

LEGISLATURE OF NEBRASKA
 ONE HUNDRED THIRD LEGISLATURE
 FIRST SESSION
LEGISLATIVE BILL 553

Final Reading

Introduced by Nordquist, 7.

Read first time January 23, 2013

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend sections 79-966.01,
 2 79-9,100, 79-9,103, and 79-9,105, Reissue Revised
 3 Statutes of Nebraska, and sections 24-703, 79-901,
 4 79-902, 79-916, 79-947.06, 79-954, 79-958, 79-966,
 5 79-9,113, 79-1003, 79-1028.01, and 81-2017, Revised
 6 Statutes Cumulative Supplement, 2012; to change
 7 provisions relating to actuarial valuations of retirement
 8 systems and funds; to redefine terms; to change
 9 eligibility provisions for participation in school
 10 retirement systems and for disability benefits for
 11 beneficiaries; to change annual benefit cost-of-living
 12 adjustment provisions, state deposits, employer and
 13 employee contributions, and monthly formula retirement
 14 annuity provisions; to change provisions relating to
 15 state aid calculations for schools; to eliminate obsolete
 16 provisions; to harmonize provisions; to provide an

1 operative date; to provide severability; to repeal the
2 original sections; and to declare an emergency.
3 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 24-703, Revised Statutes Cumulative
2 Supplement, 2012, is amended to read:

3 24-703 (1) Each original member shall contribute monthly
4 four percent of his or her monthly compensation to the fund until the
5 maximum benefit as limited in subsection (1) of section 24-710 has
6 been earned. It shall be the duty of the Director of Administrative
7 Services in accordance with subsection (10) of this section to make a
8 deduction of four percent on the monthly payroll of each original
9 member who is a judge of the Supreme Court, a judge of the Court of
10 Appeals, a judge of the district court, a judge of a separate
11 juvenile court, a judge of the county court, a clerk magistrate of
12 the county court who was an associate county judge and a member of
13 the fund at the time of his or her appointment as a clerk magistrate,
14 or a judge of the Nebraska Workers' Compensation Court showing the
15 amount to be deducted and its credit to the fund. The Director of
16 Administrative Services and the State Treasurer shall credit the four
17 percent as shown on the payroll and the amounts received from the
18 various counties to the fund and remit the same to the director in
19 charge of the judges retirement system who shall keep an accurate
20 record of the contributions of each judge.

21 (2)(a) In addition to the contribution required under
22 subdivision (c) of this subsection, beginning on July 1, 2004, each
23 future member who has not elected to make contributions and receive
24 benefits as provided in section 24-703.03 shall contribute monthly
25 six percent of his or her monthly compensation to the fund until the

1 maximum benefit as limited in subsection (2) of section 24-710 has
2 been earned. After the maximum benefit as limited in subsection (2)
3 of section 24-710 has been earned, such future member shall make no
4 further contributions to the fund, except that (i) any time the
5 maximum benefit is changed, a future member who has previously earned
6 the maximum benefit as it existed prior to the change shall
7 contribute monthly six percent of his or her monthly compensation to
8 the fund until the maximum benefit as changed and as limited in
9 subsection (2) of section 24-710 has been earned and (ii) such future
10 member shall continue to make the contribution required under
11 subdivision (c) of this subsection.

12 (b) In addition to the contribution required under
13 subdivision (c) of this subsection, beginning on July 1, 2004, a
14 judge who first serves as a judge on or after such date or a future
15 member who elects to make contributions and receive benefits as
16 provided in section 24-703.03 shall contribute monthly eight percent
17 of his or her monthly compensation to the fund until the maximum
18 benefit as limited by subsection (2) of section 24-710 has been
19 earned. In addition to the contribution required under subdivision
20 (c) of this subsection, after the maximum benefit as limited in
21 subsection (2) of section 24-710 has been earned, such judge or
22 future member shall contribute monthly four percent of his or her
23 monthly compensation to the fund for the remainder of his or her
24 active service.

