 (v) The documentation required to substantiate that the employee was
21 reemployed pursuant to 38 U.S.C. 4301 et seq.

22 (3) This section only applies to military service that falls within
23 the definition of uniformed service under 38 U.S.C. 4301 et seq. Military
24 service does not include service provided pursuant to sections 55-101 to
25 55-181.

26 Sec. 10. Section 23-2323.02, Reissue Revised Statutes of Nebraska,
27 is amended to read:

28 23-2323.02 (1) For purposes of this section and section 23-2323.03:

29 (a) Direct rollover means a payment by the retirement system to the
30 eligible retirement plan or plans specified by the distributee

31 ~~Distributee means the member, the member's surviving spouse, or the~~

1 ~~member's former spouse who is an alternate payee under a qualified~~
2 ~~domestic relations order as defined in section 414(p) of the Internal~~
3 ~~Revenue Code;~~

4 (b) Distributee means the member, the member's surviving spouse, or
5 the member's former spouse who is an alternate payee under a qualified
6 domestic relations order as defined in section 414(p) of the Internal
7 Revenue Code ~~Direct rollover means a payment by the retirement system to~~
8 ~~the eligible retirement plan or plans specified by the distributee;~~

9 (c) Eligible retirement plan means (i) an individual retirement
10 account described in section 408(a) of the Internal Revenue Code, (ii) an
11 individual retirement annuity described in section 408(b) of the code,
12 except for an endowment contract, (iii) a qualified plan described in
13 section 401(a) of the code, (iv) an annuity plan described in section
14 403(a) or 403(b) of the code, (v) except for purposes of section
15 23-2323.03, an individual retirement plan described in section 408A of
16 the code, and (vi) a plan described in section 457(b) of the code and
17 maintained by a governmental employer. For eligible rollover
18 distributions to a surviving spouse, an eligible retirement plan means
19 subdivisions (1)(c)(i) through (vi) of this section; and

20 (d) Eligible rollover distribution means any distribution to a
21 distributee of all or any portion of the balance to the credit of the
22 distributee in the plan, except such term shall not include any
23 distribution which is one of a series of substantially equal periodic
24 payments, not less frequently than annually, made for the life of the
25 distributee or joint lives of the distributee and the distributee's
26 beneficiary or for the specified period of ten years or more and shall
27 not include any distribution to the extent such distribution is required
28 under section 401(a)(9) of the Internal Revenue Code.

29 (2) For distributions made to a distributee on or after January 1,
30 1993, a distributee may elect to have any portion of an eligible rollover
31 distribution paid directly to an eligible retirement plan specified by

1 the distributee.

2 (3) A member's surviving spouse or former spouse who is an alternate
3 payee under a qualified domestic relations order and, on or after January
4 1, 2010, any designated beneficiary of a member who is not a surviving
5 spouse or former spouse who is entitled to receive an eligible rollover
6 distribution from the retirement system may, in accordance with such
7 rules, regulations, and limitations as may be established by the board,
8 elect to have such distribution made in the form of a direct transfer to
9 a retirement plan eligible to receive such transfer under the provisions
10 of the Internal Revenue Code.

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

20 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
21 for direct rollover procedures which are consistent with section 401(a)
22 (31) of the Internal Revenue Code and which include, but are not limited
23 to, the form and time of direct rollover distributions.

24 Sec. 11. Section 23-2323.03, Reissue Revised Statutes of Nebraska,
25 is amended to read:

26 23-2323.03 (1) The retirement system may accept cash rollover
27 contributions from a member who is making payment pursuant to section
28 23-2306.02, 23-2306.03, 23-2320, or 23-2323.01 if the contributions do
29 not exceed the amount authorized to be paid by the member pursuant to
30 section 23-2306.02, 23-2306.03, 23-2320, or 23-2323.01, and the
31 contributions represent (a) all or any portion of the balance of the

1 member's interest in a qualified plan under section 401(a) of the
2 Internal Revenue Code or (b) the interest of the member from an
3 individual retirement account or an individual retirement annuity, the
4 entire amount of which is attributable to a qualified total distribution,
5 as defined in the Internal Revenue Code, from a qualified plan under
6 section 401(a) of the code and qualified as a tax-free rollover amount.
7 The member's interest under subdivision (a) or (b) of this subsection
8 must be transferred to the retirement system within sixty days from the
9 date of the distribution from the qualified plan, individual retirement
10 account, or individual retirement annuity.

11 (2) Cash transferred to the retirement system as a rollover
12 contribution shall be deposited as other payments made under section
13 23-2306.02, 23-2306.03, 23-2320, or 23-2323.01.

14 (3) Under the same conditions as provided in subsection (1) of this
15 section, the retirement system may accept eligible rollover distributions
16 from (a) an annuity contract described in section 403(b) of the Internal
17 Revenue Code, (b) a plan described in section 457(b) of the code which is
18 maintained by a state, a political subdivision of a state, or any agency
19 or instrumentality of a state or political subdivision of a state, or (c)
20 the portion of a distribution from an individual retirement account or
21 annuity described in section 408(a) or 408(b) of the code that is
22 eligible to be rolled over and would otherwise be includible in gross
23 income. Amounts accepted pursuant to this subsection shall be deposited
24 as all other payments under this section.

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

29 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
30 defining procedures for acceptance of rollovers which are consistent with
31 sections 401(a)(31) and 402 of the Internal Revenue Code.

1 Sec. 12. Section 23-3527, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 23-3527 A facility established under the provisions of section
4 23-3501, in a county eligible to participate in the County Employees
5 Retirement Act pursuant to Chapter 23, article 23, shall be given the
6 option to participate in the retirement system under such act so long as
7 the facility elects to participate within the later of one year from the
8 operative date of this section, or one year from the date the facility is
9 established. Failure to timely elect to participate in such retirement
10 system shall bar the facility from electing to participate in the future.

11 ~~(1) A facility established under the provisions of section 23-3501, in a~~
12 ~~county which is presently participating in a retirement system under the~~
13 ~~County Employees Retirement Act pursuant to Chapter 23, article 23, shall~~
14 ~~be given the option to continue participation under such act or to~~
15 ~~discontinue such participation.~~

16 ~~(2) A facility established under the provisions of section 23-3501,~~
17 ~~in a county which in the future shall elect to participate in a~~
18 ~~retirement system under the County Employees Retirement Act shall be~~
19 ~~given the option to participate in a retirement system pursuant to such~~
20 ~~act or to decline such participation.~~

21 Sec. 13. Section 24-704, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 24-704 (1) The general administration of the retirement system for
24 judges provided for in the Judges Retirement Act, except the investment
25 of funds, is hereby vested in the board. The Auditor of Public Accounts
26 shall make an annual audit of the retirement system and electronically
27 file an annual report of its condition with the Clerk of the Legislature.
28 Each member of the Legislature shall receive an electronic copy of the
29 annual report by making a request for such report to the Auditor of
30 Public Accounts. The board may ~~shall~~ adopt and promulgate rules and
31 regulations as may be necessary to carry out the Judges Retirement Act.

1 (2)(a) The board shall employ a director and such assistants and
2 employees as may be necessary to efficiently discharge the duties imposed
3 by the act. The director shall keep a record of all acts and proceedings
4 taken by the board.

5 (b) The director shall keep a complete record of all members with
6 respect to name, current address, age, contributions, length of service,
7 compensation, and any other facts as may be necessary in the
8 administration of the act. The information in the records shall be
9 provided by the State Court Administrator in an accurate and verifiable
10 form, as specified by the director. The director shall, from time to
11 time, carry out testing procedures pursuant to section 84-1512 to verify
12 the accuracy of such information. For the purpose of obtaining such facts
13 and information, the director shall have access to the records of the
14 various state departments and agencies and the holder of the records
15 shall comply with a request by the director for access by providing such
16 facts and information to the director in a timely manner. A certified
17 copy of a birth certificate or delayed birth certificate shall be prima
18 facie evidence of the age of the person named in the certificate.

19 (c) The director shall develop and implement an employer education
20 program using principles generally accepted by public employee retirement
21 systems so that all employers have the knowledge and information
22 necessary to prepare and file reports as the board requires.

23 (3) Information necessary to determine membership in the retirement
24 system shall be provided by the State Court Administrator.

25 (4) Any funds of the retirement system available for investment
26 shall be invested by the Nebraska Investment Council pursuant to the
27 Nebraska Capital Expansion Act and the Nebraska State Funds Investment
28 Act. Payment for investment services by the council shall be charged
29 directly against the gross investment returns of the funds. Charges so
30 incurred shall not be a part of the board's annual budget request. The
31 amounts of payment for such services, as of December 31 of each year,

1 shall be reported not later than March 31 of the following year to the
2 council, the board, and the Nebraska Retirement Systems Committee of the
3 Legislature. The report submitted to the committee shall be submitted
4 electronically. The state investment officer shall sell any such
5 securities upon request from the director so as to provide money for the
6 payment of benefits or annuities.

7 Sec. 14. Section 24-704.01, Reissue Revised Statutes of Nebraska, is
8 amended to read:

9 24-704.01 (1)(a) If the board determines that the retirement system
10 has previously received contributions or distributed benefits which for
11 any reason are not in accordance with the Judges Retirement Act, the
12 board shall refund contributions, require additional contributions,
13 adjust benefits, or require repayment of benefits paid. In the event of
14 an overpayment of a benefit, the board may, in addition to other
15 remedies, offset future benefit payments by the amount of the prior
16 overpayment, together with regular interest thereon. In the event of an
17 underpayment of a benefit, the board shall immediately make payment equal
18 to the deficit amount plus regular interest.

19 (b) The board shall have the power, through the director of the
20 Nebraska Public Employees Retirement Systems or the director's designee,
21 to make a thorough investigation of any overpayment of a benefit, when in
22 the judgment of the retirement system such investigation is necessary,
23 including, but not limited to, circumstances in which benefit payments
24 are made after the death of a member or beneficiary and the retirement
25 system is not made aware of such member's or beneficiary's death. In
26 connection with any such investigation, the board, through the director
27 or the director's designee, shall have the power to compel the attendance
28 of witnesses and the production of books, papers, records, and documents,
29 whether in hardcopy, electronic form, or otherwise, and issue subpoenas
30 for such purposes. Such subpoenas shall be served in the same manner and
31 have the same effect as subpoenas from district courts.

1 (2) The board ~~may shall~~ adopt and promulgate rules and regulations
2 implementing this section, which shall include, but not be limited to,
3 the following: (a) The procedures for refunding contributions, adjusting
4 future contributions or benefit payments, and requiring additional
5 contributions or repayment of benefits; (b) the process for a member,
6 member's beneficiary, employee, or employer to dispute an adjustment of
7 contributions or benefits; and (c) notice provided to all affected
8 persons. All notices shall be sent prior to an adjustment and shall
9 describe the process for disputing an adjustment of contributions or
10 benefits.

11 Sec. 15. Section 24-710, Reissue Revised Statutes of Nebraska, is
12 amended to read:

13 24-710 (1) The retirement annuity of a judge who is an original
14 member, who has not made the election provided for in subsection (8) of
15 section 24-703 or section 24-710.01, and who retires under section 24-708
16 or 24-709 shall be computed as follows: Each such judge shall be entitled
17 to receive an annuity, each monthly payment of which shall be in an
18 amount equal to three and one-third percent of his or her final average
19 compensation as such judge, multiplied by the number of his or her years
20 of creditable service. The amount stated in this section shall be
21 supplemental to any benefits received by such judge under the Nebraska
22 and federal old age and survivors' insurance acts at the date of
23 retirement, but the monthly combined benefits received thereunder and by
24 the Judges Retirement Act shall not exceed sixty-five percent of the
25 final average compensation such judge was receiving when he or she last
26 served as such judge. The amount of retirement annuity of a judge who
27 retires under section 24-708 or 24-709 shall not be less than twenty-five
28 dollars per month if he or she has four years or more of service credit.

29 (2) The retirement annuity of a judge who is a future member and who
30 retires after July 1, 1986, under section 24-708 or 24-709 shall be
31 computed as follows: Each such judge shall be entitled to receive an

1 annuity, each monthly payment of which shall be in an amount equal to
2 three and one-half percent of his or her final average compensation as
3 such judge, multiplied by the number of his or her years of creditable
4 service, except that prior to an actuarial factor adjustment for purposes
5 of calculating an optional form of annuity benefits under subsection (3)
6 of this section, the monthly benefits received under this subsection
7 shall not exceed seventy percent of the final average compensation such
8 judge was receiving when he or she last served as such judge.

9 (3) Except as provided in section 42-1107, any member may, when
10 filing an application as provided by the retirement system, elect to
11 receive, in lieu of the normal form annuity benefits to which the member
12 or his or her beneficiary may otherwise be entitled under the Judges
13 Retirement Act, an optional form of annuity benefits which the board may
14 by rules and regulations provide, the value of which, determined by
15 accepted actuarial methods and on the basis of actuarial assumptions
16 recommended by the actuary, approved by the board, and kept on file in
17 the office of the director, is equal to the value of the benefit
18 replaced. The board ~~may shall~~ (a) adopt and promulgate appropriate rules
19 and regulations to establish ~~establishing~~ joint and survivorship
20 annuities, with and without reduction on the death of the first
21 annuitant, and such other forms of annuities as may in its judgment be
22 appropriate and establishing benefits as provided in sections 24-707 and
23 24-707.01, (b) prescribe appropriate forms for making the election by the
24 members, and (c) provide for the necessary actuarial services to make the
25 required valuations.

26 (4) A one-time cost-of-living adjustment shall be made for each
27 retired judge and each surviving beneficiary who is receiving a
28 retirement annuity as provided for in this section. The annuity shall be
29 adjusted by the increase in the cost of living or wage levels between the
30 effective date of retirement and June 30, 1992, except that such
31 increases shall not exceed three percent per year of retirement and the

1 total increase shall not exceed two hundred fifty dollars per month.

2 Sec. 16. Section 24-710.05, Reissue Revised Statutes of Nebraska, is
3 amended to read:

4 24-710.05 (1) For purposes of this section and section 24-710.06:

5 (a) Direct rollover means a payment by the retirement system to the
6 eligible retirement plan or plans specified by the distributee
7 ~~Distributee means the member, the member's surviving spouse, or the~~
8 ~~member's former spouse who is an alternate payee under a qualified~~
9 ~~domestic relations order as defined in section 414(p) of the Internal~~
10 ~~Revenue Code;~~

11 (b) Distributee means the member, the member's surviving spouse, or
12 the member's former spouse who is an alternate payee under a qualified
13 domestic relations order as defined in section 414(p) of the Internal
14 Revenue Code ~~Direct rollover means a payment by the retirement system to~~
15 ~~the eligible retirement plan or plans specified by the distributee;~~

16 (c) Eligible retirement plan means (i) an individual retirement
17 account described in section 408(a) of the Internal Revenue Code, (ii) an
18 individual retirement annuity described in section 408(b) of the code,
19 except for an endowment contract, (iii) a qualified plan described in
20 section 401(a) of the code, (iv) an annuity plan described in section
21 403(a) or 403(b) of the code, (v) except for purposes of section
22 24-710.06, an individual retirement plan described in section 408A of the
23 code, and (vi) a plan described in section 457(b) of the code and
24 maintained by a governmental employer. For eligible rollover
25 distributions to a surviving spouse, an eligible retirement plan means
26 subdivisions (1)(c)(i) through (vi) of this section; and

27 (d) Eligible rollover distribution means any distribution to a
28 distributee of all or any portion of the balance to the credit of the
29 distributee in the plan, except such term shall not include any
30 distribution which is one of a series of substantially equal periodic
31 payments, not less frequently than annually, made for the life of the

1 distributee or joint lives of the distributee and the distributee's
2 beneficiary or for the specified period of ten years or more and shall
3 not include any distribution to the extent such distribution is required
4 under section 401(a)(9) of the Internal Revenue Code.

5 (2) For distributions made to a distributee on or after January 1,
6 1993, a distributee may elect to have any portion of an eligible rollover
7 distribution paid directly to an eligible retirement plan specified by
8 the distributee.

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

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

27 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
28 for direct rollover procedures which are consistent with section 401(a)
29 (31) of the Internal Revenue Code and which include, but are not limited
30 to, the form and time of direct rollover distributions.

31 Sec. 17. Section 24-710.06, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 24-710.06 (1) The retirement system may accept cash rollover
3 contributions from a member who is making payment pursuant to section
4 24-706 if the contributions do not exceed the amount of payment required
5 for the service credits purchased by the member pursuant to such section
6 and the contributions represent (a) all or any portion of the balance of
7 the member's interest in a qualified plan under section 401(a) of the
8 Internal Revenue Code or (b) the interest of the member from an
9 individual retirement account or an individual retirement annuity, the
10 entire amount of which is attributable to a qualified total distribution,
11 as defined in the Internal Revenue Code, from a qualified plan under
12 section 401(a) of the code and qualified as a tax-free rollover amount.
13 The member's interest under subdivision (a) or (b) of this subsection
14 must be transferred to the retirement system within sixty days from the
15 date of the distribution from the qualified plan, individual retirement
16 account, or individual retirement annuity.

17 (2) Cash transferred to the retirement system as a rollover
18 contribution shall be deposited as other payments for service credits.

19 (3) Under the same conditions as provided in subsection (1) of this
20 section, the retirement system may accept eligible rollover distributions
21 from (a) an annuity contract described in section 403(b) of the Internal
22 Revenue Code, (b) a plan described in section 457(b) of the code which is
23 maintained by a state, a political subdivision of a state, or any agency
24 or instrumentality of a state or political subdivision of a state, or (c)
25 the portion of a distribution from an individual retirement account or
26 annuity described in section 408(a) or 408(b) of the code that is
27 eligible to be rolled over and would otherwise be includible in gross
28 income. Amounts accepted pursuant to this subsection shall be deposited
29 as all other payments under this section.

30 (4) The retirement system may accept direct rollover distributions
31 made from a qualified plan pursuant to section 401(a)(31) of the Internal

1 Revenue Code. The direct rollover distribution shall be deposited as all
2 other payments under this section.

3 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
4 defining procedures for acceptance of rollovers which are consistent with
5 sections 401(a)(31) and 402 of the Internal Revenue Code.

6 Sec. 18. Section 79-902, Revised Statutes Supplement, 2017, is
7 amended to read:

8 79-902 For purposes of the School Employees Retirement Act, unless
9 the context otherwise requires:

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

14 (2)(a) Actuarial equivalent means the equality in value of the
15 aggregate amounts expected to be received under different forms of
16 payment.

17 (b) For a school employee hired before July 1, 2017, the
18 determinations shall be based on the 1994 Group Annuity Mortality Table
19 reflecting sex-distinct factors blended using twenty-five percent of the
20 male table and seventy-five percent of the female table. An interest rate
21 of eight percent per annum shall be reflected in making these
22 determinations except when a lump-sum settlement is made to an estate.

23 (c) For a school employee hired on or after July 1, 2017, or rehired
24 on or after July 1, 2017, after termination of employment and being paid
25 a retirement benefit or taking a refund of contributions, the
26 determinations shall be based on a unisex mortality table and an interest
27 rate specified by the board. Both the mortality table and the interest
28 rate shall be recommended by the actuary and approved by the retirement
29 board following an actuarial experience study, a benefit adequacy study,
30 or a plan valuation. The mortality table, interest rate, and actuarial
31 factors in effect on the school employee's retirement date will be used

1 to calculate actuarial equivalency of any retirement benefit. Such
2 interest rate may be, but is not required to be, equal to the assumed
3 rate.

