LB645
2025

ENGROSSED LEGISLATIVE BILL 645

Introduced by Ballard, 21; at the request of the Governor.

A BILL FOR AN ACT relating to retirement; to amend sections 79-916, 79-958, 79-966, and 81-2026, Reissue Revised Statutes of Nebraska; to change provisions and state legislative intent relating to retirement systems for Class V school districts; to change employee and state contributions to the School Retirement Fund; to change provisions of the Nebraska State Patrol Retirement System relating to benefits provided upon the death of an officer as prescribed; to harmonize provisions; to repeal the original sections; and to declare an emergency.

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

Section 1. Section 79-916, Reissue Revised Statutes of Nebraska, is amended to read:

79-916 (1)(a) On July 1, 2004, the board shall transfer from the School Retirement Fund to the Service Annuity Fund an amount equal to the funded ratio of the retirement system which is equal to the market value of the retirement system assets divided by the actuarial accrued liability of the retirement system, times the actuarial accrued liability of the service annuity, as determined pursuant to section 79-966.01, of the employees who are members of the retirement system established pursuant to the Class V School Employees Retirement Act. Beginning July 1, 2013, such actuarial accrued liability shall be determined for each employee on a level percentage of salary basis. On or before July 1 of each fiscal year, the state shall transfer into the Service Annuity Fund such amounts as may be necessary to pay the normal cost and amortize the unfunded actuarial accrued liability of the service annuity, as determined pursuant to section 79-966.01, as of the end of the previous fiscal year of the employees who are members of the retirement system established pursuant to the Class V School Employees Retirement Act. Based on the fiscal year of the retirement system established pursuant to the Class V School

Employees Retirement Act, the administrator of such system shall provide all membership information needed for the actuary engaged by the retirement board to determine the normal cost and the amortization payment of the unfunded actuarial accrued liability, as determined pursuant to section 79-966.01, to be paid by the state to the Service Annuity Fund each fiscal year as required by this subdivision.

(b) At the time of retirement of any employee who is a member of the retirement system established pursuant to the Class V School Employees Retirement Act and who was hired prior to July 1, 2016, the retirement board shall, upon receipt of a certification of the administrator of such retirement system of the name, identification number, date of birth, retirement date, last date of employment, type of retirement, and number of years of service credited to such eligible employee at the date of retirement, transfer from the Service Annuity Fund to the Class V school district for transfer to the retirement system the actuarial accrued liability of the service annuity to be paid to the Class V school district by the state for transfer to the eligible employee for the years of service thus certified as provided for members of the School Employees Retirement System of the State of Nebraska under sections 79-933 and 79-952. Such transfer of the actuarial accrued liability to the Class V school district for transfer to the retirement system established pursuant to the Class V School Employees Retirement Act shall be in lieu of the payment of the service annuity to which the employee would be entitled.

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

(2)(a) For each fiscal year prior to July 1, 2025, in addition to the transfer of the actuarial accrued liability of the service annuity pursuant to subsection (1) of this section, the state shall also transfer to the funds of the Class V school district for transfer to the district's retirement system an amount determined by multiplying the compensation of all members of such retirement system by the percent specified in subsection (2) of section 79-966 for determining the amount of the state's payment to the School Retirement Fund plus the amount determined under subdivision (1)(b) of section 79-966. The transfer shall be made annually on or before July 1 of each fiscal year.

(b) For each fiscal year beginning July 1, 2025, in addition to the transfer pursuant to subsection (1) of this section, the state shall also transfer to the funds of the Class V school district for transfer to the district's retirement system an amount equal to two percent of the compensation of all members of such retirement system plus the amount determined under subdivision (1)(b) of section 79-966. The transfer shall be made annually on or before July 1 of each fiscal year.

(c) It is the intent of the Legislature that the state transfer of two percent of the compensation of all members of the district's retirement system does not mean that the state assumes any additional financial responsibility or liability for funding obligations of the retirement system that remain the responsibility of the district as described in the Class V School Employees Retirement Act.

Sec. 2. Section 79-958, Reissue Revised Statutes of Nebraska, is amended to read:

79-958 (1)(a) Beginning on September 1, 2012, and prior to July 1, 2025, for the purpose of providing the funds to pay for formula annuities, every employee shall be required to deposit in the School Retirement Fund nine and seventy-eight hundredths of one percent of compensation.

(b) Beginning in 2025 and each year thereafter, the employee contribution rate shall be calculated as of July 1 and based on the funded ratio of the actuarial value of assets in the School Retirement Fund in the most recent previous year as reported in the annual actuarial valuation report for the retirement system prepared for the retirement board pursuant to section 84-1503. Beginning on July 1, 2025, for the purpose of providing the funds to pay for formula annuities, every employee shall deposit the following amounts into the School Retirement Fund:

(i) If the funded ratio on the actuarial value of assets in the School Retirement Fund is less than ninety-six percent, nine and three-quarters of one percent of compensation;

(ii) If the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-six percent or greater and less than ninety-eight percent, eight and three-quarters of one percent of compensation;

(iii) If the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-eight percent or greater and less than one hundred percent, eight percent of compensation; and

(iv) If the funded ratio on the actuarial value of assets in the School Retirement Fund is one hundred percent or greater, seven and one-quarter of one percent of compensation.