25 (c) Beginning on July 1, 2009, and until July 1, 2014, a

1 member or judge described in subdivisions (a) and (b) of this
2 subsection shall contribute monthly an additional one percent of his
3 or her monthly compensation to the fund.

4 (d) It shall be the duty of the Director of
5 Administrative Services to make a deduction on the monthly payroll of
6 each such future member who is a judge of the Supreme Court, a judge
7 of the Court of Appeals, a judge of the district court, a judge of a
8 separate juvenile court, a judge of the county court, a clerk
9 magistrate of the county court who was an associate county judge and
10 a member of the fund at the time of his or her appointment as a clerk
11 magistrate, or a judge of the Nebraska Workers' Compensation Court
12 showing the amount to be deducted and its credit to the fund. This
13 shall be done each month. The Director of Administrative Services and
14 the State Treasurer shall credit the amount as shown on the payroll
15 and the amounts received from the various counties to the fund and
16 remit the same to the director in charge of the judges retirement
17 system who shall keep an accurate record of the contributions of each
18 judge.

19 (3) Except as otherwise provided in this subsection, a
20 Nebraska Retirement Fund for Judges fee of five dollars shall be
21 taxed as costs in each (a) civil cause of action, criminal cause of
22 action, traffic misdemeanor or infraction, and city or village
23 ordinance violation filed in the district courts, the county courts,
24 and the separate juvenile courts, (b) filing in the district court of
25 an order, award, or judgment of the Nebraska Workers' Compensation

1 Court or any judge thereof pursuant to section 48-188, (c) appeal or
2 other proceeding filed in the Court of Appeals, and (d) original
3 action, appeal, or other proceeding filed in the Supreme Court.
4 Beginning on July 1, 2009, and until July 1, 2014, such fee shall be
5 six dollars. In county courts a sum shall be charged which is equal
6 to ten percent of each fee provided by sections 33-125, 33-126.02,
7 33-126.03, and 33-126.06, rounded to the nearest even dollar. No
8 judges retirement fee shall be charged for filing a report pursuant
9 to sections 33-126.02 and 33-126.06. When collected by the clerk of
10 the district or county court, such fees shall be paid and information
11 submitted to the director in charge of the judges retirement system
12 on forms prescribed by the board by the clerk within ten days after
13 the close of each calendar quarter. The board may charge a late
14 administrative processing fee not to exceed twenty-five dollars if
15 the information is not timely received or the money is delinquent. In
16 addition, the board may charge a late fee of thirty-eight thousandths
17 of one percent of the amount required to be submitted pursuant to
18 this section for each day such amount has not been received. Such
19 director shall promptly thereafter remit the same to the State
20 Treasurer for credit to the fund. No Nebraska Retirement Fund for
21 Judges fee which is uncollectible for any reason shall be waived by a
22 county judge as provided in section 29-2709.

23 (4) All expenditures from the fund shall be authorized by
24 voucher in the manner prescribed in section 24-713. The fund shall be
25 used for the payment of all annuities and other benefits and for the

1 expenses of administration.

2 (5) The fund shall consist of the total fund as of
3 December 25, 1969, the contributions of members as provided in this
4 section, all supplementary court fees as provided in subsection (3)
5 of this section, and any required contributions of the state.

6 (6) Not later than January 1 of each year, the State
7 Treasurer shall transfer to the fund the amount certified by the
8 board as being necessary to pay the cost of any benefits accrued
9 during the fiscal year ending the previous June 30 in excess of
10 member contributions for that fiscal year and court fees as provided
11 in subsection (3) of this section and fees pursuant to sections
12 25-2804, 33-103, 33-103.01, 33-106, 33-106.02, 33-123, 33-125,
13 33-126.02, 33-126.03, and 33-126.06 and directed to be remitted to
14 the fund, if any, for that fiscal year plus any required
15 contributions of the state as provided in subsection (9) of this
16 section.

17 (7) Benefits under the retirement system to members or to
18 their beneficiaries shall be paid from the fund.