4 (d) If the lump-sum settlement is made to an estate, the interest
5 rate will be determined by the AAA-rated segment of the Bloomberg
6 Barclays Long U.S. Corporate Bond Index as of the prior June 30, rounded
7 to the next lower quarter percent. If the AAA-rated segment of the
8 Bloomberg Barclays Long U.S. Corporate Bond Index is discontinued or
9 replaced, a substitute index shall be selected by the board which shall
10 be a reasonably representative index;

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

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

21 (b) Compensation does not include (i) fraudulently obtained amounts
22 as determined by the retirement board, (ii) amounts for accrued unused
23 sick leave or accrued unused vacation leave converted to cash payments,
24 (iii) insurance premiums converted into cash payments, (iv) reimbursement
25 for expenses incurred, (v) fringe benefits, (vi) per diems paid as
26 expenses, (vii) bonuses for services not actually rendered, (viii) early
27 retirement inducements, (ix) cash awards, (x) severance pay, or (xi)
28 employer contributions made for the purposes of separation payments made
29 at retirement.

30 (c) Compensation in excess of the limitations set forth in section
31 401(a)(17) of the Internal Revenue Code as defined in section 49-801.01

1 shall be disregarded. For an employee who was a member of the retirement
2 system before the first plan year beginning after December 31, 1995, the
3 limitation on compensation shall not be less than the amount which was
4 allowed to be taken into account under the retirement system as in effect
5 on July 1, 1993;

6 (5) County school official means (a) until July 1, 2000, the county
7 superintendent or district superintendent and any person serving in his
8 or her office who is required by law to have a teacher's certificate and
9 (b) on or after July 1, 2000, the county superintendent, county school
10 administrator, or district superintendent and any person serving in his
11 or her office who is required by law to have a teacher's certificate;

12 (6)(a) Creditable service means prior service for which credit is
13 granted under sections 79-926 to 79-929, service credit purchased under
14 sections 79-933.03 to 79-933.06 and 79-933.08, and all service rendered
15 while a contributing member of the retirement system;

16 (b) For employees hired prior to July 1, 2018, creditable service
17 includes working days, sick days, vacation days, holidays, and any other
18 leave days for which the employee is paid regular wages as part of the
19 employee's agreement with the employer. Creditable service does not
20 include lump-sum payments to the employee upon termination or retirement
21 in lieu of accrued benefits for such days, eligibility and vesting
22 credit, service years for which member contributions are withdrawn and
23 not repaid by the member, service rendered for which the retirement board
24 determines that the member was paid less in compensation than the minimum
25 wage as provided in the Wage and Hour Act, or service which the board
26 determines was rendered with the intent to defraud the retirement system;

27 (c) For employees hired on or after July 1, 2018, creditable service
28 includes working days, used accrued sick days, used accrued vacation
29 days, federal and state holidays, and jury duty leave for which the
30 member is paid full compensation by the employer. Creditable service does
31 not include lump-sum payments to the employee upon termination or

1 retirement in lieu of accrued benefits for such days, eligibility and
2 vesting credit, service years for which member contributions are
3 withdrawn and not repaid by the member, service rendered for which the
4 retirement board determines that the member was paid less in compensation
5 than the minimum wage as provided in the Wage and Hour Act, service which
6 the board determines was rendered with the intent to defraud the
7 retirement system, or any other type of leave not expressly included in
8 this subdivision; and

9 (d) Creditable service does not include service provided to an
10 employer in the retirement system provided under the Class V School
11 Employees Retirement Act;

12 (7) Current benefit means the initial benefit increased by all
13 adjustments made pursuant to the School Employees Retirement Act;

14 (8) Disability means an inability to engage in any substantially
15 gainful activity by reason of any medically determinable physical or
16 mental impairment which was initially diagnosed or became disabling while
17 the member was an active participant in the plan and which can be
18 expected to result in death or be of a long-continued and indefinite
19 duration;

20 (9) Disability retirement allowance means the annuity paid to a
21 person upon retirement for disability under section 79-952;

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

28 (11) Early retirement inducement means, but is not limited to:

29 (a) A benefit, bonus, or payment to a member in exchange for an
30 agreement by the member to terminate from employment;

31 (b) A benefit, bonus, or payment paid to a member in addition to the

1 member's retirement benefit;

2 (c) Lump-sum or installment cash payments, except payments for
3 accrued unused leave converted to cash payments;

4 (d) An additional salary or wage component of any kind that is being
5 paid as an incentive to leave employment and not for personal services
6 performed for which creditable service is granted;

7 (e) Partial or full employer payment of a member's health, dental,
8 life, or long-term disability insurance benefits or cash in lieu of such
9 insurance benefits that extend beyond the member's termination of
10 employment and contract of employment dates. This subdivision does not
11 apply to any period during which the member is contributing to the
12 retirement system and being awarded creditable service; and

13 (f) Any other form of separation payments made by an employer to a
14 member at termination, including, but not limited to, purchasing
15 retirement annuity contracts for the member pursuant to section 79-514,
16 depositing money for the member in an account established under section
17 403(b) of the Internal Revenue Code except for payments for accrued
18 unused leave, or purchasing service credit for the member pursuant to
19 section 79-933.08;

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

25 (13) Emeritus member means a person (a) who has entered retirement
26 under the provisions of the act, including those persons who have retired
27 since July 1, 1945, under any other regularly established retirement or
28 pension system as contemplated by section 79-916, (b) who has thereafter
29 been reemployed in any capacity by a public school, a Class V school
30 district, or a school under the control and management of the Board of
31 Trustees of the Nebraska State Colleges, the Board of Regents of the

1 University of Nebraska, or a community college board of governors or has
2 become a state school official or county school official subsequent to
3 such retirement, and (c) who has applied to the board for emeritus
4 membership in the retirement system. The school district or agency shall
5 certify to the retirement board on forms prescribed by the retirement
6 board that the annuitant was reemployed, rendered a service, and was paid
7 by the district or agency for such services;

8 (14) Employer means the State of Nebraska or any subdivision thereof
9 or agency of the state or subdivision authorized by law to hire school
10 employees or to pay their compensation;

11 (15)(a) Final average compensation means:

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

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

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

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

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

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

27 (b) Payments under the Retirement Incentive Plan pursuant to section
28 79-855 and Staff Development Assistance pursuant to section 79-856 shall
29 not be included in the determination of final average compensation;

30 (16) Fiscal year means any year beginning July 1 and ending June 30
31 next following;

1 (17) Hire date or date of hire means the first day of compensated
2 service subject to retirement contributions;

3 (18) Initial benefit means the retirement benefit calculated at the
4 time of retirement;

5 (19) Member means any person who has an account in the School
6 Retirement Fund;

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

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

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

13 (23) Public school means any and all schools offering instruction in
14 elementary or high school grades, as defined in section 79-101, which
15 schools are supported by public funds and are wholly under the control
16 and management of the State of Nebraska or any subdivision thereof,
17 including (a) schools or other entities established, maintained, and
18 controlled by the school boards of local school districts, except Class V
19 school districts, (b) any educational service unit, and (c) any other
20 educational institution wholly supported by public funds, except schools
21 under the control and management of the Board of Trustees of the Nebraska
22 State Colleges, the Board of Regents of the University of Nebraska, or
23 the community college boards of governors for any community college
24 areas;

25 (24) Regular employee means an employee hired by a public school or
26 under contract in a regular full-time or part-time position who works a
27 full-time or part-time schedule on an ongoing basis for twenty or more
28 hours per week. An employee hired as described in this subdivision to
29 provide service for less than twenty hours per week but who provides
30 service for an average of twenty hours or more per week in each calendar
31 month of any three calendar months of a plan year shall, beginning with

1 the next full payroll period, commence contributions and shall be deemed
2 a regular employee for all future employment with the same employer;

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

8 (26) Relinquished creditable service means, with respect to a member
9 who has withdrawn his or her accumulated contributions under section
10 79-955, the total amount of creditable service which such member has
11 given up as a result of his or her election not to remain a member of the
12 retirement system;

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

16 (28) Retirement means qualifying for and accepting a school or
17 disability retirement allowance granted under the School Employees
18 Retirement Act;

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

22 (30) Retirement board or board means the Public Employees Retirement
23 Board;

24 (31) Retirement date means (a) if the member has terminated
25 employment, the first day of the month following the date upon which a
26 member's request for retirement is received on a retirement application
27 provided by the retirement system or (b) if the member has filed a
28 retirement application but has not yet terminated employment, the first
29 day of the month following the date on which the member terminates
30 employment. An application may be filed no more than one hundred twenty
31 days prior to the effective date of the member's initial benefit;

1 (32) Retirement system means the School Employees Retirement System
2 of the State of Nebraska;

3 (33) Savings annuity means payments for life, made in equal monthly
4 payments, derived from the accumulated contributions of a member;

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

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

20 (36) School retirement allowance means the total of the savings
21 annuity and the service annuity or formula annuity paid a person who has
22 retired under sections 79-931 to 79-935. The monthly payments shall be
23 payable at the end of each calendar month during the life of a retired
24 member. The first payment shall include all amounts accrued since the
25 effective date of the award of annuity. The last payment shall be at the
26 end of the calendar month in which such member dies or in accordance with
27 the payment option chosen by the member;

28 (37) Service means employment as a school employee and shall not be
29 deemed interrupted by (a) termination at the end of the school year of
30 the contract of employment of an employee in a public school if the
31 employee enters into a contract of employment in any public school,

1 except a school in a Class V school district, for the following school
2 year, (b) temporary or seasonal suspension of service that does not
3 terminate the employee's employment, (c) leave of absence authorized by
4 the employer for a period not exceeding twelve months, (d) leave of
5 absence because of disability, or (e) military service when properly
6 authorized by the retirement board. Service does not include any period
7 of disability for which disability retirement benefits are received under
8 sections 79-951 to 79-953;

9 (38) Service annuity means payments for life, made in equal monthly
10 installments, derived from appropriations made by the State of Nebraska
11 to the retirement system;

12 (39) State deposit means the deposit by the state in the retirement
13 system on behalf of any member;

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

18 (41) Substitute employee means a person hired by a public school as
19 a temporary employee to assume the duties of regular employees due to a
20 temporary absence of any regular employees. Substitute employee does not
21 mean a person hired as a regular employee on an ongoing basis to assume
22 the duties of other regular employees who are temporarily absent;

23 (42) Surviving spouse means (a) the spouse married to the member on
24 the date of the member's death or (b) the spouse or former spouse of the
25 member if survivorship rights are provided under a qualified domestic
26 relations order filed with the board pursuant to the Spousal Pension
27 Rights Act. The spouse or former spouse shall supersede the spouse
28 married to the member on the date of the member's death as provided under
29 a qualified domestic relations order. If the benefits payable to the
30 spouse or former spouse under a qualified domestic relations order are
31 less than the value of benefits entitled to the surviving spouse, the

1 spouse married to the member on the date of the member's death shall be
2 the surviving spouse for the balance of the benefits;

3 (43) Temporary employee means an employee hired by a public school
4 who is not a regular employee and who is hired to provide service for a
5 limited period of time to accomplish a specific purpose or task. When
6 such specific purpose or task is complete, the employment of such
7 temporary employee shall terminate and in no case shall the temporary
8 employment period exceed one year in duration;

9 (44) Termination of employment occurs on the date on which the
10 member experiences a bona fide separation from service of employment with
11 the member's employer, the date of which separation is determined by the
12 end of the member's contractual agreement or, if there is no contract or
13 only partial fulfillment of a contract, by the employer.

14 A member shall not be deemed to have terminated employment if the
15 member subsequently provides service to any employer participating in the
16 retirement system provided for in the School Employees Retirement Act
17 within one hundred eighty days after ceasing employment unless such
18 service:

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

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

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

26 A member shall not be deemed to have terminated employment if the
27 board determines that a claimed termination was not a bona fide
28 separation from service with the employer or that a member was
29 compensated for a full contractual period when the member terminated
30 prior to the end date of the contract; and

31 (45) Voluntary service or volunteer means providing bona fide unpaid

1 service to any employer.

2 Sec. 19. Section 79-904, Reissue Revised Statutes of Nebraska, is
3 amended to read:

4 79-904 The general administration of the retirement system, except
5 the investment of funds, is hereby vested in the retirement board. The
6 board ~~may shall~~, by a majority vote of its members, adopt bylaws and
7 adopt and promulgate rules and regulations, from time to time, to carry
8 out the School Employees Retirement Act. The board shall perform such
9 other duties as may be required to execute the act.

10 Sec. 20. Section 79-904.01, Revised Statutes Supplement, 2017, is
11 amended to read:

12 79-904.01 (1)(a) If the board determines that the retirement system
13 has previously received contributions or distributed benefits which for
14 any reason are not in accordance with the statutory provisions of the
15 School Employees Retirement Act, the board may refund contributions,
16 require additional contributions, adjust benefits, or require repayment
17 of benefits paid. In the event of an overpayment of a benefit, the board
18 may, in addition to other remedies, offset future benefit payments by the
19 amount of the prior overpayment, together with regular interest thereon.
20 In the event of a material underpayment of a benefit, the board shall
21 immediately make payment equal to the deficit amount plus regular
22 interest.

23 (b) The board shall have the power, through the director of the
24 Nebraska Public Employees Retirement Systems or the director's designee,
25 to make a thorough investigation of any overpayment of a benefit, when in
26 the judgment of the retirement system such investigation is necessary,
27 including, but not limited to, circumstances in which benefit payments
28 are made after the death of a member or beneficiary and the retirement
29 system is not made aware of such member's or beneficiary's death. In
30 connection with any such investigation, the board, through the director
31 or the director's designee, shall have the power to compel the attendance

1 of witnesses and the production of books, papers, records, and documents,
2 whether in hardcopy, electronic form, or otherwise, and issue subpoenas
3 for such purposes. Such subpoenas shall be served in the same manner and
4 have the same effect as subpoenas from district courts.

5 (2) If the board determines that termination of employment has not
6 occurred and a retirement benefit has been paid to a member of the
7 retirement system pursuant to section 79-933, such member shall repay the
8 benefit to the retirement system.

9 (3) The board ~~may shall~~ adopt and promulgate rules and regulations
10 implementing this section, which shall include, but not be limited to,
11 the following: (a) The procedures for refunding contributions, adjusting
12 future contributions or benefit payments, and requiring additional
13 contributions or repayment of benefits; (b) the process for a member,
14 member's beneficiary, employee, or employer to dispute an adjustment of
15 contributions or benefits; and (c) notice provided to all affected
16 persons. All notices shall be sent at the time of or prior to an
17 adjustment and shall describe the process for disputing an adjustment of
18 contributions or benefits.

19 (4) The board shall not refund contributions made on compensation in
20 excess of the limitations imposed by subdivision (4) of section 79-902 or
21 subsection (9) of section 79-934.

22 Sec. 21. Section 79-905, Reissue Revised Statutes of Nebraska, is
23 amended to read:

24 79-905 It shall be the duty of the ~~The~~ retirement board to shall:

25 (1) Determine the eligibility of an individual to be a member of the
26 retirement system and other questions of fact in the event of dispute
27 between an individual and a department;

28 (2) Adopt rules and regulations, as the board may deem necessary,
29 for the management of the board;

30 (3) Prescribe the form in which employers report contributions,
31 hours worked by school employees, payroll information, and other

1 information necessary to carry out the board's duties;

2 (4) Keep a complete record of all proceedings taken at any meeting
3 of the board;

4 (5) Employ a director and such assistants and employees ~~other~~
5 ~~assistance~~ as may be necessary in the performance of its duties; and

6 (6) Obtain actuarial services pursuant to subdivision (2)(e) of
7 section 84-1503.

8 Sec. 22. Section 79-907, Reissue Revised Statutes of Nebraska, is
9 amended to read:

10 79-907 (1)(a) On or before October 1, 2001, and at least every two
11 years thereafter, the retirement board shall send to each contributing
12 member of the retirement system by first-class mail, a statement of
13 creditable service, reported salary, and other such information as is
14 determined by the director of the Nebraska Public Employees Retirement
15 Systems to be necessary in calculating the member's retirement benefit.

16 (b) If the member requests a modification or correction of his or
17 her statement of information, the member shall provide documentation to
18 the board supporting such modification or correction and provide clear
19 and convincing evidence that the statement is in error. The board shall,
20 within sixty days after receipt of the documentation supporting the
21 modification or correction, determine whether the member has proven by
22 clear and convincing evidence that the statement shall be modified or
23 corrected. If the board determines that the member has provided clear and
24 convincing evidence, the board shall modify or correct the statement. If
25 the board determines that the member has not provided clear and
26 convincing evidence, the board shall deny the modification or correction.
27 In either case, the board shall notify the member. The member may appeal
28 the decision of the board pursuant to section 79-950.

29 (c) The board has an ongoing fiduciary duty to modify or correct a
30 member's statement if the board discovers an error in the information it
31 has on record. A modification or correction shall be made within sixty

1 days after the error is brought to the attention of the board.

2 (2) The board ~~may shall~~ adopt and promulgate rules and regulations
3 and prescribe the necessary forms to carry out this section.

4 Sec. 23. Section 79-915, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 79-915 (1) Persons residing outside of the United States and engaged
7 temporarily as school employees in the State of Nebraska shall not become
8 members of the retirement system.

9 (2) On and after July 1, 2010, no school employee shall be
10 authorized to participate in the retirement system provided for in the
11 School Employees Retirement Act unless the employee (a) is a United
12 States citizen or (b) is a qualified alien under the federal Immigration
13 and Nationality Act, 8 U.S.C. 1101 et seq., as such act existed on
14 January 1, 2009, and is lawfully present in the United States.

15 (3)(a) The board may determine that a governmental entity currently
16 participating in the retirement system no longer qualifies, in whole or
17 in part, under section 414(d) of the Internal Revenue Code as a
18 participating employer in a governmental plan.

19 (b)(i) To aid governmental entities in their business decisionmaking
20 process, any governmental entity currently participating in the
21 retirement system contemplating a business transaction that may result in
22 such entity no longer qualifying, in whole or in part, under section
23 414(d) of the Internal Revenue Code may notify the board in writing as
24 soon as reasonably practicable, but no later than one hundred eighty days
25 before the transaction is to occur.

26 (ii) The board when timely notified shall, as soon as is reasonably
27 practicable, obtain from its contracted actuary the cost of any actuarial
28 study necessary to determine the potential funding obligation. The board
29 will notify the entity of such cost.

30 (iii) If such entity pays the board's contracted actuary pursuant to
31 subdivision (3)(c)(vi) of this section for any actuarial study necessary

1 to determine the potential funding obligation, the board shall, as soon
2 as reasonably practicable following its receipt of the actuarial study,
3 (A) determine whether the entity's contemplated business transaction will
4 cause the entity to no longer qualify under section 414(d) of the
5 Internal Revenue Code, (B) determine whether the contemplated business
6 transaction constitutes a plan termination by the entity, (C) determine
7 the potential funding obligation, (D) determine the administrative costs
8 that will be incurred by the board or the Nebraska Public Employees
9 Retirement Systems in connection with the entity's removal from the
10 retirement system, and (E) notify the entity of such determinations.

11 (iv) Failure to timely notify the board pursuant to subdivision (3)
12 (b)(i) of this section may result in the entity being treated as though
13 the board made a decision pursuant to subdivision (3)(a) of this section.