(c) Deposits under this subsection shall be transmitted at the same time and in the same manner as required employer contributions.

(2) For the purpose of providing the funds to pay for formula annuities, every employer shall be required to deposit in the School Retirement Fund one hundred one percent of the required contributions of the school employees of each employer. Such deposits shall be transmitted to the retirement board at the same time and in the same manner as such required employee contributions.

(3) The employer shall pick up the member contributions required by this section for all compensation paid on or after January 1, 1986, and the contributions so picked up shall be treated as employer contributions pursuant to section 414(h)(2) of the Internal Revenue Code in determining federal tax treatment under the code and shall not be included as gross income of the member until such time as they are distributed or made available. The contributions, although designated as member contributions, shall be paid by

LB645
2025

the employer in lieu of member contributions. The employer shall pay these member contributions from the same source of funds which is used in paying earnings to the member. The employer shall pick up these contributions by a compensation deduction through a reduction in the cash compensation of the member. Member contributions picked up shall be treated for all purposes of the School Employees Retirement Act in the same manner and to the same extent as member contributions made prior to the date picked up.

(4) The employer shall pick up the member contributions made through irrevocable payroll deduction authorizations pursuant to sections 79-921 and 79-933.03 to 79-933.06, and the contributions so picked up shall be treated as employer contributions in the same manner as contributions picked up under subsection (3) of this section.

Sec. 3. Section 79-966, Reissue Revised Statutes of Nebraska, is amended to read:

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

(b) Beginning July 1, 2016, the contingent state transfer described in this subsection shall be calculated as a percent of compensation of all members of the retirement system. For any year in which a deposit is made to the School Retirement Fund under this subsection, if the actuary for a retirement system provided for under the Class V School Employees Retirement Act determines that the actuarially required contribution rate, for the fiscal year of the

LB645
2025

retirement system that begins before the state deposit, exceeds the rate of all contributions required pursuant to the Class V School Employees Retirement Act, using the amortization period specified in section 79-966.01, the Class V district school board may request a public hearing of the Appropriations Committee of the Legislature to ask the state to transfer to the Class V school district for transfer to the funds of the retirement system provided for under the Class V School Employees Retirement Act an amount determined by multiplying the compensation of all members of such retirement system by the lesser of the percent of compensation transferred into the School Retirement Fund under this subsection or the percent of compensation of the members of the retirement system provided for under the Class V School Employees Retirement Act needed to meet the actuarially required contribution rate for such system, using the amortization period specified in section 79-966.01. Any additional amount of transfer so calculated, recommended by the Appropriations Committee of the Legislature, and approved by the Legislature, shall be added to the percent specified in subsection (2) of this section for the amount required by subsection (2) of section 79-916 to be transferred to the Class V school district, which shall transfer such amount to the funds of the retirement system provided for under the Class V School Employees Retirement Act.

(2)(a) For each fiscal year beginning July 1, 2014, and prior to July 1, 2025, in addition to the state transfers required by subsections (1) and (3) of this section, the state shall transfer into the School Retirement Fund an amount equal to two percent of the compensation of all members of the retirement system.

(b) Beginning in 2025 and each year thereafter, the state contribution rate under this subsection shall be calculated as of July 1 and based on the funded ratio of the actuarial value of assets in the School Retirement Fund in the most recent previous year as reported in the annual actuarial valuation report for the retirement system produced for the retirement board pursuant to section 84-1503. In addition to the state transfers required by subsections (1) and (3) of this section, the state shall deposit the following amounts into the

School Retirement Fund:

(i) If the funded ratio on the actuarial value of assets in the School Retirement Fund is less than ninety-six percent, an amount equal to two percent of the compensation of all members of the retirement system;

(ii) If the funded ratio on the actuarial value of assets in the School Retirement Fund is ninety-six percent or greater and less than one hundred percent, an amount equal to seven-tenths of one percent of the compensation of all members of the retirement system; and

(iii) If the funded ratio on the actuarial value of assets in the School Retirement Fund is one hundred percent or greater, no transfer shall be made under this subsection.

(3) In addition to the state deposits and transfers required by subsections (1) and (2) of this section, beginning on July 1, 2005, and each fiscal year thereafter for employees who become members prior to July 1, 2016, the state shall transfer into the Service Annuity Fund such amounts as may be necessary to pay the normal cost and amortize the unfunded actuarial accrued liability of the service annuity benefit established pursuant to sections 79-933 and 79-952 as accrued through the end of the previous fiscal year of the school employees who are members of the retirement system established pursuant to the Class V School Employees Retirement Act.

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

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

(b) For retirement pursuant to subsection (2) of section 81-2025 on or after the fiftieth birthday of the member but prior to the fifty-fifth birthday of the member who has been in the employ of the state for less than twenty-five years, as calculated in section 81-2033, the annuity which would apply if the member were age fifty-five at the date of retirement shall be reduced by five-ninths of one percent for each month by which the early retirement date precedes age fifty-five or for each month by which the early retirement date precedes the date upon which the member has served for twenty-five years, whichever is earlier. Any officer who has completed thirty years of creditable service with the Nebraska State Patrol shall have retirement benefits computed as if the officer had reached age fifty-five.

(c) For purposes of this computation:

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

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

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

(ii) For an officer who became a member on or after July 1, 2016, final average monthly compensation means the sum of the officer's total compensation during the five twelve-month periods of service as an officer in which compensation was the greatest divided by sixty and does not include payments received for unused sick leave, unused vacation leave, unused holiday compensatory time, unused compensatory time, or any other type of unused leave, compensatory time, or similar benefits, converted to cash payments. The five twelve-month periods used for calculating an officer's final average monthly compensation ends with the month during which the officer's final compensation is paid. In the determination of compensation, that part of an officer's compensation for the plan year which exceeds the officer's compensation for the preceding plan year by more than eight percent during the capping period shall be excluded. Such officer's compensation for the first plan year of the capping period shall be compared to the officer's compensation received for the plan year immediately preceding the capping period. For purposes of this subdivision, capping period means the five plan years preceding the officer's retirement date. The board may adopt and promulgate rules and regulations for the implementation of this section, including rules and regulations related to prorating, annualizing, or recalculating an officer's final average monthly compensation for each plan year in the capping period.

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

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

(a) If there is a surviving spouse but no dependent child or children of the officer under nineteen years of age, the surviving spouse shall receive a benefit equal to:

LB645
2025

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity for the remainder of the surviving spouse's life;

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

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life;

(c) If there is a surviving spouse and the surviving spouse has in his or her care a dependent child or children of the officer under nineteen years of age or there is another dependent child or children of the officer under nineteen years of age not in the care of the surviving spouse, the benefit shall be twenty-five percent of the amount of the officer's annuity to the surviving spouse and seventy-five percent of the amount of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children but in no case shall the benefit received by a surviving spouse and dependent children residing with such spouse be less than fifty percent of the amount of the officer's annuity. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age. When there is no remaining dependent child of the officer under nineteen years of age, the benefit shall be:

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life;

(d) If there is no surviving spouse and a dependent child or children of the officer under nineteen years of age, the benefit shall be equal to:

(i) Prior to July 1, 2027, seventy-five percent of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age; and

(ii) Beginning July 1, 2027, one hundred percent of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age; and

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

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

(5) Upon the death of an officer before retirement, benefits shall be

LB645
2025

provided as if the officer had retired for reasons of disability on the date of such officer's death, calculated as follows:

(a) If there is a surviving spouse but no dependent child or children of the officer under nineteen years of age, the surviving spouse shall receive a benefit equal to:

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity for the remainder of the surviving spouse's life;

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

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life;

(c) If there is a surviving spouse and the surviving spouse has in his or her care a dependent child or children of the officer under nineteen years of age or there is another dependent child or children of the officer under nineteen years of age not in the care of the surviving spouse, the benefit shall be twenty-five percent of the amount of the officer's annuity to the surviving spouse and seventy-five percent of the amount of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children but in no case shall the benefit received by a surviving spouse and dependent children residing with such spouse be less than fifty percent of the amount of the officer's annuity. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age. When there is no remaining dependent child of the officer under nineteen years of age, the benefit shall be:

(i) Prior to July 1, 2027, seventy-five percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life; and

(ii) Beginning July 1, 2027, one hundred percent of the amount of the officer's annuity to the surviving spouse for the remainder of the surviving spouse's life;

(d) If there is no surviving spouse and a dependent child or children of the officer under nineteen years of age, the benefit shall be equal to:

(i) Prior to July 1, 2027, seventy-five percent of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age; and

(ii) Beginning July 1, 2027, one hundred percent of the officer's annuity to the dependent children of the officer under nineteen years of age to be divided equally among such dependent children. At such time as any dependent child of the officer attains nineteen years of age, the benefit shall be divided equally among the remaining dependent children of the officer who have not yet attained nineteen years of age; and

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

(6) A lump-sum death benefit paid to the member's beneficiary, other than the member's estate, that is an eligible distribution may be distributed in the

LB645
2025

form of a direct transfer to a retirement plan eligible to receive such transfer under the provisions of the Internal Revenue Code.

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

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

Sec. 5. Original sections 79-916, 79-958, 79-966, and 81-2026, Reissue Revised Statutes of Nebraska, are repealed.

Sec. 6. Since an emergency exists, this act takes effect when passed and approved according to law.

PRESIDENT OF THE LEGISLATURE

THIS IS TO CERTIFY that the within LB 645 was passed by the One Hundred Ninth Legislature of Nebraska at its First Session on the .... day of .... 20............

CLERK OF THE LEGISLATURE

Approved:

... 20.........., ... o'clock ....M.

GOVERNOR