14 (c) If the board makes a determination pursuant to subdivision (3)
15 (a) of this section, or if the entity engages in the contemplated
16 business transaction reviewed under subdivision (3)(b) of this section
17 that results in the entity no longer qualifying under section 414(d) of
18 the Internal Revenue Code:

19 (i) The board shall notify the entity that it no longer qualifies
20 under section 414(d) of the Internal Revenue Code within ten business
21 days after the determination;

22 (ii) The affected plan members shall be immediately considered fully
23 vested;

24 (iii) The affected plan members shall become inactive within ninety
25 days after the board's determination;

26 (iv) The entity shall pay to the School Retirement Fund an amount
27 equal to any funding obligation;

28 (v) The entity shall pay to the Expense Fund an amount equal to any
29 administrative costs incurred by the board or the Nebraska Public
30 Employees Retirement Systems in connection with the entity's removal from
31 the retirement system; and

1 (vi) The entity shall pay directly to the board's contracted actuary
2 an amount equal to the cost of any actuarial study necessary to aid the
3 board in determining the amount of such funding obligation, if not
4 previously paid.

5 (d) For purposes of this subsection:

6 (i) Business transaction means a merger; consolidation; sale of
7 assets, equipment, or facilities; termination of a division, department,
8 section, or subgroup of the entity; or any other business transaction
9 that results in termination of some or all of the entity's workforce; and

10 (ii) Funding obligation means the financial liability of the
11 retirement system to provide benefits for the affected plan members
12 incurred by the retirement system due to the entity's business
13 transaction calculated using the methodology and assumptions recommended
14 by the board's contracted actuary and approved by the board. The
15 methodology and assumptions used must be structured in a way that ensures
16 the entity is financially liable for all the costs of the entity's
17 business transaction, and the retirement system is not financially liable
18 for any of the cost of the entity's business transaction.

19 (e) The board may adopt and promulgate rules and regulations to
20 carry out this subsection including, but not limited to, the methods of
21 notifying the board of pending business transactions, the acceptable
22 methods of payment, and the timing of such payment.

23 Sec. 24. Section 79-924, Reissue Revised Statutes of Nebraska, is
24 amended to read:

25 79-924 The retirement board ~~may shall~~ adopt and promulgate rules and
26 regulations to allow for lump-sum or installment payments for school
27 employees who elect to repurchase relinquished creditable service under
28 section 79-921 or buy credit for prior years of service under sections
29 79-933.03 to 79-933.06 and 79-933.08. Any person who elects to repurchase
30 relinquished creditable service or buy credit for prior years of service
31 on an installment basis may be charged reasonable service costs, shall be

1 credited with those prior years of service only as the money is actually
2 received by the retirement system, and shall have paid to the retirement
3 system all installments prior to the commencement of a retirement
4 annuity.

5 Sec. 25. Section 79-926, Revised Statutes Supplement, 2017, is
6 amended to read:

7 79-926 (1) Under such rules and regulations as the retirement board
8 ~~may adopt and promulgate~~ ~~adopts and promulgates~~, each person who was a
9 school employee at any time prior to the establishment of the retirement
10 system and who becomes a member of the retirement system shall, within
11 two years after becoming a member, file a detailed statement of all
12 service as a school employee rendered by him or her prior to the date of
13 establishment of the retirement system. In order to qualify for prior
14 service credit toward a service annuity, a school employee, unless
15 temporarily out of service for further professional education, for
16 service in the armed forces, or for temporary disability, must have
17 completed four years of service on a part-time or full-time basis during
18 the five calendar years immediately preceding July 1, 1945, or have
19 completed eighteen years out of the last twenty-five years prior to July
20 1, 1945, full time or part time, and two years out of the five years
21 immediately preceding July 1, 1945, full time or part time, or such
22 school employee must complete, unless temporarily out of service for
23 further professional education, for service in the armed forces, or for
24 temporary disability, four years of service within the five calendar
25 years immediately following July 1, 1945. In order to qualify for prior
26 service credit toward a service annuity, a school employee who becomes a
27 member of the retirement system on or before September 30, 1951, or from
28 July 1, 1945, to the date of becoming a member shall have been
29 continuously employed in a public school in Nebraska operating under any
30 other regularly established retirement or pension system.

31 (2)(a) Any school employee who is reemployed pursuant to 38 U.S.C.

1 4301 et seq., shall be treated as not having incurred a break in service
2 by reason of his or her period of military service. Such military service
3 shall be credited for purposes of determining the nonforfeitability of
4 the member's accrued benefits and the accrual of benefits under the plan.

5 (b) The employer shall be liable for funding any obligation of the
6 plan to provide benefits based upon such period of military service. To
7 satisfy the liability, the employer shall pay to the retirement system an
8 amount equal to:

9 (i) The sum of the member and employer contributions that would have
10 been paid during such period of military service; and

11 (ii) Any actuarial costs necessary to fund the obligation of the
12 plan to provide benefits based upon such period of military service. For
13 the purposes of determining the amount of such liability and obligation
14 of the plan, earnings and forfeitures, gains and losses, regular
15 interest, or interest credits that would have accrued on the member and
16 employer contributions that are paid by the employer pursuant to this
17 section shall not be included.

18 (c) The amount required in subdivision (b) of this subsection shall
19 be paid to the retirement system as soon as reasonably practicable
20 following the date of reemployment, but must be paid within eighteen
21 months of the date the board notifies the employer of the amount due. If
22 the employer fails to pay the required amount within such eighteen-month
23 period, then the employer is also responsible for any actuarial costs and
24 interest on actuarial costs that accrue from eighteen months after the
25 date the employer is notified by the board until the date the amount is
26 paid.

27 (d) The retirement board may adopt and promulgate rules and
28 regulations to carry out this subsection, including, but not limited to,
29 rules and regulations on:

30 (i) How and when the member and employer must notify the retirement
31 system of a period of military service;

1 (ii) The acceptable methods of payment;

2 (iii) Determining the service and compensation upon which the
3 contributions must be made;

4 (iv) Accelerating the payment from the employer due to unforeseen
5 circumstances that occur before payment is made pursuant to this section,
6 including, but not limited to, the member's termination or retirement or
7 the employer's reorganization, consolidation, merger, or closing; and

8 (v) The documentation required to substantiate that the member was
9 reemployed pursuant to 38 U.S.C. 4301 et seq.

10 (3) This section only applies to military service that falls within
11 the definition of uniformed service under 38 U.S.C. 4301 et seq. Military
12 service does not include service provided pursuant to sections 55-101 to
13 55-181.

14 Sec. 26. Section 79-933.01, Reissue Revised Statutes of Nebraska, is
15 amended to read:

16 79-933.01 (1) For purposes of this section and section 79-933.02:

17 (a) Direct rollover means a payment by the retirement system to the
18 eligible retirement plan or plans specified by the distributee
19 ~~Distributee means the member, the member's surviving spouse, or the~~
20 ~~member's former spouse who is an alternate payee under a qualified~~
21 ~~domestic relations order as defined in section 414(p) of the Internal~~
22 ~~Revenue Code;~~

23 (b) Distributee means the member, the member's surviving spouse, or
24 the member's former spouse who is an alternate payee under a qualified
25 domestic relations order as defined in section 414(p) of the Internal
26 Revenue Code ~~Direct rollover means a payment by the retirement system to~~
27 ~~the eligible retirement plan or plans specified by the distributee;~~

28 (c) Eligible retirement plan means (i) an individual retirement
29 account described in section 408(a) of the Internal Revenue Code, (ii) an
30 individual retirement annuity described in section 408(b) of the code,
31 except for an endowment contract, (iii) a qualified plan described in

1 section 401(a) of the code, (iv) an annuity plan described in section
2 403(a) or 403(b) of the code, (v) except for purposes of section
3 79-933.02, an individual retirement plan described in section 408A of the
4 code, and (vi) a plan described in section 457(b) of the code and
5 maintained by a governmental employer. For eligible rollover
6 distributions to a surviving spouse, an eligible retirement plan means
7 subdivisions (1)(c)(i) through (vi) of this section; and

8 (d) Eligible rollover distribution means any distribution to a
9 distributee of all or any portion of the balance to the credit of the
10 distributee in the plan, except such term shall not include any
11 distribution which is one of a series of substantially equal periodic
12 payments, not less frequently than annually, made for the life of the
13 distributee or joint lives of the distributee and the distributee's
14 beneficiary or for the specified period of ten years or more and shall
15 not include any distribution to the extent such distribution is required
16 under section 401(a)(9) of the Internal Revenue Code.

17 (2) For distributions made to a distributee on or after January 1,
18 1993, a distributee may elect to have any portion of an eligible rollover
19 distribution paid directly to an eligible retirement plan specified by
20 the distributee.

21 (3) A member's surviving spouse or former spouse who is an alternate
22 payee under a qualified domestic relations order and, on or after July 1,
23 2010, any designated beneficiary of a member who is not a surviving
24 spouse or former spouse who is entitled to receive an eligible rollover
25 distribution from the retirement system may, in accordance with such
26 rules, regulations, and limitations as may be established by the board,
27 elect to have such distribution made in the form of a direct transfer to
28 a retirement plan eligible to receive such transfer under the provisions
29 of the Internal Revenue Code.

30 (4) An eligible rollover distribution on behalf of a designated
31 beneficiary of a member who is not a surviving spouse or former spouse of

1 the member may be transferred to an individual retirement account or
2 annuity described in section 408(a) or section 408(b) of the Internal
3 Revenue Code that is established for the purpose of receiving the
4 distribution on behalf of the designated beneficiary and that will be
5 treated as an inherited individual retirement account or individual
6 retirement annuity described in section 408(d)(3)(C) of the Internal
7 Revenue Code.

8 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
9 for direct rollover procedures which are consistent with section 401(a)
10 (31) of the Internal Revenue Code and which include, but are not limited
11 to, the form and time of direct rollover distributions.

12 Sec. 27. Section 79-933.02, Reissue Revised Statutes of Nebraska, is
13 amended to read:

14 79-933.02 (1) The retirement system may accept cash rollover
15 contributions from a member who is making payment pursuant to sections
16 79-921, 79-933.03 to 79-933.06, and 79-933.08 if the contributions do not
17 exceed the amount of payment required for the relinquished creditable
18 service repurchased or service credits purchased by the member pursuant
19 to such sections and the contributions represent (a) all or any portion
20 of the balance of the member's interest in a qualified plan under section
21 401(a) of the Internal Revenue Code or (b) the interest of the member
22 from an individual retirement account or an individual retirement
23 annuity, the entire amount of which is attributable to a qualified total
24 distribution, as defined in the Internal Revenue Code, from a qualified
25 plan under section 401(a) of the code and qualified as a tax-free
26 rollover amount. The member's interest under subdivision (a) or (b) of
27 this subsection must be transferred to the retirement system within sixty
28 days from the date of the distribution from the qualified plan,
29 individual retirement account, or individual retirement annuity.

30 (2) Cash transferred to the retirement system as a rollover
31 contribution shall be deposited as other payments for purchase of service

1 credits or repurchase of relinquished creditable service pursuant to
2 section 79-921.

3 (3) Under the same conditions as provided in subsection (1) of this
4 section, the retirement system may accept eligible rollover distributions
5 from (a) an annuity contract described in section 403(b) of the Internal
6 Revenue Code, (b) a plan described in section 457(b) of the code which is
7 maintained by a state, a political subdivision of a state, or any agency
8 or instrumentality of a state or political subdivision of a state, or (c)
9 the portion of a distribution from an individual retirement account or
10 annuity described in section 408(a) or 408(b) of the code that is
11 eligible to be rolled over and would otherwise be includible in gross
12 income. Amounts accepted pursuant to this subsection shall be deposited
13 as all other payments under this section.

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

18 (5) The board may ~~shall~~ adopt and promulgate rules and regulations
19 defining procedures for acceptance of rollovers which are consistent with
20 sections 401(a)(31) and 402 of the Internal Revenue Code.

21 Sec. 28. Section 79-933.03, Reissue Revised Statutes of Nebraska, is
22 amended to read:

23 79-933.03 (1) Under such rules and regulations as the board may
24 ~~shall~~ adopt and promulgate, a contributing member under contract or
25 employed on July 19, 1996, may receive credit for not to exceed ten years
26 of creditable teaching service rendered in public schools in another
27 state or schools in this state covered by a school retirement system
28 established pursuant to section 79-979, if such member files an
29 application for service credit within three years of membership or
30 reinstatement in the School Employees Retirement System of the State of
31 Nebraska and makes payment into the retirement system of an amount equal

1 to the required deposits he or she would have paid had he or she been
2 employed in this state by a school covered by the retirement system, plus
3 the interest which would have accrued on such amount. Payment must be
4 completed within five years of membership or reinstatement in the
5 retirement system, or prior to termination of employment, whichever
6 occurs first, and may be made through direct payment, installment
7 payments, or an irrevocable payroll deduction authorization.

8 (2) A member who retires as a school employee of this state shall
9 not receive credit for time in service outside of this state or in a
10 school in this state covered by the school retirement system established
11 pursuant to section 79-979 in excess of the time he or she has been in
12 service as a school employee in this state of a school covered by the
13 School Employees Retirement System of the State of Nebraska. The board
14 shall refund to the member the payments made pursuant to subsection (1)
15 of this section to the extent that the member does not receive credit for
16 such service.

17 (3) A member who purchases service credit pursuant to this section
18 shall provide such documentation as the board may require to prove that
19 the member has forfeited the receipt of any benefits from the retirement
20 system of the public school in another state or a school in this state
21 covered by a retirement system established pursuant to section 79-979 for
22 the creditable service rendered in such school.

23 Sec. 29. Section 79-933.04, Reissue Revised Statutes of Nebraska, is
24 amended to read:

25 79-933.04 (1) For contributing members under contract or employed on
26 July 19, 1996, and under such rules and regulations as the board may
27 ~~shall~~ adopt and promulgate, any member who was away from his or her
28 position while on a leave of absence from such position authorized by the
29 school board or board of education of the school district by which he or
30 she was employed at the time of such leave of absence or pursuant to any
31 contractual agreement entered into by such school district may receive

1 credit for such time as he or she was on such leave of absence. Such
2 credit shall increase the benefits provided by the retirement system and
3 shall be included in creditable service when determining eligibility for
4 death, disability, termination, and retirement benefits. The member who
5 receives the credit shall earn benefits during the leave based on
6 compensation at the level received immediately prior to the leave of
7 absence. Such credit shall be allowed if such member has paid into the
8 retirement system an amount equal to the sum of the deductions from his
9 or her compensation and any contribution which the school district would
10 have been required to make had he or she continued to receive
11 compensation at the level received immediately prior to the leave of
12 absence with such deposits plus interest which would have accrued on such
13 deposits to be paid as the retirement board may direct within five years
14 of his or her return to membership in the retirement system, or prior to
15 termination of employment, whichever occurs first, and may be made
16 through direct payment, installment payments, or an irrevocable payroll
17 deduction authorization.

18 (2) Leave of absence shall be construed to include, but is not ~~be~~
19 limited to, sabbaticals, maternity leave, exchange teaching programs,
20 full-time leave as an elected official of a professional association or
21 collective-bargaining unit, or leave of absence to pursue further
22 education or study. A leave of absence granted pursuant to this section
23 shall not exceed four years in length, and in order to receive credit for
24 the leave of absence the member must return to employment with a school
25 district, other than a Class V school district, in the state within one
26 year after termination of the leave of absence and must apply for such
27 credit within three years of the return to membership in the retirement
28 system.

29 Sec. 30. Section 79-933.07, Reissue Revised Statutes of Nebraska, is
30 amended to read:

31 79-933.07 The board may ~~shall~~ adopt and promulgate rules and

1 regulations for the purchase of service credit or the repurchase of
2 relinquished creditable service, which shall include, but not be limited
3 to, the method for determining actuarial cost and interest requirements
4 for payments other than one lump-sum payment.

5 Sec. 31. Section 79-978, Revised Statutes Supplement, 2017, is
6 amended to read:

7 79-978 For purposes of the Class V School Employees Retirement Act,
8 unless the context otherwise requires:

9 (1) Accumulated contributions means the sum of amounts contributed
10 by a member of the system together with regular interest credited
11 thereon;

12 (2) Actuarial equivalent means the equality in value of the
13 retirement allowance for early retirement or the retirement allowance for
14 an optional form of annuity, or both, with the normal form of the annuity
15 to be paid, as determined by the application of the appropriate actuarial
16 table, except that use of such actuarial tables shall not effect a
17 reduction in benefits accrued prior to September 1, 1985, as determined
18 by the actuarial tables in use prior to such date;

19 (3) Actuarial tables means:

20 (a) For determining the actuarial equivalent of any annuities other
21 than joint and survivorship annuities: τ

22 (i) For members hired before July 1, 2018, a unisex mortality table
23 using twenty-five percent of the male mortality and seventy-five percent
24 of the female mortality from the 1994 Group Annuity Mortality Table with
25 a One Year Setback and using an interest rate of eight percent compounded
26 annually; and

27 (ii) For members hired on or after July 1, 2018, or rehired on or
28 after July 1, 2018, after termination of employment and being paid a
29 retirement benefit, the determinations shall be based on a unisex
30 mortality table and an interest rate specified by the board of trustees.
31 Both the mortality table and the interest rate shall be recommended by

1 the actuary retained by the board of trustees and approved by the board
2 of trustees following an actuarial experience study, a benefit adequacy
3 study, or a plan valuation. The mortality table, interest rate, and
4 actuarial factors in effect on the member's retirement date shall be used
5 to calculate the actuarial equivalency of any retirement benefit. Such
6 interest rate may be, but is not required to be, equal to the assumed
7 rate; and

8 (b) For joint and survivorship annuities: 7

9 (i) For members hired before July 1, 2018, a unisex retiree
10 mortality table using sixty-five percent of the male mortality and
11 thirty-five percent of the female mortality from the 1994 Group Annuity
12 Mortality Table with a One Year Setback and using an interest rate of
13 eight percent compounded annually and a unisex joint annuitant mortality
14 table using thirty-five percent of the male mortality and sixty-five
15 percent of the female mortality from the 1994 Group Annuity Mortality
16 Table with a One Year Setback and using an interest rate of eight percent
17 compounded annually; and

18 (ii) For members hired on or after July 1, 2018, or rehired on or
19 after July 1, 2018, after termination of employment and being paid a
20 retirement benefit, the determinations shall be based on a unisex
21 mortality table and an interest rate specified by the board of trustees.
22 Both the mortality table and the interest rate shall be recommended by
23 the actuary retained by the board of trustees and approved by the board
24 of trustees following an actuarial experience study, a benefit adequacy
25 study, or a plan valuation. The mortality table, interest rate, and
26 actuarial factors in effect on the member's retirement date shall be used
27 to calculate the actuarial equivalency of any retirement benefit. Such
28 interest rate may be, but is not required to be, equal to the assumed
29 rate;

30 (4) Annuitant means any member receiving an allowance;

31 (5) Annuity means annual payments, for both prior service and

1 membership service, for life as provided in the Class V School Employees
2 Retirement Act;

3 (6) Audit year means the period beginning January 1 in any year and
4 ending on December 31 of that same year except for the initial audit year
5 which will begin September 1, 2016, and end on December 31, 2016.
6 Beginning September 1, 2016, the audit year will be the period of time
7 used in the preparation of the annual actuarial analysis and valuation
8 and a financial audit of the investments of the retirement system;

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

11 (8) Board of education means the board of education of the school
12 district;

13 (9)(a) Compensation means gross wages or salaries payable to the
14 member during a fiscal year and includes (i) overtime pay, (ii) member
15 contributions to the retirement system that are picked up under section
16 414(h) of the Internal Revenue Code, as defined in section 49-801.01,
17 (iii) retroactive salary payments paid pursuant to court order,
18 arbitration, or litigation and grievance settlements, and (iv) amounts
19 contributed by the member to plans under sections 125, 403(b), and 457 of
20 the Internal Revenue Code, as defined in section 49-801.01, or any other
21 section of the code which defers or excludes such amounts from income.

22 (b) Compensation does not include (i) fraudulently obtained amounts
23 as determined by the board, (ii) amounts for accrued unused sick leave or
24 accrued unused vacation leave converted to cash payments, (iii) insurance
25 premiums converted into cash payments, (iv) reimbursement for expenses
26 incurred, (v) fringe benefits, (vi) per diems paid as expenses, (vii)
27 bonuses for services not actually rendered, (viii) early retirement
28 inducements, (ix) cash awards, (x) severance pay, or (xi) employer
29 contributions made for the purposes of separation payments made at
30 retirement and early retirement inducements.

31 (c) Compensation in excess of the limitations set forth in section

1 401(a)(17) of the Internal Revenue Code, as defined in section 49-801.01,
2 shall be disregarded;

3 (10) Council means the Nebraska Investment Council created and
4 acting pursuant to section 72-1237;

5 (11) Creditable service means the sum of the membership service and
6 the prior service, measured in one-tenth-year increments;

7 (12) Early retirement date means, for members hired prior to July 1,
8 2016, who have attained age fifty-five, that month and year selected by a
9 member having at least ten years of creditable service which includes a
10 minimum of five years of membership service. Early retirement date means,
11 for members hired on or after July 1, 2016, that month and year selected
12 by a member having at least five years of creditable service and who has
13 attained age sixty;

14 (13) Early retirement inducement means, but is not limited to:

15 (a) A benefit, bonus, or payment to a member in exchange for an
16 agreement by the member to retire with a reduced retirement benefit;

17 (b) A benefit, bonus, or payment paid to a member in addition to the
18 member's retirement benefit;

19 (c) Lump-sum or installment cash payments, except payments for
20 accrued unused leave converted to cash payments;

21 (d) An additional salary or wage component of any kind that is being
22 paid as an incentive to leave employment and not for personal services
23 performed for which creditable service is granted;

24 (e) Partial or full employer payment of a member's health, dental,
25 life, or long-term disability insurance benefits or cash in lieu of such
26 insurance benefits that extend beyond the member's termination of
27 employment and contract of employment dates. This subdivision does not
28 apply to any period during which the member is contributing to the
29 retirement system and being awarded creditable service; and

30 (f) Any other form of separation payments made by an employer to a
31 member at termination, including, but not limited to, purchasing

1 retirement contracts for the member pursuant to section 79-514, or
2 depositing money for the member in an account established under section
3 403(b) of the Internal Revenue Code except for payments for accrued
4 unused leave;

5 (14) Employee means the following enumerated persons receiving
6 compensation from the school district: (a) Regular teachers and
7 administrators employed on a written contract basis; and (b) regular
8 employees, not included in subdivision (14)(a) of this section, hired
9 upon a full-time basis, which basis shall contemplate a workweek of not
10 less than thirty hours;

11 (15) Employer means a school district participating in a retirement
12 system established pursuant to the Class V School Employees Retirement
13 Act;

14 (16) Fiscal year means the period beginning September 1 in any year
15 and ending on August 31 of the next succeeding year;

16 (17) Hire date or date of hire means the first day of compensated
17 service subject to retirement contributions;

18 (18) Interest means, for the purchase of service credit, the
19 purchase of prior service credit, restored refunds, and delayed payments,
20 the investment return assumption used in the most recent actuarial
21 valuation;

22 (19) Member means any employee included in the membership of the
23 retirement system or any former employee who has made contributions to
24 the system and has not received a refund;

25 (20) Membership service means service on or after September 1, 1951,
26 as an employee of the school district and a member of the system for
27 which compensation is paid by the school district. Credit for more than
28 one year of membership service shall not be allowed for service rendered
29 in any fiscal year. Beginning September 1, 2005, a member shall be
30 credited with a year of membership service for each fiscal year in which
31 the member performs one thousand or more hours of compensated service as

1 an employee of the school district. For an employee who becomes a member
2 prior to July 1, 2018, an hour of compensated service shall include any
3 hour for which the member is compensated by the school district during
4 periods when no service is performed due to vacation or approved leave.
5 For an employee who becomes a member on or after July 1, 2018, an hour of
6 compensated service shall include any hour for which the member is
7 compensated by the school district during periods when no service is
8 performed due to used accrued sick days, used accrued vacation days,
9 federal and state holidays, and jury duty leave for which the member is
10 paid full compensation by the employer. If a member performs less than
11 one thousand hours of compensated service during a fiscal year, one-tenth
12 of a year of membership service shall be credited for each one hundred
13 hours of compensated service by the member in such fiscal year. In
14 determining a member's total membership service, all periods of
15 membership service, including fractional years of membership service in
16 one-tenth-year increments, shall be aggregated;

17 (21) Military service means service in the uniformed services as
18 defined in 38 U.S.C. 4301 et seq., as such provision existed on March 27,
19 1997;

20 (22) Normal retirement date means the end of the month during which
21 the member attains age sixty-five and has completed at least five years
22 of membership service;

23 (23) Primary beneficiary means the person or persons entitled to
24 receive or receiving a benefit by reason of the death of a member;

25 (24) Prior service means service rendered prior to September 1,
26 1951, for which credit is allowed under section 79-999, service rendered
27 by retired employees receiving benefits under preexisting systems, and
28 service for which credit is allowed under sections 79-990, 79-991,
29 79-994, 79-995, and 79-997;

30 (25) Regular interest means interest (a) on the total contributions
31 of the member prior to the close of the last preceding fiscal year, (b)

1 compounded annually, and (c)(i) beginning September 1, 2016, at a rate
2 equal to the daily treasury yield curve for one-year treasury securities,
3 as published by the Secretary of the Treasury of the United States, that
4 applies on September 1 of each year and (ii) prior to September 1, 2016,
5 at rates to be determined annually by the board, which shall have the
6 sole, absolute, and final discretionary authority to make such
7 determination, except that the rate for any given year in no event shall
8 exceed the actual percentage of net earnings of the system during the
9 last preceding fiscal year;

10 (26) Retirement allowance means the total annual retirement benefit
11 payable to a member for service or disability;

12 (27) Retirement date means the date of retirement of a member for
13 service or disability as fixed by the board of trustees described in
14 section 79-980;

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

18 (29) Secondary beneficiary means the person or persons entitled to
19 receive or receiving a benefit by reason of the death of all primary
20 beneficiaries prior to the death of the member. If no primary beneficiary
21 survives the member, secondary beneficiaries shall be treated in the same
22 manner as primary beneficiaries;

23 (30) Solvency means the rate of all contributions required pursuant
24 to the Class V School Employees Retirement Act is equal to or greater
25 than the actuarially required contribution rate as annotated in the most
26 recent valuation report prepared by the actuary retained by the board of
27 trustees as provided in section 79-984;

28 (31) ~~(30)~~ State investment officer means the state investment
29 officer appointed pursuant to section 72-1240 and acting pursuant to the
30 Nebraska State Funds Investment Act;

31 (32) ~~(31)~~ Substitute employee means a person hired by an employer as

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

5 ~~(33)~~ ~~(32)~~ Temporary employee means a person hired by an employer who
6 is not an employee and who is hired to provide service for a limited
7 period of time to accomplish a specific purpose or task. When such
8 specific purpose or task is complete, the employment of such temporary
9 employee shall terminate and in no case shall the temporary employment
10 period exceed one year in duration;

11 ~~(34)~~ ~~(33)~~ Trustee means a trustee provided for in section 79-980;
12 and

13 ~~(35)~~ ~~(34)~~ Voluntary service or volunteer means providing bona fide
14 unpaid service to an employer.

15 Sec. 32. Section 79-9,113, Revised Statutes Cumulative Supplement,
16 2016, is amended to read:

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

1 earned by the member during each fiscal year, and from two and four-
2 tenths percent to one and forty-four hundredths percent of salary or wage
3 earned by the member during each fiscal year, except that after September
4 1, 1963, and prior to September 1, 1969, all employees of the school
5 district shall contribute an amount equal to the membership contribution
6 which shall be two and three-fourths percent of salary covered by old age
7 and survivors insurance, and five percent above that amount. Commencing
8 September 1, 1969, all employees of the school district shall contribute
9 an amount equal to the membership contribution which shall be two and
10 three-fourths percent of the first seven thousand eight hundred dollars
11 of salary or wages earned each fiscal year and five percent of salary or
12 wages earned above that amount in the same fiscal year. Commencing
13 September 1, 1976, all employees of the school district shall contribute
14 an amount equal to the membership contribution which shall be two and
15 nine-tenths percent of the first seven thousand eight hundred dollars of
16 salary or wages earned each fiscal year and five and twenty-five
17 hundredths percent of salary or wages earned above that amount in the
18 same fiscal year. Commencing on September 1, 1982, all employees of the
19 school district shall contribute an amount equal to the membership
20 contribution which shall be four and nine-tenths percent of the
21 compensation earned in each fiscal year. Commencing September 1, 1989,
22 all employees of the school district shall contribute an amount equal to
23 the membership contribution which shall be five and eight-tenths percent
24 of the compensation earned in each fiscal year. Commencing September 1,
25 1995, all employees of the school district shall contribute an amount
26 equal to the membership contribution which shall be six and three-tenths
27 percent of the compensation earned in each fiscal year. Commencing
28 September 1, 2007, all employees of the school district shall contribute
29 an amount equal to the membership contribution which shall be seven and
30 three-tenths percent of the compensation paid in each fiscal year.
31 Commencing September 1, 2009, all employees of the school district shall

1 contribute an amount equal to the membership contribution which shall be
2 eight and three-tenths percent of the compensation paid in each fiscal
3 year. Commencing September 1, 2011, all employees of the school district
4 shall contribute an amount equal to the membership contribution which
5 shall be nine and three-tenths percent of the compensation paid in each
6 fiscal year. Commencing September 1, 2013, all employees of the school
7 district shall contribute an amount equal to the membership contribution
8 which shall be nine and seventy-eight hundredths percent of the
9 compensation paid in each fiscal year.

10 (b) The contributions by the school district in any fiscal year
11 beginning on or after September 1, 1999, shall be the greater of (i) one
12 hundred percent of the contributions by the employees for such fiscal
13 year or (ii) such amount as may be necessary to maintain the solvency of
14 the system, as determined annually by the board of education upon
15 recommendation of the actuary and the board of trustees.

16 (c) The contributions by the school district in any fiscal year
17 beginning on or after September 1, 2007, and prior to September 1, 2018,
18 shall be the greater of (i) one hundred one percent of the contributions
19 by the employees for such fiscal year or (ii) such amount as may be
20 necessary to maintain the solvency of the system, as determined annually
21 by the board of education upon recommendation of the actuary retained by
22 the board of trustees and after considering any amounts that will be, or
23 are expected to be, transferred to the system pursuant to subdivision (1)
24 (b) of section 79-966. The amount necessary to maintain the solvency of
25 the system as determined in subdivision (ii) of this subdivision (c)
26 shall be transmitted by the school district to the account of the
27 retirement system no later than August 31, 2018 ~~For purposes of this~~
28 ~~section, solvency means the rate of all contributions required pursuant~~
29 ~~to the Class V School Employees Retirement Act is equal to or greater~~
30 ~~than the actuarially required contribution rate using a closed thirty-~~
31 ~~year amortization period beginning on the current valuation date for any~~

1 ~~unfunded actuarial accrued liability~~. The school district contributions
2 specified in subdivision (i) of this subdivision (c) shall be made
3 monthly and shall be immediately transmitted to the account of the
4 retirement system.

5 (d) The contributions by the school district in any fiscal year
6 beginning on or after September 1, 2018, and each September 1 thereafter,
7 shall be the greater of (i) one hundred one percent of the contributions
8 by the employees for such fiscal year or (ii) such amount as may be
9 necessary to maintain the solvency of the system, as determined annually
10 by the board of education upon recommendation of the actuary retained by
11 the board of trustees and after considering any amounts that will be, or
12 are expected to be, transferred to the system pursuant to subdivision (1)
13 (b) of section 79-966. The amount necessary to maintain the solvency of
14 the system as determined in subdivision (ii) of this subdivision (d)
15 shall be transmitted by the school district to the account of the
16 retirement system no later than August 31, 2019, and each August 31
17 thereafter. The school district contributions specified in subdivision
18 (i) of this subdivision (d) shall be made monthly and shall be
19 immediately transmitted to the account of the retirement system.

20 (e) Nothing in this section prohibits the school district from
21 making other contributions in addition to the contributions required
22 pursuant to this section.

23 (f) ~~(d)~~ The employee's contribution shall be made in the form of a
24 monthly deduction from compensation as provided in subsection (2) of this
25 section and shall be immediately transmitted to the account of the
26 retirement system. Every employee who is a member of the system shall be
27 deemed to consent and agree to such deductions and shall receipt in full
28 for compensation, and payment to such employee of compensation less such
29 deduction shall constitute a full and complete discharge of all claims
30 and demands whatsoever for services rendered by such employee during the
31 period covered by such payment except as to benefits provided under the

1 Class V School Employees Retirement Act.

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

27 (h) ~~(f)~~ Members of this system having the service qualifications of
28 members of the School Employees Retirement System of the State of
29 Nebraska, as provided by section 79-926, who are members of the
30 retirement system established pursuant to the Class V School Employees
31 Retirement Act prior to July 1, 2016, shall receive the state service

1 annuity provided by sections 79-933 to 79-935 and 79-951.

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

30 Sec. 33. Section 79-1003, Revised Statutes Supplement, 2017, is
31 amended to read:

1 79-1003 For purposes of the Tax Equity and Educational Opportunities
2 Support Act:

3 (1) Adjusted general fund operating expenditures means (a) for
4 school fiscal years 2013-14 through 2015-16, the difference of the
5 general fund operating expenditures as calculated pursuant to subdivision
6 (23) of this section increased by the cost growth factor calculated
7 pursuant to section 79-1007.10, minus the transportation allowance,
8 special receipts allowance, poverty allowance, limited English
9 proficiency allowance, distance education and telecommunications
10 allowance, elementary site allowance, summer school allowance,
11 instructional time allowance, teacher education allowance, and focus
12 school and program allowance, (b) for school fiscal years 2016-17 through
13 2018-19, the difference of the general fund operating expenditures as
14 calculated pursuant to subdivision (23) of this section increased by the
15 cost growth factor calculated pursuant to section 79-1007.10, minus the
16 transportation allowance, special receipts allowance, poverty allowance,
17 limited English proficiency allowance, distance education and
18 telecommunications allowance, elementary site allowance, summer school
19 allowance, and focus school and program allowance, and (c) for school
20 fiscal year 2019-20 and each school fiscal year thereafter, the
21 difference of the general fund operating expenditures as calculated
22 pursuant to subdivision (23) of this section increased by the cost growth
23 factor calculated pursuant to section 79-1007.10, minus the
24 transportation allowance, special receipts allowance, poverty allowance,
25 limited English proficiency allowance, distance education and
26 telecommunications allowance, elementary site allowance, summer school
27 allowance, community achievement plan allowance, and focus school and
28 program allowance;

29 (2) Adjusted valuation means the assessed valuation of taxable
30 property of each local system in the state, adjusted pursuant to the
31 adjustment factors described in section 79-1016. Adjusted valuation means

1 the adjusted valuation for the property tax year ending during the school
2 fiscal year immediately preceding the school fiscal year in which the aid
3 based upon that value is to be paid. For purposes of determining the
4 local effort rate yield pursuant to section 79-1015.01, adjusted
5 valuation does not include the value of any property which a court, by a
6 final judgment from which no appeal is taken, has declared to be
7 nontaxable or exempt from taxation;

8 (3) Allocated income tax funds means the amount of assistance paid
9 to a local system pursuant to section 79-1005.01 as adjusted, for school
10 fiscal years prior to school fiscal year 2017-18, by the minimum levy
11 adjustment pursuant to section 79-1008.02;

12 (4) Average daily membership means the average daily membership for
13 grades kindergarten through twelve attributable to the local system, as
14 provided in each district's annual statistical summary, and includes the
15 proportionate share of students enrolled in a public school instructional
16 program on less than a full-time basis;

17 (5) Base fiscal year means the first school fiscal year following
18 the school fiscal year in which the reorganization or unification
19 occurred;

20 (6) Board means the school board of each school district;

21 (7) Categorical funds means funds limited to a specific purpose by
22 federal or state law, including, but not limited to, Title I funds, Title
23 VI funds, federal vocational education funds, federal school lunch funds,
24 Indian education funds, Head Start funds, and funds from the Education
25 Innovation Fund;

26 (8) Consolidate means to voluntarily reduce the number of school
27 districts providing education to a grade group and does not include
28 dissolution pursuant to section 79-498;

29 (9) Converted contract means an expired contract that was in effect
30 for at least fifteen school years beginning prior to school year 2012-13
31 for the education of students in a nonresident district in exchange for

1 tuition from the resident district when the expiration of such contract
2 results in the nonresident district educating students, who would have
3 been covered by the contract if the contract were still in effect, as
4 option students pursuant to the enrollment option program established in
5 section 79-234;

6 (10) Converted contract option student means a student who will be
7 an option student pursuant to the enrollment option program established
8 in section 79-234 for the school fiscal year for which aid is being
9 calculated and who would have been covered by a converted contract if the
10 contract were still in effect and such school fiscal year is the first
11 school fiscal year for which such contract is not in effect;

12 (11) Department means the State Department of Education;

13 (12) District means any Class I, II, III, IV, V, or VI school
14 district or unified system as defined in section 79-4,108;

15 (13) Ensuing school fiscal year means the school fiscal year
16 following the current school fiscal year;

17 (14) Equalization aid means the amount of assistance calculated to
18 be paid to a local system pursuant to sections 79-1007.11 to 79-1007.23,
19 79-1007.25, 79-1008.01 to 79-1022, and 79-1022.02;

20 (15) Fall membership means the total membership in kindergarten
21 through grade twelve attributable to the local system as reported on the
22 fall school district membership reports for each district pursuant to
23 section 79-528;

24 (16) Fiscal year means the state fiscal year which is the period
25 from July 1 to the following June 30;

26 (17) Formula students means:

27 (a) For state aid certified pursuant to section 79-1022, the sum of
28 the product of fall membership from the school fiscal year immediately
29 preceding the school fiscal year in which the aid is to be paid
30 multiplied by the average ratio of average daily membership to fall
31 membership for the second school fiscal year immediately preceding the

1 school fiscal year in which the aid is to be paid and the prior two
2 school fiscal years plus sixty percent of the qualified early childhood
3 education fall membership plus tuitioned students from the school fiscal
4 year immediately preceding the school fiscal year in which aid is to be
5 paid minus the product of the number of students enrolled in kindergarten
6 that is not full-day kindergarten from the fall membership multiplied by
7 0.5; and

8 (b) For the final calculation of state aid pursuant to section
9 79-1065, the sum of average daily membership plus sixty percent of the
10 qualified early childhood education average daily membership plus
11 tuitioned students minus the product of the number of students enrolled
12 in kindergarten that is not full-day kindergarten from the average daily
13 membership multiplied by 0.5 from the school fiscal year immediately
14 preceding the school fiscal year in which aid was paid;

15 (18) Free lunch and free milk calculated students means, using the
16 most recent data available on November 1 of the school fiscal year
17 immediately preceding the school fiscal year in which aid is to be paid,

18 (a) for schools that did not provide free meals to all students pursuant
19 to the community eligibility provision, students who individually
20 qualified for free lunches or free milk pursuant to the federal Richard
21 B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and the
22 federal Child Nutrition Act of 1966, 42 U.S.C. 1771 et seq., as such acts
23 and sections existed on January 1, 2015, and rules and regulations
24 adopted thereunder, plus (b) for schools that provided free meals to all
25 students pursuant to the community eligibility provision, (i) for school
26 fiscal year 2016-17, the product of the students who attended such school
27 multiplied by the identified student percentage calculated pursuant to
28 such federal provision or (ii) for school fiscal year 2017-18 and each
29 school fiscal year thereafter, the greater of the number of students in
30 such school who individually qualified for free lunch or free milk using
31 the most recent school fiscal year for which the school did not provide

1 free meals to all students pursuant to the community eligibility
2 provision or one hundred ten percent of the product of the students who
3 qualified for free meals at such school pursuant to the community
4 eligibility provision multiplied by the identified student percentage
5 calculated pursuant to such federal provision, except that the free lunch
6 and free milk students calculated for any school pursuant to subdivision
7 (18)(b)(ii) of this section shall not exceed one hundred percent of the
8 students qualified for free meals at such school pursuant to the
9 community eligibility provision;

10 (19) Free lunch and free milk student means, for school fiscal years
11 prior to school fiscal year 2016-17, a student who qualified for free
12 lunches or free milk from the most recent data available on November 1 of
13 the school fiscal year immediately preceding the school fiscal year in
14 which aid is to be paid;

15 (20) Full-day kindergarten means kindergarten offered by a district
16 for at least one thousand thirty-two instructional hours;

17 (21) General fund budget of expenditures means the total budget of
18 disbursements and transfers for general fund purposes as certified in the
19 budget statement adopted pursuant to the Nebraska Budget Act, except that
20 for purposes of the limitation imposed in section 79-1023 and the
21 calculation pursuant to subdivision (2) of section 79-1027.01, the
22 general fund budget of expenditures does not include any special grant
23 funds, exclusive of local matching funds, received by a district;

24 (22) General fund expenditures means all expenditures from the
25 general fund;

26 (23) General fund operating expenditures means for state aid
27 calculated for school fiscal years 2012-13 and each school fiscal year
28 thereafter, as reported on the annual financial report for the second
29 school fiscal year immediately preceding the school fiscal year in which
30 aid is to be paid, the total general fund expenditures minus (a) the
31 amount of all receipts to the general fund, to the extent that such

1 receipts are not included in local system formula resources, from early
2 childhood education tuition, summer school tuition, educational entities
3 as defined in section 79-1201.01 for providing distance education courses
4 through the Educational Service Unit Coordinating Council to such
5 educational entities, private foundations, individuals, associations,
6 charitable organizations, the textbook loan program authorized by section
7 79-734, federal impact aid, and levy override elections pursuant to
8 section 77-3444, (b) the amount of expenditures for categorical funds,
9 tuition paid, transportation fees paid to other districts, adult
10 education, community services, redemption of the principal portion of
11 general fund debt service, retirement incentive plans authorized by
12 section 79-855, and staff development assistance authorized by section
13 79-856, (c) the amount of any transfers from the general fund to any bond
14 fund and transfers from other funds into the general fund, (d) any legal
15 expenses in excess of fifteen-hundredths of one percent of the formula
16 need for the school fiscal year in which the expenses occurred, (e)(i)
17 for state aid calculated for school fiscal years prior to school fiscal
18 year 2018-19, expenditures to pay for sums agreed to be paid by a school
19 district to certificated employees in exchange for a voluntary
20 termination occurring prior to July 1, 2009, occurring on or after the
21 last day of the 2010-11 school year and prior to the first day of the
22 2013-14 school year, or, to the extent that a district has demonstrated
23 to the State Board of Education pursuant to section 79-1028.01 that the
24 agreement will result in a net savings in salary and benefit costs to the
25 school district over a five-year period, occurring on or after the first
26 day of the 2013-14 school year or (ii) for state aid calculated for
27 school fiscal year 2018-19 and each school fiscal year thereafter,
28 expenditures to pay for incentives agreed to be paid by a school district
29 to certificated employees in exchange for a voluntary termination of
30 employment for which the State Board of Education approved an exclusion
31 pursuant to ~~subdivision~~ subdivisions (1)(h), (i), (j), or (k) of section

1 79-1028.01, (f)(i) expenditures to pay for employer contributions
2 pursuant to subsection (2) of section 79-958 to the School Employees
3 Retirement System of the State of Nebraska to the extent that such
4 expenditures exceed the employer contributions under such subsection that
5 would have been made at a contribution rate of seven and thirty-five
6 hundredths percent or (ii) expenditures to pay for school district
7 contributions pursuant to subdivision (1)(c)(i) or (1)(d)(i) of section
8 79-9,113 to the retirement system established pursuant to the Class V
9 School Employees Retirement Act to the extent that such expenditures
10 exceed the school district contributions under such subdivision that
11 would have been made at a contribution rate of seven and thirty-seven
12 hundredths percent, and (g) any amounts paid by the district for lobbyist
13 fees and expenses reported to the Clerk of the Legislature pursuant to
14 section 49-1483.

15 For purposes of this subdivision (23) of this section, receipts from
16 levy override elections shall equal ninety-nine percent of the difference
17 of the total general fund levy minus a levy of one dollar and five cents
18 per one hundred dollars of taxable valuation multiplied by the assessed
19 valuation for school districts that have voted pursuant to section
20 77-3444 to override the maximum levy provided pursuant to section
21 77-3442;

22 (24) High school district means a school district providing
23 instruction in at least grades nine through twelve;

24 (25) Income tax liability means the amount of the reported income
25 tax liability for resident individuals pursuant to the Nebraska Revenue
26 Act of 1967 less all nonrefundable credits earned and refunds made;

27 (26) Income tax receipts means the amount of income tax collected
28 pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable
29 credits earned and refunds made;

30 (27) Limited English proficiency students means the number of
31 students with limited English proficiency in a district from the most

1 recent data available on November 1 of the school fiscal year preceding
2 the school fiscal year in which aid is to be paid plus the difference of
3 such students with limited English proficiency minus the average number
4 of limited English proficiency students for such district, prior to such
5 addition, for the three immediately preceding school fiscal years if such
6 difference is greater than zero;

7 (28) Local system means a learning community for purposes of
8 calculation of state aid for each school fiscal year prior to school
9 fiscal year 2017-18, a unified system, a Class VI district and the
10 associated Class I districts, or a Class II, III, IV, or V district and
11 any affiliated Class I districts or portions of Class I districts. The
12 membership, expenditures, and resources of Class I districts that are
13 affiliated with multiple high school districts will be attributed to
14 local systems based on the percent of the Class I valuation that is
15 affiliated with each high school district;

16 (29) Low-income child means (a) for school fiscal years prior to
17 2016-17, a child under nineteen years of age living in a household having
18 an annual adjusted gross income for the second calendar year preceding
19 the beginning of the school fiscal year for which aid is being calculated
20 equal to or less than the maximum household income that would allow a
21 student from a family of four people to be a free lunch and free milk
22 student during the school fiscal year immediately preceding the school
23 fiscal year for which aid is being calculated and (b) for school fiscal
24 year 2016-17 and each school fiscal year thereafter, a child under
25 nineteen years of age living in a household having an annual adjusted
26 gross income for the second calendar year preceding the beginning of the
27 school fiscal year for which aid is being calculated equal to or less
28 than the maximum household income pursuant to sections 9(b)(1) and 17(c)
29 (4) of the Richard B. Russell National School Lunch Act, 42 U.S.C.
30 1758(b)(1) and 42 U.S.C. 1766(c)(4), respectively, and sections 3(a)(6)
31 and 4(e)(1)(A) of the Child Nutrition Act of 1966, 42 U.S.C. 1772(a)(6)

1 and 42 U.S.C. 1773(e)(1)(A), respectively, as such acts and sections
2 existed on January 1, 2015, for a household of that size that would have
3 allowed the child to meet the income qualifications for free meals during
4 the school fiscal year immediately preceding the school fiscal year for
5 which aid is being calculated;

6 (30) Low-income students means the number of low-income children
7 within the district multiplied by the ratio of the formula students in
8 the district divided by the total children under nineteen years of age
9 residing in the district as derived from income tax information;

10 (31) Most recently available complete data year means the most
11 recent single school fiscal year for which the annual financial report,
12 fall school district membership report, annual statistical summary,
13 Nebraska income tax liability by school district for the calendar year in
14 which the majority of the school fiscal year falls, and adjusted
15 valuation data are available;

16 (32) Poverty students means (a) for school fiscal years prior to
17 2016-17, the number of low-income students or the number of students who
18 are free lunch and free milk students in a district plus the difference
19 of the number of low-income students or the number of students who are
20 free lunch and free milk students in a district, whichever is greater,
21 minus the average number of poverty students for such district, prior to
22 such addition, for the three immediately preceding school fiscal years if
23 such difference is greater than zero and (b) for school fiscal year
24 2016-17 and each school fiscal year thereafter, the unadjusted poverty
25 students plus the difference of such unadjusted poverty students minus
26 the average number of poverty students for such district, prior to such
27 addition, for the three immediately preceding school fiscal years if such
28 difference is greater than zero;

29 (33) Qualified early childhood education average daily membership
30 means the product of the average daily membership for school fiscal year
31 2006-07 and each school fiscal year thereafter of students who will be

1 eligible to attend kindergarten the following school year and are
2 enrolled in an early childhood education program approved by the
3 department pursuant to section 79-1103 for such school district for such
4 school year multiplied by the ratio of the actual instructional hours of
5 the program divided by one thousand thirty-two if: (a) The program is
6 receiving a grant pursuant to such section for the third year; (b) the
7 program has already received grants pursuant to such section for three
8 years; or (c) the program has been approved pursuant to subsection (5) of
9 section 79-1103 for such school year and the two preceding school years,
10 including any such students in portions of any of such programs receiving
11 an expansion grant;

12 (34) Qualified early childhood education fall membership means the
13 product of membership on the last Friday in September 2006 and each year
14 thereafter of students who will be eligible to attend kindergarten the
15 following school year and are enrolled in an early childhood education
16 program approved by the department pursuant to section 79-1103 for such
17 school district for such school year multiplied by the ratio of the
18 planned instructional hours of the program divided by one thousand
19 thirty-two if: (a) The program is receiving a grant pursuant to such
20 section for the third year; (b) the program has already received grants
21 pursuant to such section for three years; or (c) the program has been
22 approved pursuant to subsection (5) of section 79-1103 for such school
23 year and the two preceding school years, including any such students in
24 portions of any of such programs receiving an expansion grant;

25 (35) Regular route transportation means the transportation of
26 students on regularly scheduled daily routes to and from the attendance
27 center;

28 (36) Reorganized district means any district involved in a
29 consolidation and currently educating students following consolidation;

30 (37) School year or school fiscal year means the fiscal year of a
31 school district as defined in section 79-1091;

1 (38) Sparse local system means a local system that is not a very
2 sparse local system but which meets the following criteria:

3 (a)(i) Less than two students per square mile in the county in which
4 each high school is located, based on the school district census, (ii)
5 less than one formula student per square mile in the local system, and
6 (iii) more than ten miles between each high school attendance center and
7 the next closest high school attendance center on paved roads;

8 (b)(i) Less than one and one-half formula students per square mile
9 in the local system and (ii) more than fifteen miles between each high
10 school attendance center and the next closest high school attendance
11 center on paved roads;

12 (c)(i) Less than one and one-half formula students per square mile
13 in the local system and (ii) more than two hundred seventy-five square
14 miles in the local system; or

15 (d)(i) Less than two formula students per square mile in the local
16 system and (ii) the local system includes an area equal to ninety-five
17 percent or more of the square miles in the largest county in which a high
18 school attendance center is located in the local system;

19 (39) Special education means specially designed kindergarten through
20 grade twelve instruction pursuant to section 79-1125, and includes
21 special education transportation;

22 (40) Special grant funds means the budgeted receipts for grants,
23 including, but not limited to, categorical funds, reimbursements for
24 wards of the court, short-term borrowings including, but not limited to,
25 registered warrants and tax anticipation notes, interfund loans,
26 insurance settlements, and reimbursements to county government for
27 previous overpayment. The state board shall approve a listing of grants
28 that qualify as special grant funds;

29 (41) State aid means the amount of assistance paid to a district
30 pursuant to the Tax Equity and Educational Opportunities Support Act;

31 (42) State board means the State Board of Education;

1 (43) State support means all funds provided to districts by the
2 State of Nebraska for the general fund support of elementary and
3 secondary education;

4 (44) Statewide average basic funding per formula student means the
5 statewide total basic funding for all districts divided by the statewide
6 total formula students for all districts;

7 (45) Statewide average general fund operating expenditures per
8 formula student means the statewide total general fund operating
9 expenditures for all districts divided by the statewide total formula
10 students for all districts;

11 (46) Teacher has the definition found in section 79-101;

12 (47) Temporary aid adjustment factor means (a) for school fiscal
13 years before school fiscal year 2007-08, one and one-fourth percent of
14 the sum of the local system's transportation allowance, the local
15 system's special receipts allowance, and the product of the local
16 system's adjusted formula students multiplied by the average formula cost
17 per student in the local system's cost grouping and (b) for school fiscal
18 year 2007-08, one and one-fourth percent of the sum of the local system's
19 transportation allowance, special receipts allowance, and distance
20 education and telecommunications allowance and the product of the local
21 system's adjusted formula students multiplied by the average formula cost
22 per student in the local system's cost grouping;

23 (48) Tuition receipts from converted contracts means tuition
24 receipts received by a district from another district in the most
25 recently available complete data year pursuant to a converted contract
26 prior to the expiration of the contract;

27 (49) Tuitioned students means students in kindergarten through grade
28 twelve of the district whose tuition is paid by the district to some
29 other district or education agency;

30 (50) Unadjusted poverty students means, for school fiscal year
31 2016-17 and each school fiscal year thereafter, the greater of the number

1 of low-income students or the free lunch and free milk calculated
2 students in a district; and

3 (51) Very sparse local system means a local system that has:

4 (a)(i) Less than one-half student per square mile in each county in
5 which each high school attendance center is located based on the school
6 district census, (ii) less than one formula student per square mile in
7 the local system, and (iii) more than fifteen miles between the high
8 school attendance center and the next closest high school attendance
9 center on paved roads; or

10 (b)(i) More than four hundred fifty square miles in the local
11 system, (ii) less than one-half student per square mile in the local
12 system, and (iii) more than fifteen miles between each high school
13 attendance center and the next closest high school attendance center on
14 paved roads.

15 Sec. 34. Section 79-1028.01, Revised Statutes Supplement, 2017, is
16 amended to read:

17 79-1028.01 (1) For each school fiscal year, a school district may
18 exceed its budget authority for the general fund budget of expenditures
19 as calculated pursuant to section 79-1023 for such school fiscal year by
20 a specific dollar amount for the following exclusions:

21 (a) Expenditures for repairs to infrastructure damaged by a natural
22 disaster which is declared a disaster emergency pursuant to the Emergency
23 Management Act;

24 (b) Expenditures for judgments, except judgments or orders from the
25 Commission of Industrial Relations, obtained against a school district
26 which require or obligate a school district to pay such judgment, to the
27 extent such judgment is not paid by liability insurance coverage of a
28 school district;

29 (c) Expenditures pursuant to the Retirement Incentive Plan
30 authorized in section 79-855 or the Staff Development Assistance
31 authorized in section 79-856;

1 (d) Expenditures of amounts received from educational entities as
2 defined in section 79-1201.01 for providing distance education courses
3 through the Educational Service Unit Coordinating Council to such
4 educational entities;

5 (e) Expenditures to pay for employer contributions pursuant to
6 subsection (2) of section 79-958 to the School Employees Retirement
7 System of the State of Nebraska to the extent that such expenditures
8 exceed the employer contributions under such subsection that would have
9 been made at a contribution rate of seven and thirty-five hundredths
10 percent;

11 (f) Expenditures to pay for school district contributions pursuant
12 to subdivision (1)(c)(i) or (1)(d)(i) of section 79-9,113 to the
13 retirement system established pursuant to the Class V School Employees
14 Retirement Act to the extent that such expenditures exceed the school
15 district contributions under such subdivision that would have been made
16 at a contribution rate of seven and thirty-seven hundredths percent;

17 (g) Expenditures for incentives agreed to be paid by a school
18 district to certificated employees in exchange for a voluntary
19 termination of employment occurring prior to July 1, 2009, occurring on
20 or after the last day of the 2010-11 school year and prior to the first
21 day of the 2013-14 school year, or, to the extent that a district
22 demonstrates to the State Board of Education pursuant to subsection (3)
23 of this section that the agreement will result in a net savings in salary
24 and benefit costs to the school district over a five-year period,
25 occurring on or after the first day of the 2013-14 school year and prior
26 to September 1, 2017;

27 (h) Expenditures by a school district with budgeted expenditures
28 otherwise equal to the budget authority for the general fund budget of
29 expenditures for such school district as calculated pursuant to section
30 79-1023 for such school fiscal year for current and future qualified
31 voluntary termination incentives for certificated teachers pursuant to

1 subsection (3) of section 79-8,142 that are not otherwise included in an
2 exclusion pursuant to this subsection;

3 (i) Expenditures by a school district with budgeted expenditures
4 otherwise equal to the budget authority for the general fund budget of
5 expenditures for such school district as calculated pursuant to section
6 79-1023 for such school fiscal year for seventy-five percent of
7 incentives agreed to be paid to certificated employees in exchange for a
8 voluntary termination of employment occurring between September 1, 2017,
9 and August 31, 2018, as a result of a collective-bargaining agreement in
10 force and effect on September 1, 2017, that are not otherwise included in
11 an exclusion pursuant to this subsection;

12 (j) Expenditures by a school district with budgeted expenditures
13 otherwise equal to the budget authority for the general fund budget of
14 expenditures for such school district as calculated pursuant to section
15 79-1023 for such school fiscal year for fifty percent of incentives
16 agreed to be paid to certificated employees in exchange for a voluntary
17 termination of employment occurring between September 1, 2018, and August
18 31, 2019, as a result of a collective-bargaining agreement in force and
19 effect on September 1, 2017, that are not otherwise included in an
20 exclusion pursuant to this subsection;

21 (k) Expenditures by a school district with budgeted expenditures
22 otherwise equal to the budget authority for the general fund budget of
23 expenditures for such school district as calculated pursuant to section
24 79-1023 for such school fiscal year for twenty-five percent of incentives
25 agreed to be paid to certificated employees in exchange for a voluntary
26 termination of employment occurring between September 1, 2019, and August
27 31, 2020, as a result of a collective-bargaining agreement in force and
28 effect on September 1, 2017, that are not otherwise included in an
29 exclusion pursuant to this subsection;

30 (l) The special education budget of expenditures;

31 (m) Expenditures of special grant funds; and

1 (n) Expenditures of funds received as federal impact aid pursuant to
2 20 U.S.C. 7701 to 7714, as such sections existed on January 1, 2016, due
3 to a district having land within its boundaries that is federal property
4 classified as Indian lands under 20 U.S.C. 7713(7), as such section
5 existed on January 1, 2016, and funds received as impact aid due to
6 children in attendance who resided on Indian lands in accordance with 20
7 U.S.C. 7703(a)(1)(C), as such section existed on January 1, 2016.

8 (2) For each school fiscal year, a school district may exceed its
9 budget authority for the general fund budget of expenditures as
10 calculated pursuant to section 79-1023 for such school fiscal year by a
11 specific dollar amount and include such dollar amount in the budget of
12 expenditures used to calculate budget authority for the general fund
13 budget of expenditures pursuant to section 79-1023 for future years for
14 the following exclusions:

15 (a) The first school fiscal year the district will be participating
16 in Network Nebraska for the full school fiscal year, for the difference
17 of the estimated expenditures for such school fiscal year for
18 telecommunications services, access to data transmission networks that
19 transmit data to and from the school district, and the transmission of
20 data on such networks as such expenditures are defined by the department
21 for purposes of the distance education and telecommunications allowance
22 minus the dollar amount of such expenditures for the second school fiscal
23 year preceding the first full school fiscal year the district
24 participates in Network Nebraska;

25 (b) Expenditures for new elementary attendance sites in the first
26 year of operation or the first year of operation after being closed for
27 at least one school year if such elementary attendance site will most
28 likely qualify for the elementary site allowance in the immediately
29 following school fiscal year as determined by the state board;

30 (c) For the first school fiscal year for which early childhood
31 education membership is included in formula students for the calculation

1 of state aid, expenditures for early childhood education equal to the
2 amount the school district received in early childhood education grants
3 pursuant to section 79-1103 for the prior school fiscal year, increased
4 by the basic allowable growth rate; and

5 (d) For school fiscal year 2013-14, an amount not to exceed two
6 percent over the previous school year if such increase is approved by a
7 seventy-five percent majority vote of the school board of such district.

8 (3) The state board shall approve, deny, or modify the amount
9 allowed for any exclusions to the budget authority for the general fund
10 budget of expenditures pursuant to this section.

11 Sec. 35. Section 81-2014, Revised Statutes Supplement, 2017, is
12 amended to read:

13 81-2014 For purposes of the Nebraska State Patrol Retirement Act:

14 (1)(a) Actuarial equivalent means the equality in value of the
15 aggregate amounts expected to be received under different forms of
16 payment or to be received at an earlier retirement age than the normal
17 retirement age.

18 (b) For an officer hired before July 1, 2017, the determinations
19 shall be based on the 1994 Group Annuity Mortality Table reflecting sex-
20 distinct factors blended using seventy-five percent of the male table and
21 twenty-five percent of the female table. An interest rate of eight
22 percent per annum shall be reflected in making the determinations until
23 such percent is amended by the Legislature.

24 (c) For an officer hired on or after July 1, 2017, or rehired on or
25 after July 1, 2017, after termination of employment and being paid a
26 retirement benefit or taking a refund of contributions, the
27 determinations shall be based on a unisex mortality table and an interest
28 rate specified by the board. Both the mortality table and the interest
29 rate shall be recommended by the actuary and approved by the board
30 following an actuarial experience study, a benefit adequacy study, or a
31 plan valuation. The mortality table, interest rate, and actuarial factors

1 in effect on the officer's retirement date will be used to calculate
2 actuarial equivalency of any retirement benefit. Such interest rate may
3 be, but is not required to be, equal to the assumed rate of return;

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

5 (3)(a)(i) Compensation means gross wages or salaries payable to the
6 member for personal services performed during the plan year. Compensation
7 does not include insurance premiums converted into cash payments,
8 reimbursement for expenses incurred, fringe benefits, per diems, or
9 bonuses for services not actually rendered, including, but not limited
10 to, early retirement inducements, cash awards, and severance pay, except
11 for retroactive salary payments paid pursuant to court order,
12 arbitration, or litigation and grievance settlements. Compensation
13 includes overtime pay, member retirement contributions, and amounts
14 contributed by the member to plans under sections 125 and 457 of the
15 Internal Revenue Code as defined in section 49-801.01 or any other
16 section of the code which defers or excludes such amounts from income.

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

20 (iii) For any officer employed after January 4, 1979, and prior to
21 July 1, 2016, compensation does not include compensation for unused sick
22 leave or unused vacation leave converted to cash payments and includes
23 compensation for unused holiday compensatory time and unused compensatory
24 time converted to cash payments.

25 (iv) For any officer employed on or after July 1, 2016, compensation
26 does not include compensation for unused sick leave, unused vacation
27 leave, unused holiday compensatory time, unused compensatory time, or any
28 other type of unused leave, compensatory time, or similar benefits,
29 converted to cash payments.

30 (b) Compensation in excess of the limitations set forth in section
31 401(a)(17) of the Internal Revenue Code as defined in section 49-801.01

1 shall be disregarded. For an employee who was a member of the retirement
2 system before the first plan year beginning after December 31, 1995, the
3 limitation on compensation shall not be less than the amount which was
4 allowed to be taken into account under the retirement system as in effect
5 on July 1, 1993;

6 (4) Creditable service means service granted pursuant to section
7 81-2034 and all service rendered while a contributing member of the
8 retirement system. Creditable service includes working days, sick days,
9 vacation days, holidays, and any other leave days for which the officer
10 is paid regular wages except as specifically provided in the Nebraska
11 State Patrol Retirement Act. Creditable service does not include
12 eligibility and vesting credit nor service years for which member
13 contributions are withdrawn and not repaid;

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

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

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

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

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

29 (10) Hire date or date of hire means the first day of compensated
30 service subject to retirement contributions;

31 (11) Initial benefit means the retirement benefit calculated at the

1 time of retirement;

2 (12) Officer means law enforcement officer as defined in section
3 81-1401 and as provided for in sections 81-2001 to 81-2009, but does not
4 include a law enforcement officer who has been granted an appointment
5 conditioned on satisfactory completion of a training program approved by
6 the Nebraska Police Standards Advisory Council;

7 (13) Plan year means the twelve-month period beginning on July 1 and
8 ending on June 30 of the following year;

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

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

17 (16) Retirement date means (a) the first day of the month following
18 the date upon which a member's request for retirement is received on a
19 retirement application if the member is eligible for retirement and has
20 terminated employment or (b) the first day of the month following
21 termination of employment if the member is eligible for retirement and
22 has filed an application but has not yet terminated employment;

23 (17) Retirement system or system means the Nebraska State Patrol
24 Retirement System as provided in the act;

25 (18) Service means employment as a member of the Nebraska State
26 Patrol and shall not be deemed to be interrupted by (a) temporary or
27 seasonal suspension of service that does not terminate the employee's
28 employment, (b) leave of absence authorized by the employer for a period
29 not exceeding twelve months, (c) leave of absence because of disability,
30 or (d) military service, when properly authorized by the board. Service
31 does not include any period of disability for which disability retirement

1 benefits are received under subsection (1) of section 81-2025;

2 (19) Surviving spouse means (a) the spouse married to the member on
3 the date of the member's death if married for at least one year prior to
4 death or if married on the date of the member's retirement or (b) the
5 spouse or former spouse of the member if survivorship rights are provided
6 under a qualified domestic relations order filed with the board pursuant
7 to the Spousal Pension Rights Act. The spouse or former spouse shall
8 supersede the spouse married to the member on the date of the member's
9 death as provided under a qualified domestic relations order. If the
10 benefits payable to the spouse or former spouse under a qualified
11 domestic relations order are less than the value of benefits entitled to
12 the surviving spouse, the spouse married to the member on the date of the
13 member's death shall be the surviving spouse for the balance of the
14 benefits; and

15 (20) Termination of employment occurs on the date on which the
16 Nebraska State Patrol determines that the officer's employer-employee
17 relationship with the patrol is dissolved. The Nebraska State Patrol
18 shall notify the board of the date on which such a termination has
19 occurred. Termination of employment does not include ceasing employment
20 with the Nebraska State Patrol if the officer returns to regular
21 employment with the Nebraska State Patrol or another agency of the State
22 of Nebraska and there are less than one hundred twenty days between the
23 date when the employee's employer-employee relationship ceased and the
24 date when the employer-employee relationship commenced with the Nebraska
25 State Patrol or another state agency. Termination of employment does not
26 occur upon an officer's participation in DROP pursuant to section
27 81-2041. It is the responsibility of the employer that is involved in the
28 termination of employment to notify the board of such change in
29 employment and provide the board with such information as the board deems
30 necessary. If the board determines that termination of employment has not
31 occurred and a retirement benefit has been paid to a member of the

1 retirement system pursuant to section 81-2026, the board shall require
2 the member who has received such benefit to repay the benefit to the
3 retirement system.

4 Sec. 36. Section 81-2019, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 81-2019 The general administration of the Nebraska State Patrol
7 Retirement System, except the investment of funds, is hereby vested in
8 the board. The board ~~may shall~~ adopt and promulgate rules and regulations
9 as may be necessary to carry out the Nebraska State Patrol Retirement
10 Act. The board shall employ a director and such assistants and employees
11 as may be necessary to efficiently discharge the duties imposed by the
12 act.

13 Sec. 37. Section 81-2019.01, Revised Statutes Cumulative Supplement,
14 2016, is amended to read:

15 81-2019.01 (1)(a) If the board determines that the retirement system
16 has previously received contributions or distributed benefits which for
17 any reason are not in accordance with the statutory provisions of
18 sections 81-2014 to 81-2036, the board shall refund contributions,
19 require additional contributions, adjust benefits, or require repayment
20 of benefits paid. In the event of an overpayment of a benefit, the board
21 may, in addition to other remedies, offset future benefit payments by the
22 amount of the prior overpayment, together with regular interest thereon.
23 In the event of an underpayment of a benefit, the board shall immediately
24 make payment equal to the deficit amount plus regular interest.

25 (b) The board shall have the power, through the director of the
26 Nebraska Public Employees Retirement Systems or the director's designee,
27 to make a thorough investigation of any overpayment of a benefit, when in
28 the judgment of the retirement system such investigation is necessary,
29 including, but not limited to, circumstances in which benefit payments
30 are made after the death of a member or beneficiary and the retirement
31 system is not made aware of such member's or beneficiary's death. In

1 connection with any such investigation, the board, through the director
2 or the director's designee, shall have the power to compel the attendance
3 of witnesses and the production of books, papers, records, and documents,
4 whether in hardcopy, electronic form, or otherwise, and issue subpoenas
5 for such purposes. Such subpoenas shall be served in the same manner and
6 have the same effect as subpoenas from district courts.

7 (2) The board ~~may shall~~ adopt and promulgate rules and regulations
8 implementing this section, which shall include, but not be limited to,
9 the following: (a) The procedures for refunding contributions, adjusting
10 future contributions or benefit payments, and requiring additional
11 contributions or repayment of benefits; (b) the process for a member,
12 member's beneficiary, employee, or employer to dispute an adjustment of
13 contributions or benefits; and (c) notice provided to all affected
14 persons. All notices shall be sent prior to an adjustment and shall
15 describe the process for disputing an adjustment of contributions or
16 benefits.

17 Sec. 38. Section 81-2026, Revised Statutes Cumulative Supplement,
18 2016, is amended to read:

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

31 (b) For retirement pursuant to subsection (2) of section 81-2025 on

1 or after the fiftieth birthday of the member but prior to the fifty-fifth
2 birthday of the member who has been in the employ of the state for less
3 than twenty-five years, as calculated in section 81-2033, the annuity
4 which would apply if the member were age fifty-five at the date of
5 retirement shall be reduced by five-ninths of one percent for each month
6 by which the early retirement date precedes age fifty-five or for each
7 month by which the early retirement date precedes the date upon which the
8 member has served for twenty-five years, whichever is earlier. Any
9 officer who has completed thirty years of creditable service with the
10 Nebraska State Patrol shall have retirement benefits computed as if the
11 officer had reached age fifty-five.

12 (c) For purposes of this computation:

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

17 (A) For any officer employed on or before January 4, 1979, the
18 officer's total compensation includes payments received for unused
19 vacation and sick leave accumulated during the final three years of
20 service; or

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

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

1 calculating an officer's final average monthly compensation ends with the
2 month during which the officer's final compensation is paid. In the
3 determination of compensation, that part of an officer's compensation for
4 the plan year which exceeds the officer's compensation for the preceding
5 plan year by more than eight percent during the capping period shall be
6 excluded. Such officer's compensation for the first plan year of the
7 capping period shall be compared to the officer's compensation received
8 for the plan year immediately preceding the capping period. For purposes
9 of this subdivision, capping period means the five plan years preceding
10 the officer's retirement date. The board ~~may shall~~ adopt and promulgate
11 rules and regulations for the implementation of this section, including
12 rules and regulations related to prorating, annualizing, or recalculating
13 an officer's final average monthly compensation for each plan year in the
14 capping period.

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

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

31 (a) If there is a surviving spouse but no dependent child or

1 children of the officer under nineteen years of age, the surviving spouse
2 shall receive a benefit equal to seventy-five percent of the amount of
3 the officer's annuity for the remainder of the surviving spouse's life;

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

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

31 (d) If there is no surviving spouse and a dependent child or

1 children of the officer under nineteen years of age, the benefit shall be
2 equal to seventy-five percent of the officer's annuity to the dependent
3 children of the officer under nineteen years of age to be divided equally
4 among such dependent children. At such time as any dependent child of the
5 officer attains nineteen years of age, the benefit shall be divided
6 equally among the remaining dependent children of the officer who have
7 not yet attained nineteen years of age; and

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

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

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

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

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

1 percent of the amount of the officer's annuity to the surviving spouse
2 for the remainder of the surviving spouse's life;

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

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

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

1 (6) A lump-sum death benefit paid to the member's beneficiary, other
2 than the member's estate, that is an eligible distribution may be
3 distributed in the form of a direct transfer to a retirement plan
4 eligible to receive such transfer under the provisions of the Internal
5 Revenue Code.

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

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

17 Sec. 39. Section 81-2031.03, Reissue Revised Statutes of Nebraska,
18 is amended to read:

19 81-2031.03 (1) For purposes of this section and section 81-2031.04:

20 (a) Direct rollover means a payment by the retirement system to the
21 eligible retirement plan or plans specified by the distributee
22 ~~Distributee means the member, the member's surviving spouse, or the~~
23 ~~member's former spouse who is an alternate payee under a qualified~~
24 ~~domestic relations order as defined in section 414(p) of the Internal~~
25 ~~Revenue Code;~~

26 (b) Distributee means the member, the member's surviving spouse, or
27 the member's former spouse who is an alternate payee under a qualified
28 domestic relations order as defined in section 414(p) of the Internal
29 Revenue Code ~~Direct rollover means a payment by the retirement system to~~
30 ~~the eligible retirement plan or plans specified by the distributee;~~

31 (c) Eligible retirement plan means (i) an individual retirement

1 account described in section 408(a) of the Internal Revenue Code, (ii) an
2 individual retirement annuity described in section 408(b) of the code,
3 except for an endowment contract, (iii) a qualified plan described in
4 section 401(a) of the code, (iv) an annuity plan described in section
5 403(a) or 403(b) of the code, (v) except for purposes of section
6 81-2031.04, an individual retirement plan described in section 408A of
7 the code, and (vi) a plan described in section 457(b) of the code and
8 maintained by a governmental employer. For eligible rollover
9 distributions to a surviving spouse, an eligible retirement plan means
10 subdivisions (1)(c)(i) through (vi) of this section; and

11 (d) Eligible rollover distribution means any distribution to a
12 distributee of all or any portion of the balance to the credit of the
13 distributee in the plan, except such term shall not include any
14 distribution which is one of a series of substantially equal periodic
15 payments, not less frequently than annually, made for the life of the
16 distributee or joint lives of the distributee and the distributee's
17 beneficiary or for the specified period of ten years or more and shall
18 not include any distribution to the extent such distribution is required
19 under section 401(a)(9) of the Internal Revenue Code.

20 (2) For distributions made to a distributee on or after January 1,
21 1993, a distributee may elect to have any portion of an eligible rollover
22 distribution paid directly to an eligible retirement plan specified by
23 the distributee.

24 (3) A member's surviving spouse or former spouse who is an alternate
25 payee under a qualified domestic relations order and, on or after July 1,
26 2010, any designated beneficiary of a member who is not a surviving
27 spouse or former spouse who is entitled to receive an eligible rollover
28 distribution from the retirement system may, in accordance with such
29 rules, regulations, and limitations as may be established by the board,
30 elect to have such distribution made in the form of a direct transfer to
31 a retirement plan eligible to receive such transfer under the provisions

1 of the Internal Revenue Code.

2 (4) An eligible rollover distribution on behalf of a designated
3 beneficiary of a member who is not a surviving spouse or former spouse of
4 the member may be transferred to an individual retirement account or
5 annuity described in section 408(a) or section 408(b) of the Internal
6 Revenue Code that is established for the purpose of receiving the
7 distribution on behalf of the designated beneficiary and that will be
8 treated as an inherited individual retirement account or individual
9 retirement annuity described in section 408(d)(3)(C) of the Internal
10 Revenue Code.

11 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
12 for direct rollover procedures which are consistent with section 401(a)
13 (31) of the Internal Revenue Code and which include, but are not limited
14 to, the form and time of direct rollover distributions.

15 Sec. 40. Section 81-2031.04, Reissue Revised Statutes of Nebraska,
16 is amended to read:

17 81-2031.04 (1) The retirement system may accept cash rollover
18 contributions from a member who is making payment pursuant to section
19 81-2031 if the contributions do not exceed the amount of payment required
20 for the service credits purchased by the member pursuant to such section
21 and the contributions represent (a) all or any portion of the balance of
22 the member's interest in a qualified plan under section 401(a) of the
23 Internal Revenue Code or (b) the interest of the member from an
24 individual retirement account or an individual retirement annuity, the
25 entire amount of which is attributable to a qualified total distribution,
26 as defined in the Internal Revenue Code, from a qualified plan under
27 section 401(a) of the code and qualified as a tax-free rollover amount.
28 The member's interest under subdivision (a) or (b) of this subsection
29 must be transferred to the retirement system within sixty days from the
30 date of the distribution from the qualified plan, individual retirement
31 account, or individual retirement annuity.

1 (2) Cash transferred to the retirement system as a rollover
2 contribution shall be deposited as other payments for service credits.

3 (3) Under the same conditions as provided in subsection (1) of this
4 section, the retirement system may accept eligible rollover distributions
5 from (a) an annuity contract described in section 403(b) of the Internal
6 Revenue Code, (b) a plan described in section 457(b) of the code which is
7 maintained by a state, a political subdivision of a state, or any agency
8 or instrumentality of a state or political subdivision of a state, or (c)
9 the portion of a distribution from an individual retirement account or
10 annuity described in section 408(a) or 408(b) of the code that is
11 eligible to be rolled over and would otherwise be includible in gross
12 income. Amounts accepted pursuant to this subsection shall be deposited
13 as all other payments under this section.

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

18 (5) The board may ~~shall~~ adopt and promulgate rules and regulations
19 defining procedures for acceptance of rollovers which are consistent with
20 sections 401(a)(31) and 402 of the Internal Revenue Code.

21 Sec. 41. Section 84-1301, Revised Statutes Supplement, 2017, is
22 amended to read:

23 84-1301 For purposes of the State Employees Retirement Act, unless
24 the context otherwise requires:

25 (1)(a) Actuarial equivalent means the equality in value of the
26 aggregate amounts expected to be received under different forms of an
27 annuity payment.

28 (b) For an employee hired prior to January 1, 2018, the mortality
29 assumption used for purposes of converting the member cash balance
30 account shall be the 1994 Group Annuity Mortality Table using a unisex
31 rate that is fifty percent male and fifty percent female. For purposes of

1 converting the member cash balance account attributable to contributions
2 made prior to January 1, 1984, that were transferred pursuant to the act,
3 the 1994 Group Annuity Mortality Table for males shall be used.

4 (c) For an employee hired on or after January 1, 2018, or rehired on
5 or after January 1, 2018, after termination of employment and being paid
6 a retirement benefit or taking a refund of contributions, the mortality
7 assumption used for purposes of converting the member cash balance
8 account shall be a unisex mortality table that is recommended by the
9 actuary and approved by the board following an actuarial experience
10 study, a benefit adequacy study, or a plan valuation. The mortality table
11 and actuarial factors in effect on the member's retirement date will be
12 used to calculate the actuarial equivalency of any retirement benefit;

13 (2) Annuity means equal monthly payments provided by the retirement
14 system to a member or beneficiary under forms determined by the board
15 beginning the first day of the month after an annuity election is
16 received in the office of the Nebraska Public Employees Retirement
17 Systems or the first day of the month after the employee's termination of
18 employment, whichever is later. The last payment shall be at the end of
19 the calendar month in which the member dies or in accordance with the
20 payment option chosen by the member;

21 (3) Annuity start date means the date upon which a member's annuity
22 is first effective and shall be the first day of the month following the
23 member's termination or following the date the application is received by
24 the board, whichever is later;

25 (4) Cash balance benefit means a member's retirement benefit that is
26 equal to an amount based on annual employee contribution credits plus
27 interest credits and, if vested, employer contribution credits plus
28 interest credits and dividend amounts credited in accordance with
29 subdivision (4)(c) of section 84-1319;

30 (5)(a) Compensation means gross wages or salaries payable to the
31 member for personal services performed during the plan year. Compensation

1 does not include insurance premiums converted into cash payments,
2 reimbursement for expenses incurred, fringe benefits, per diems, or
3 bonuses for services not actually rendered, including, but not limited
4 to, early retirement inducements, cash awards, and severance pay, except
5 for retroactive salary payments paid pursuant to court order,
6 arbitration, or litigation and grievance settlements. Compensation
7 includes overtime pay, member retirement contributions, and amounts
8 contributed by the member to plans under sections 125, 403(b), and 457 of
9 the Internal Revenue Code or any other section of the code which defers
10 or excludes such amounts from income.

11 (b) Compensation in excess of the limitations set forth in section
12 401(a)(17) of the Internal Revenue Code shall be disregarded. For an
13 employee who was a member of the retirement system before the first plan
14 year beginning after December 31, 1995, the limitation on compensation
15 shall not be less than the amount which was allowed to be taken into
16 account under the retirement system as in effect on July 1, 1993;

17 (6) Date of disability means the date on which a member is
18 determined to be disabled by the board;

19 (7) Defined contribution benefit means a member's retirement benefit
20 from a money purchase plan in which member benefits equal annual
21 contributions and earnings pursuant to section 84-1310 and, if vested,
22 employer contributions and earnings pursuant to section 84-1311;

23 (8) Disability means an inability to engage in any substantially
24 gainful activity by reason of any medically determinable physical or
25 mental impairment which was initially diagnosed or became disabling while
26 the member was an active participant in the plan and which can be
27 expected to result in death or to be of long-continued and indefinite
28 duration;

29 (9) Employee means any employee of the State Board of Agriculture
30 who is a member of the state retirement system on July 1, 1982, and any
31 person or officer employed by the State of Nebraska whose compensation is

1 paid out of state funds or funds controlled or administered by a state
2 department through any of its executive or administrative officers when
3 acting exclusively in their respective official, executive, or
4 administrative capacities. Employee does not include (a) judges as
5 defined in section 24-701, (b) members of the Nebraska State Patrol,
6 except for those members of the Nebraska State Patrol who elected
7 pursuant to section 60-1304 to remain members of the State Employees
8 Retirement System of the State of Nebraska, (c) employees of the
9 University of Nebraska, (d) employees of the state colleges, (e)
10 employees of community colleges, (f) employees of the Department of Labor
11 employed prior to July 1, 1984, and paid from funds provided pursuant to
12 Title III of the federal Social Security Act or funds from other federal
13 sources, except that if the contributory retirement plan or contract let
14 pursuant to section 48-609, as such section existed prior to January 1,
15 2018, is terminated, such employees shall become employees for purposes
16 of the State Employees Retirement Act on the first day of the first pay
17 period following the termination of such contributory retirement plan or
18 contract, (g) employees of the State Board of Agriculture who are not
19 members of the state retirement system on July 1, 1982, (h) the Nebraska
20 National Guard air and army technicians, (i) persons eligible for
21 membership under the School Employees Retirement System of the State of
22 Nebraska who have not elected to become members of the retirement system
23 pursuant to section 79-920 or been made members of the system pursuant to
24 such section, except that those persons so eligible and who as of
25 September 2, 1973, are contributing to the State Employees Retirement
26 System of the State of Nebraska shall continue as members of such system,
27 or (j) employees of the Coordinating Commission for Postsecondary
28 Education who are eligible for and have elected to become members of a
29 qualified retirement program approved by the commission which is
30 commensurate with retirement programs at the University of Nebraska. Any
31 individual appointed by the Governor may elect not to become a member of

1 the State Employees Retirement System of the State of Nebraska;

2 (10) Employee contribution credit means an amount equal to the
3 member contribution amount required by section 84-1308;

4 (11) Employer contribution credit means an amount equal to the
5 employer contribution amount required by section 84-1309;

6 (12) Final account value means the value of a member's account on
7 the date the account is either distributed to the member or used to
8 purchase an annuity from the plan, which date shall occur as soon as
9 administratively practicable after receipt of a valid application for
10 benefits, but no sooner than forty-five days after the member's
11 termination;

12 (13) Five-year break in service means five consecutive one-year
13 breaks in service;

14 (14) Full-time employee means an employee who is employed to work
15 one-half or more of the regularly scheduled hours during each pay period;

16 (15) Fund means the State Employees Retirement Fund created by
17 section 84-1309;

18 (16) Guaranteed investment contract means an investment contract or
19 account offering a return of principal invested plus interest at a
20 specified rate. For investments made after July 19, 1996, guaranteed
21 investment contract does not include direct obligations of the United
22 States or its instrumentalities, bonds, participation certificates or
23 other obligations of the Federal National Mortgage Association, the
24 Federal Home Loan Mortgage Corporation, or the Government National
25 Mortgage Association, or collateralized mortgage obligations and other
26 derivative securities. This subdivision shall not be construed to require
27 the liquidation of investment contracts or accounts entered into prior to
28 July 19, 1996;

29 (17) Hire date or date of hire means the first day of compensated
30 service subject to retirement contributions;

31 (18) Interest credit rate means the greater of (a) five percent or

1 (b) the applicable federal mid-term rate, as published by the Internal
2 Revenue Service as of the first day of the calendar quarter for which
3 interest credits are credited, plus one and one-half percent, such rate
4 to be compounded annually;

5 (19) Interest credits means the amounts credited to the employee
6 cash balance account and the employer cash balance account at the end of
7 each day. Such interest credit for each account shall be determined by
8 applying the daily portion of the interest credit rate to the account
9 balance at the end of the previous day. Such interest credits shall
10 continue to be credited to the employee cash balance account and the
11 employer cash balance account after a member ceases to be an employee,
12 except that no such credit shall be made with respect to the employee
13 cash balance account and the employer cash balance account for any day
14 beginning on or after the member's date of final account value. If
15 benefits payable to the member's surviving spouse or beneficiary are
16 delayed after the member's death, interest credits shall continue to be
17 credited to the employee cash balance account and the employer cash
18 balance account until such surviving spouse or beneficiary commences
19 receipt of a distribution from the plan;

20 (20) Member cash balance account means an account equal to the sum
21 of the employee cash balance account and, if vested, the employer cash
22 balance account and dividend amounts credited in accordance with
23 subdivision (4)(c) of section 84-1319;

24 (21) One-year break in service means a plan year during which the
25 member has not completed more than five hundred hours of service;

26 (22) Participation means qualifying for and making the required
27 deposits to the retirement system during the course of a plan year;

28 (23) Part-time employee means an employee who is employed to work
29 less than one-half of the regularly scheduled hours during each pay
30 period;

31 (24) Plan year means the twelve-month period beginning on January 1

1 and ending on December 31;

2 (25) Prior service means service before January 1, 1964;

3 (26) Regular interest means the rate of interest earned each
4 calendar year commencing January 1, 1975, as determined by the retirement
5 board in conformity with actual and expected earnings on the investments
6 through December 31, 1984;

7 (27) Required contribution means the deduction to be made from the
8 compensation of employees as provided in section 84-1308;

9 (28) Retirement means qualifying for and accepting the retirement
10 benefit granted under the State Employees Retirement Act after
11 terminating employment;

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

15 (30) Retirement board or board means the Public Employees Retirement
16 Board;

17 (31) Retirement date means (a) the first day of the month following
18 the date upon which a member's request for retirement is received on a
19 retirement application if the member is eligible for retirement and has
20 terminated employment or (b) the first day of the month following
21 termination of employment if the member is eligible for retirement and
22 has filed an application but has not yet terminated employment;

23 (32) Retirement system means the State Employees Retirement System
24 of the State of Nebraska;

25 (33) Service means the actual total length of employment as an
26 employee and shall not be deemed to be interrupted by (a) temporary or
27 seasonal suspension of service that does not terminate the employee's
28 employment, (b) leave of absence authorized by the employer for a period
29 not exceeding twelve months, (c) leave of absence because of disability,
30 or (d) military service, when properly authorized by the retirement
31 board. Service does not include any period of disability for which

1 disability retirement benefits are received under section 84-1317;

2 (34) State department means any department, bureau, commission, or
3 other division of state government not otherwise specifically defined or
4 exempted in the act, the employees and officers of which are not already
5 covered by a retirement plan;

6 (35) Surviving spouse means (a) the spouse married to the member on
7 the date of the member's death or (b) the spouse or former spouse of the
8 member if survivorship rights are provided under a qualified domestic
9 relations order filed with the board pursuant to the Spousal Pension
10 Rights Act. The spouse or former spouse shall supersede the spouse
11 married to the member on the date of the member's death as provided under
12 a qualified domestic relations order. If the benefits payable to the
13 spouse or former spouse under a qualified domestic relations order are
14 less than the value of benefits entitled to the surviving spouse, the
15 spouse married to the member on the date of the member's death shall be
16 the surviving spouse for the balance of the benefits;

17 (36) Termination of employment occurs on the date on which the
18 agency which employs the member determines that the member's employer-
19 employee relationship with the State of Nebraska is dissolved. The agency
20 which employs the member shall notify the board of the date on which such
21 a termination has occurred. Termination of employment does not occur if
22 an employee whose employer-employee relationship with the State of
23 Nebraska is dissolved enters into an employer-employee relationship with
24 the same or another agency of the State of Nebraska and there are less
25 than one hundred twenty days between the date when the employee's
26 employer-employee relationship ceased with the state and the date when
27 the employer-employee relationship commenced with the same or another
28 agency. It is the responsibility of the employer that is involved in the
29 termination of employment to notify the board of such change in
30 employment and provide the board with such information as the board deems
31 necessary. If the board determines that termination of employment has not

1 occurred and a retirement benefit has been paid to a member of the
2 retirement system pursuant to section 84-1321, the board shall require
3 the member who has received such benefit to repay the benefit to the
4 retirement system; and

5 (37) Vesting credit means credit for years, or a fraction of a year,
6 of participation in another Nebraska governmental plan for purposes of
7 determining vesting of the employer account.

8 Sec. 42. Section 84-1305, Reissue Revised Statutes of Nebraska, is
9 amended to read:

10 84-1305 The general administration of the retirement system shall be
11 vested in the retirement board. The board ~~may shall~~ adopt and promulgate
12 rules and regulations to carry out the State Employees Retirement Act.
13 The board shall maintain records and may employ such assistants and
14 employees ~~any assistance~~ as may be necessary to carry out the act.

15 Sec. 43. Section 84-1305.02, Revised Statutes Cumulative Supplement,
16 2016, is amended to read:

17 84-1305.02 (1)(a) If the board determines that the retirement system
18 has previously received contributions or distributed benefits which for
19 any reason are not in accordance with the statutory provisions of the
20 State Employees Retirement Act, the board shall refund contributions,
21 require additional contributions, adjust benefits, credit dividend
22 amounts, or require repayment of benefits paid. In the event of an
23 overpayment of a benefit, the board may, in addition to other remedies,
24 offset future benefit payments by the amount of the prior overpayment,
25 together with regular interest or interest credits, whichever is
26 appropriate, thereon. In the event of an underpayment of a benefit, the
27 board shall immediately make payment equal to the deficit amount plus
28 regular interest or interest credits, whichever is appropriate.

29 (b) The board shall have the power, through the director of the
30 Nebraska Public Employees Retirement Systems or the director's designee,
31 to make a thorough investigation of any overpayment of a benefit, when in

1 the judgment of the retirement system such investigation is necessary,
2 including, but not limited to, circumstances in which benefit payments
3 are made after the death of a member or beneficiary and the retirement
4 system is not made aware of such member's or beneficiary's death. In
5 connection with any such investigation, the board, through the director
6 or the director's designee, shall have the power to compel the attendance
7 of witnesses and the production of books, papers, records, and documents,
8 whether in hardcopy, electronic form, or otherwise, and issue subpoenas
9 for such purposes. Such subpoenas shall be served in the same manner and
10 have the same effect as subpoenas from district courts.

11 (2) The board ~~may shall~~ adopt and promulgate rules and regulations
12 implementing this section, which shall include, but not be limited to,
13 the following: (a) The procedures for refunding contributions, adjusting
14 future contributions or benefit payments, and requiring additional
15 contributions or repayment of benefits; (b) the process for a member,
16 member's beneficiary, employee, or employer to dispute an adjustment of
17 contributions or benefits; and (c) notice provided to all affected
18 persons. All notices shall be sent prior to an adjustment and shall
19 describe the process for disputing an adjustment of contributions or
20 benefits.

21 Sec. 44. Section 84-1310.01, Reissue Revised Statutes of Nebraska,
22 is amended to read:

23 84-1310.01 (1) Each member employed and participating in the
24 retirement system prior to January 1, 2003, who has elected not to
25 participate in the cash balance benefit, shall be allowed to allocate all
26 contributions to his or her employee account to various investment
27 options. Such investment options shall include, but not be limited to,
28 the following:

29 (a) An investor select account which shall be invested under the
30 direction of the state investment officer with an asset allocation and
31 investment strategy substantially similar to the investment allocations

1 made by the state investment officer for the defined benefit plans under
2 the retirement systems described in subdivision (1)(a) of section
3 84-1503. Investments shall most likely include domestic and international
4 equities, fixed income investments, and real estate, as well as
5 potentially additional asset classes;

6 (b) A stable return account which shall be invested by or under the
7 direction of the state investment officer in a stable value strategy that
8 provides capital preservation and consistent, steady returns;

9 (c) An equities account which shall be invested by or under the
10 direction of the state investment officer in equities;

11 (d) A balanced account which shall be invested by or under the
12 direction of the state investment officer in equities and fixed income
13 instruments;

14 (e) An index fund account which shall be invested by or under the
15 direction of the state investment officer in a portfolio of common stocks
16 designed to closely duplicate the total return of the Standard and Poor's
17 division of The McGraw-Hill Companies, Inc., 500 Index;

18 (f) A fixed income account which shall be invested by or under the
19 direction of the state investment officer in fixed income instruments;

20 (g) A money market account which shall be invested by or under the
21 direction of the state investment officer in short-term fixed income
22 securities; and

23 (h) Beginning on July 1, 2006, an age-based account which shall be
24 invested under the direction of the state investment officer with an
25 asset allocation and investment strategy that changes based upon the age
26 of the member. The board shall develop an account mechanism that changes
27 the investments as the employee nears retirement age. The asset
28 allocation and asset classes utilized in the investments shall move from
29 aggressive, to moderate, and then to conservative as retirement age
30 approaches.

31 If a member fails to select an option or combination of options, all

1 of his or her funds shall be placed in the option described in
2 subdivision (b) of this subsection. Each member shall be given a detailed
3 current description of each investment option prior to making or revising
4 his or her allocation.

5 (2) Members of the retirement system may allocate their
6 contributions to the investment options in percentage increments as set
7 by the board in any proportion, including full allocation to any one
8 option. A member under subdivision (1)(a) of section 84-1323 or his or
9 her beneficiary may transfer any portion of his or her funds among the
10 options, except for restrictions on transfers to or from the stable
11 return account pursuant to rule or regulation. The board ~~may shall~~ adopt
12 and promulgate rules and regulations for changes of a member's allocation
13 of contributions to his or her accounts after his or her most recent
14 allocation and for transfers from one investment account to another.

15 (3) The board shall develop a schedule for the allocation of
16 administrative costs of maintaining the various investment options and
17 shall assess the costs so that each member pays a reasonable fee as
18 determined by the board.

19 (4) In order to carry out the provisions of this section, the board
20 may enter into administrative services agreements for accounting or
21 record-keeping services. No agreement shall be entered into unless the
22 board determines that it will result in administrative economy and will
23 be in the best interests of the state and its participating employees.

24 (5) The state, the board, the state investment officer, the members
25 of the Nebraska Investment Council, or the agency shall not be liable for
26 any investment results resulting from the member's exercise of control
27 over the assets in the employee account.

28 Sec. 45. Section 84-1311.03, Reissue Revised Statutes of Nebraska,
29 is amended to read:

30 84-1311.03 (1) Each member employed and participating in the
31 retirement system prior to January 1, 2003, who has elected not to

1 participate in the cash balance benefit, shall be allowed to allocate all
2 contributions to his or her employer account to various investment
3 options. Such investment options shall be the same as the investment
4 options of the employee account as provided in subsection (1) of section
5 84-1310.01. If a member fails to select an option or combination of
6 options, all of his or her funds in the employer account shall be placed
7 in the balanced account option described in subdivision (1)(d) of section
8 84-1310.01. Each member shall be given a detailed current description of
9 each investment option prior to making or revising his or her allocation.

10 (2) Each member of the retirement system may allocate contributions
11 to his or her employer account to the investment options in percentage
12 increments as set by the board in any proportion, including full
13 allocation to any one option. A member under subdivision (1)(a) of
14 section 84-1323 or his or her beneficiary may transfer any portion of his
15 or her funds among the options. The board ~~may shall~~ adopt and promulgate
16 rules and regulations for changes of a member's allocation of
17 contributions to his or her accounts after his or her most recent
18 allocation and for transfers from one investment account to another.

19 (3) The board shall develop a schedule for the allocation of
20 administrative costs of maintaining the various investment options and
21 shall assess the costs so that each member pays a reasonable fee as
22 determined by the board.

23 (4) In order to carry out the provisions of this section, the board
24 may enter into administrative services agreements for accounting or
25 record-keeping services. No agreement shall be entered into unless the
26 board determines that it will result in administrative economy and will
27 be in the best interests of the state and its participating employees.

28 (5) The state, the board, the state investment officer, the members
29 of the Nebraska Investment Council, or the agency shall not be liable for
30 any investment results resulting from the member's exercise of control
31 over the assets in the employer account.

1 Sec. 46. Section 84-1312, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 84-1312 (1) For purposes of this section and section 84-1313:

4 (a) Direct rollover means a payment by the retirement system to the
5 eligible retirement plan or plans specified by the distributee
6 ~~Distributee means the member, the member's surviving spouse, or the~~
7 ~~member's former spouse who is an alternate payee under a qualified~~
8 ~~domestic relations order as defined in section 414(p) of the Internal~~
9 ~~Revenue Code;~~

10 (b) Distributee means the member, the member's surviving spouse, or
11 the member's former spouse who is an alternate payee under a qualified
12 domestic relations order as defined in section 414(p) of the Internal
13 Revenue Code ~~Direct rollover means a payment by the retirement system to~~
14 ~~the eligible retirement plan or plans specified by the distributee;~~

15 (c) Eligible retirement plan means (i) an individual retirement
16 account described in section 408(a) of the Internal Revenue Code, (ii) an
17 individual retirement annuity described in section 408(b) of the code,
18 except for an endowment contract, (iii) a qualified plan described in
19 section 401(a) of the code, (iv) an annuity plan described in section
20 403(a) or 403(b) of the code, (v) except for purposes of section 84-1313,
21 an individual retirement plan described in section 408A of the code, and
22 (vi) a plan described in section 457(b) of the code and maintained by a
23 governmental employer. For eligible rollover distributions to a surviving
24 spouse, an eligible retirement plan means subdivisions (1)(c)(i) through
25 (vi) of this section; and

26 (d) Eligible rollover distribution means any distribution to a
27 distributee of all or any portion of the balance to the credit of the
28 distributee in the plan, except such term shall not include any
29 distribution which is one of a series of substantially equal periodic
30 payments, not less frequently than annually, made for the life of the
31 distributee or joint lives of the distributee and the distributee's

1 beneficiary or for the specified period of ten years or more and shall
2 not include any distribution to the extent such distribution is required
3 under section 401(a)(9) of the Internal Revenue Code.

4 (2) For distributions made to a distributee on or after January 1,
5 1993, a distributee may elect to have any portion of an eligible rollover
6 distribution paid directly to an eligible retirement plan specified by
7 the distributee.

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

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

26 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
27 for direct rollover procedures which are consistent with section 401(a)
28 (31) of the Internal Revenue Code and which include, but are not limited
29 to, the form and time of direct rollover distributions.

30 Sec. 47. Section 84-1313, Reissue Revised Statutes of Nebraska, is
31 amended to read:

1 84-1313 (1) The retirement system may accept cash rollover
2 contributions from a member who is making payment pursuant to section
3 84-1322 or 84-1325 if the contributions do not exceed the amount of
4 payment authorized to be paid by the member pursuant to section 84-1322
5 or 84-1325 and the contributions represent (a) all or any portion of the
6 balance of the member's interest in a qualified plan under section 401(a)
7 of the Internal Revenue Code or (b) the interest of the member from an
8 individual retirement account or an individual retirement annuity, the
9 entire amount of which is attributable to a qualified total distribution,
10 as defined in the Internal Revenue Code, from a qualified plan under
11 section 401(a) of the code and qualified as a tax-free rollover amount.
12 The member's interest under subdivision (a) or (b) of this subsection
13 must be transferred to the retirement system within sixty days from the
14 date of the distribution from the qualified plan, individual retirement
15 account, or individual retirement annuity.

16 (2) Cash transferred to the retirement system as a rollover
17 contribution shall be deposited as other payments made under section
18 84-1322 or 84-1325.

19 (3) Under the same conditions as provided in subsection (1) of this
20 section, the retirement system may accept eligible rollover distributions
21 from (a) an annuity contract described in section 403(b) of the Internal
22 Revenue Code, (b) a plan described in section 457(b) of the code which is
23 maintained by a state, a political subdivision of a state, or any agency
24 or instrumentality of a state or political subdivision of a state, or (c)
25 the portion of a distribution from an individual retirement account or
26 annuity described in section 408(a) or 408(b) of the code that is
27 eligible to be rolled over and would otherwise be includible in gross
28 income. Amounts accepted pursuant to this subsection shall be deposited
29 as all other payments under this section.

30 (4) The retirement system may accept direct rollover distributions
31 made from a qualified plan pursuant to section 401(a)(31) of the Internal

1 Revenue Code. The direct rollover distribution shall be deposited as all
2 other payments under this section.

3 (5) The board ~~may shall~~ adopt and promulgate rules and regulations
4 defining procedures for acceptance of rollovers which are consistent with
5 sections 401(a)(31) and 402 of the Internal Revenue Code.

6 Sec. 48. Section 84-1325, Revised Statutes Supplement, 2017, is
7 amended to read:

8 84-1325 (1)(a) For military service beginning on or after December
9 12, 1994, but before January 1, 2018, any employee who, while an
10 employee, entered into and served in the armed forces of the United
11 States and who within ninety days after honorable discharge or honorable
12 separation from active duty again became an employee shall be credited,
13 for the purposes of the provisions of section 84-1317, with all the time
14 actually served in the armed forces as if such person had been an
15 employee throughout such service in the armed forces pursuant to the
16 terms and conditions of subdivision (b) of this subsection.

17 (b) Under such rules and regulations as the retirement board may
18 adopt and promulgate ~~adopts and promulgates~~, any employee who is
19 reemployed pursuant to 38 U.S.C. 4301 et seq., may pay to the retirement
20 system an amount equal to the sum of all deductions which would have been
21 made from the employee's compensation during such period of military
22 service. Payment shall be made within the period required by law, not to
23 exceed five years. To the extent that payment is made, (i) the employee
24 shall be treated as not having incurred a break in service by reason of
25 the employee's period of military service, (ii) the period of military
26 service shall be credited for the purposes of determining the
27 nonforfeitability of the employee's accrued benefits and the accrual of
28 benefits under the plan, and (iii) the employer shall allocate the amount
29 of employer contributions to the employee's employer account in the same
30 manner and to the same extent the allocation occurs for other employees
31 during the period of service. For purposes of employee and employer

1 contributions under this subsection, the employee's compensation during
2 the period of military service shall be the rate the employee would have
3 received but for the military service or, if not reasonably determinable,
4 the average rate the employee received during the twelve-month period
5 immediately preceding military service.

6 (c) The employer shall pick up the employee contributions made
7 through irrevocable payroll deduction authorizations pursuant to this
8 subsection, and the contributions so picked up shall be treated as
9 employer contributions in the same manner as contributions picked up
10 under subsection (1) of section 84-1308.

11 (2)(a) For military service beginning on or after January 1, 2018,
12 any employee who is reemployed pursuant to 38 U.S.C. 4301 et seq., shall
13 be treated as not having incurred a break in service by reason of the
14 employee's period of military service. Such military service shall be
15 credited for purposes of determining the nonforfeitability of the
16 employee's accrued benefits and the accrual of benefits under the plan.

17 (b) The agency employing the employee shall be liable for funding
18 any obligation of the plan to provide benefits based upon such period of
19 military service. To satisfy the liability, the agency employing the
20 employee shall pay to the retirement system an amount equal to:

21 (i) The sum of the employee and employer contributions that would
22 have been paid during such period of military service; and

23 (ii) Any actuarial costs necessary to fund the obligation of the
24 plan to provide benefits based upon such period of military service. For
25 the purposes of determining the amount of such liability and obligation
26 of the plan, earnings and forfeitures, gains and losses, regular
27 interest, interest credits, or dividends that would have accrued on the
28 employee and employer contributions that are paid by the employer
29 pursuant to this section shall not be included.

30 (c) The amount required pursuant to subdivision (b) of this
31 subsection shall be paid to the retirement system as soon as reasonably

1 practicable following the date of reemployment, but must be paid within
2 eighteen months of the date the board notifies the employer of the amount
3 due. If the employer fails to pay the required amount within such
4 eighteen-month period, then the employer is also responsible for any
5 actuarial costs and interest on actuarial costs that accrue from eighteen
6 months after the date the employer is notified by the board until the
7 date the amount is paid.

8 (d) The retirement board may adopt and promulgate rules and
9 regulations to carry out this subsection, including, but not limited to,
10 rules and regulations on:

11 (i) How and when the employee and employer must notify the
12 retirement system of a period of military service;

13 (ii) The acceptable methods of payment;

14 (iii) Determining the service and compensation upon which the
15 contributions must be made;

16 (iv) Accelerating the payment from the employer due to unforeseen
17 circumstances that occur before payment is made pursuant to this section,
18 including, but not limited to, the employee's termination or retirement
19 or the employer's reorganization, consolidation, merger, or closing; and

20 (v) The documentation required to substantiate that the individual
21 was reemployed pursuant to 38 U.S.C. 4301 et seq.

22 (3) This section only applies to military service that falls within
23 the definition of uniformed service under 38 U.S.C. 4301 et seq. Military
24 service does not include service provided pursuant to sections 55-101 to
25 55-181.

26 Sec. 49. Section 84-1503, Revised Statutes Supplement, 2017, is
27 amended to read:

28 84-1503 (1) It shall be the duty of the Public Employees Retirement
29 Board:

30 (a) To administer the retirement systems provided for in the County
31 Employees Retirement Act, the Judges Retirement Act, the Nebraska State

1 Patrol Retirement Act, the School Employees Retirement Act, and the State
2 Employees Retirement Act. The agency for the administration of the
3 retirement systems and under the direction of the board shall be known
4 and may be cited as the Nebraska Public Employees Retirement Systems;

5 (b) To appoint a director to administer the systems under the
6 direction of the board. The appointment shall be subject to the approval
7 of the Governor and a majority of the Legislature. The director shall be
8 qualified by training and have at least five years of experience in the
9 administration of a qualified public or private employee retirement plan.
10 The director shall not be a member of the board. The salary of the
11 director shall be set by the board. The director shall serve without term
12 and may be removed by the board;

13 (c) To provide for an equitable allocation of expenses among the
14 retirement systems administered by the board, and all expenses shall be
15 provided from the investment income earned by the various retirement
16 funds unless alternative sources of funds to pay expenses are specified
17 by law;

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

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

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

26 (g) To adopt and implement procedures for reporting information by
27 employers, as well as testing and monitoring procedures in order to
28 verify the accuracy of such information. The information necessary to
29 determine membership shall be provided by the employer. The board may
30 ~~shall~~ adopt and promulgate rules and regulations and prescribe such forms
31 necessary to carry out this subdivision. Nothing in this subdivision

1 shall be construed to require the board to conduct onsite audits of
2 political subdivisions for compliance with statutes, rules, and
3 regulations governing the retirement systems listed in subdivision (1)(a)
4 of this section regarding membership and contributions; and

5 (h) To prescribe and furnish forms for the public retirement system
6 plan reports required to be filed pursuant to sections 2-3228, 12-101,
7 14-567, 14-1805.01, 14-2111, 15-1017, 16-1017, 16-1037, 19-3501, 23-1118,
8 23-3526, 71-1631.02, and 79-987 through December 31, 2017.

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

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

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

17 (c) To adopt and promulgate rules and regulations, as the board may
18 deem necessary, for the management of the board;

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

21 (e) To obtain, by a competitive, formal, and sealed bidding process
22 through the materiel division of the Department of Administrative
23 Services, actuarial services on behalf of the State of Nebraska as may be
24 necessary in the administration and development of the retirement
25 systems, including, but not limited to, preparation of an annual
26 actuarial valuation report of each of the defined benefit and cash
27 balance plans administered by the board. Such annual valuation reports
28 shall be presented by the actuary to the Nebraska Retirement Systems
29 Committee of the Legislature at a public hearing or hearings. Any
30 contract for actuarial services shall contain a provision allowing the
31 actuary, without prior approval of the board, to perform actuarial

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

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

23 (g) To adopt and promulgate rules and regulations, as the board may
24 deem necessary, to carry out the provisions of each retirement system
25 described in subdivision (1)(a) of this section, which includes, but is
26 not limited to, the crediting of military service, direct rollover
27 distributions, and the acceptance of rollovers;

28 (h) To obtain, by a competitive, formal, and sealed bidding process
29 through the materiel division of the Department of Administrative
30 Services, auditing services for a separate compliance audit of the
31 retirement systems to be completed by December 31, 2020, and from time to

1 time thereafter at the request of the Nebraska Retirement Systems
2 Committee of the Legislature, to be completed not more than every four
3 years but not less than every ten years. The compliance audit shall be in
4 addition to the annual audit conducted by the Auditor of Public Accounts.
5 The compliance audit shall include, but not be limited to, an examination
6 of records, files, and other documents and an evaluation of all policies
7 and procedures to determine compliance with all state and federal laws. A
8 copy of the compliance audit shall be given to the Governor, the board,
9 and the Nebraska Retirement Systems Committee of the Legislature and
10 shall be presented to the committee at a public hearing;

11 (i) To adopt and promulgate rules and regulations, as the board may
12 deem necessary, for the adjustment of contributions or benefits, which
13 includes, but is not limited to: (i) The procedures for refunding
14 contributions, adjusting future contributions or benefit payments, and
15 requiring additional contributions or repayment of benefits; (ii) the
16 process for a member, member's beneficiary, employee, or employer to
17 dispute an adjustment to contributions or benefits; (iii) establishing
18 materiality and de minimus amounts for agency transactions, adjustments,
19 and inactive account closures; and (iv) notice provided to all affected
20 persons. Following an adjustment, a timely notice shall be sent that
21 describes the adjustment and the process for disputing an adjustment to
22 contributions or benefits;

23 (j) To make a thorough investigation through the director or the
24 director's designee, of any overpayment of a benefit, when in the
25 judgment of the director such investigation is necessary, including, but
26 not limited to, circumstances in which benefit payments are made after
27 the death of a member or beneficiary and the retirement system is not
28 made aware of such member's or beneficiary's death. In connection with
29 any such investigation, the board, through the director or the director's
30 designee, shall have the power to compel the attendance of witnesses and
31 the production of books, papers, records, and documents, whether in

1 hardcopy, electronic form, or otherwise, and issue subpoenas for such
2 purposes. Such subpoenas shall be served in the same manner and have the
3 same effect as subpoenas from district courts; and

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

23 (3) By March 31 of each year, the board shall prepare a written plan
24 of action and shall present such plan to the Nebraska Retirement Systems
25 Committee of the Legislature at a public hearing. The plan shall include,
26 but not be limited to, the board's funding policy, the administrative
27 costs and other fees associated with each fund and plan overseen by the
28 board, member education and informational programs, the director's duties
29 and limitations, an organizational structure of the office of the
30 Nebraska Public Employees Retirement Systems, and the internal control
31 structure of such office to ensure compliance with state and federal

1 laws.

2 (4)(a) Beginning in 2016, and at least every four years thereafter
3 in even-numbered years or at the request of the Nebraska Retirement
4 Systems Committee of the Legislature, the board shall obtain an
5 experience study. Within thirty business days after presentation of the
6 experience study to the board, the actuary shall present the study to the
7 Nebraska Retirement Systems Committee at a public hearing. If the board
8 does not adopt all of the recommendations in the experience study, the
9 board shall provide a written explanation of its decision to the Nebraska
10 Retirement Systems Committee and the Governor. The explanation shall be
11 delivered within ten business days after formal action by the board to
12 not adopt one or more of the recommendations.

13 (b) The director shall provide an electronic copy of the first draft
14 and a final draft of the experience study and annual valuation reports to
15 the Nebraska Retirement Systems Committee and the Governor when the
16 director receives the drafts from the actuary. The drafts shall be deemed
17 confidential information. The draft copies obtained by the Nebraska
18 Retirement Systems Committee and the Governor pursuant to this section
19 shall not be considered public records subject to sections 84-712 to
20 84-712.09.

21 (c) For purposes of this subsection, business days shall be computed
22 by excluding the day the request is received, after which the designated
23 period of time begins to run. A business day shall not include a Saturday
24 or a Sunday or a day during which the Nebraska Public Employees
25 Retirement Systems office is closed.

26 (5) It shall be the duty of the board to direct the State Treasurer
27 to transfer funds, as an expense of the retirement system provided for
28 under the Class V School Employees Retirement Act, to and from the Class
29 V Retirement System Payment Processing Fund and the Class V School
30 Employees Retirement Fund for the benefit of a retirement system provided
31 for under the Class V School Employees Retirement Act to implement the

1 provisions of section 79-986. The agency for the administration of this
2 provision and under the direction of the board shall be known and may be
3 cited as the Nebraska Public Employees Retirement Systems.

4 Sec. 50. Section 85-122, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 85-122 The several funds for the support of the university shall be
7 constituted and designated as follows: (1) The Permanent Endowment Fund;
8 (2) the Temporary University Fund; (3) the University Cash Fund; (4) the
9 United States Morrill Fund; (5) the United States Experiment Station
10 Fund; (6) the University Trust Fund; (7) the United States Agricultural
11 Extension Fund; (8) the Veterinary School Fund; (9) the University of
12 Nebraska at Omaha Cash Fund; (10) the University of Nebraska at Omaha
13 Trust Fund; (11) the University of Nebraska at Kearney Cash Fund; (12)
14 the University of Nebraska at Kearney Trust Fund; (13) the Agricultural
15 Field Laboratory Fund; (14) the Animal Research and Diagnosis Revolving
16 Fund; (15) the University Facility Improvement Fund; (16) the University
17 of Nebraska Eppley Science Hall Construction Fund; and (17) the
18 University Facilities Fund. No portion of the funds designated above
19 derived from taxation shall be disbursed for mileage or other traveling
20 expenses except as authorized by sections 81-1174 to 81-1177. No
21 expenditures shall be made for or on behalf of the School of Veterinary
22 Medicine and Surgery except from money appropriated to the Veterinary
23 School Fund. Any money in the funds designated in this section available
24 for investment shall be invested by the state investment officer pursuant
25 to the Nebraska Capital Expansion Act and the Nebraska State Funds
26 Investment Act except as provided in sections 85-123.01, 85-125, 85-192,
27 and 85-1,123.

28 Sec. 51. Section 85-123.01, Reissue Revised Statutes of Nebraska, is
29 amended to read:

30 85-123.01 (1) The University Trust Fund shall consist of all
31 property, real or personal, acquired by the Board of Regents of the

1 University of Nebraska by donation or bequest to it, including money
2 derived as principal from the sale of land or other property so acquired
3 or derived.

4 (2) The University Trust Fund shall be held, ~~and managed, and~~
5 invested in such manner as directed by the Board of Regents of the
6 University of Nebraska ~~shall determine. No money in the fund shall be~~
7 held, managed, or invested by the State Treasurer or the state investment
8 officer pursuant to the Nebraska Capital Expansion Act or the Nebraska
9 State Funds Investment Act ~~Where such funds are to be invested, they~~
10 ~~shall be invested by the state investment officer for the Board of~~
11 ~~Regents in such investments as are authorized by section 72-1246, subject~~
12 ~~to the following exceptions: (a) No such investment need be made if,~~
13 ~~according to the terms of the donation or bequest, the Board of Regents~~
14 ~~is not limited to the expenditure of only the interest or income of the~~
15 ~~fund; and (b) no such investment need be made if the will, deed or~~
16 ~~instrument, making such donation or bequest, makes other provisions or~~
17 ~~directions as to investments and in such cases the state investment~~
18 ~~officer for the Board of Regents shall comply with the provisions of said~~
19 ~~will, deed or instrument.~~

20 Sec. 52. Sections 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14,
21 15, 16, 17, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 36, 37, 38,
22 39, 40, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, and 54 of this act become
23 operative three calendar months after the adjournment of this legislative
24 session. The other sections of this act become operative on their
25 effective date.

26 Sec. 53. If any section in this act or any part of any section is
27 declared invalid or unconstitutional, the declaration shall not affect
28 the validity or constitutionality of the remaining portions.

29 Sec. 54. Original sections 23-2302, 23-2305, 23-2306.02,
30 23-2306.03, 23-2310.05, 23-2323.02, 23-2323.03, 23-3527, 24-704,
31 24-704.01, 24-710, 24-710.05, 24-710.06, 79-904, 79-905, 79-907, 79-915,

1 79-924, 79-933.01, 79-933.02, 79-933.03, 79-933.04, 79-933.07, 81-2019,
2 81-2031.03, 81-2031.04, 84-1305, 84-1310.01, 84-1311.03, 84-1312,
3 84-1313, 85-122, and 85-123.01, Reissue Revised Statutes of Nebraska,
4 sections 23-2305.01, 23-2306, 23-2309.01, 81-2019.01, 81-2026, and
5 84-1305.02, Revised Statutes Cumulative Supplement, 2016, and sections
6 23-2323.01, 79-904.01, 79-926, 84-1325, and 84-1503, Revised Statutes
7 Supplement, 2017, are repealed.

8 Sec. 55. Original section 79-9,113, Revised Statutes Cumulative
9 Supplement, 2016, and sections 79-902, 79-978, 79-1003, 79-1028.01,
10 81-2014, and 84-1301, Revised Statutes Supplement, 2017, are repealed.

11 Sec. 56. Since an emergency exists, this act takes effect when
12 passed and approved according to law.