19 (8) Any member who is making contributions to the fund on
20 December 25, 1969, may, on or before June 30, 1970, elect to become a
21 future member by delivering written notice of such election to the
22 board.

23 (9) Not later than January 1 of each year, the State
24 Treasurer shall transfer to the fund an amount, determined on the
25 basis of an actuarial valuation as of the previous June 30 and

1 certified by the board, to fully fund the unfunded accrued
2 liabilities of the retirement system as of June 30, 1988, by level
3 payments up to January 1, 2000. Such valuation shall be on the basis
4 of actuarial assumptions recommended by the actuary, approved by the
5 board, and kept on file with the board. For the fiscal year beginning
6 July 1, ~~2002, 2013,~~ and each fiscal year thereafter, the actuary for
7 the board shall perform an actuarial valuation of the system using
8 the entry age actuarial cost method. Under this method, the
9 actuarially required funding rate is equal to the normal cost rate,
10 plus the contribution rate necessary to amortize the unfunded
11 actuarial accrued liability on a level ~~payment~~ percentage of salary
12 basis. The normal cost under this method shall be determined for each
13 individual member on a level percentage of salary basis. The normal
14 cost amount is then summed for all members. ~~The initial unfunded~~
15 ~~actual accrued liability as of July 1, 2002, if any, shall be~~
16 ~~amortized over a twenty five year period. Prior to July 1, 2006,~~
17 ~~changes in the funded actuarial accrued liability due to changes in~~
18 ~~benefits, actuarial assumptions, the asset valuation method, or~~
19 ~~actuarial gains or losses shall be measured and amortized over a~~
20 ~~twenty five year period beginning on the valuation date of such~~
21 ~~change.~~ Beginning July 1, 2006, any existing unfunded liabilities
22 shall be reinitialized and amortized over a thirty-year period, and
23 during each subsequent actuarial valuation, changes in the funded
24 actuarial accrued liability due to changes in benefits, actuarial
25 assumptions, the asset valuation method, or actuarial gains or losses

1 shall be measured and amortized over a thirty-year period beginning
2 on the valuation date of such change. If the unfunded actuarial
3 accrued liability under the entry age actuarial cost method is zero
4 or less than zero on an actuarial valuation date, then all prior
5 unfunded actuarial accrued liabilities shall be considered fully
6 funded and the unfunded actuarial accrued liability shall be
7 reinitialized and amortized over a thirty-year period as of the
8 actuarial valuation date. If the actuarially required contribution
9 rate exceeds the rate of all contributions required pursuant to the
10 Judges Retirement Act, there shall be a supplemental appropriation
11 sufficient to pay for the differences between the actuarially
12 required contribution rate and the rate of all contributions required
13 pursuant to the Judges Retirement Act.

14 (10) The state or county shall pick up the member
15 contributions required by this section for all compensation paid on
16 or after January 1, 1985, and the contributions so picked up shall be
17 treated as employer contributions in determining federal tax
18 treatment under the Internal Revenue Code as defined in section
19 49-801.01, except that the state or county shall continue to withhold
20 federal income taxes based upon these contributions until the
21 Internal Revenue Service or the federal courts rule that, pursuant to
22 section 414(h) of the code, these contributions shall not be included
23 as gross income of the member until such time as they are distributed
24 or made available. The state or county shall pay these member
25 contributions from the same source of funds which is used in paying

1 earnings to the member. The state or county shall pick up these
2 contributions by a compensation deduction through a reduction in the
3 compensation of the member. Member contributions picked up shall be
4 treated for all purposes of the Judges Retirement Act in the same
5 manner and to the extent as member contributions made prior to the
6 date picked up.

7 Sec. 2. Section 79-901, Revised Statutes Cumulative
8 Supplement, 2012, is amended to read:

9 79-901 Sections 79-901 to 79-977.03 and section 6 of this
10 act shall be known and may be cited as the School Employees
11 Retirement Act.

12 Sec. 3. Section 79-902, Revised Statutes Cumulative
13 Supplement, 2012, is amended to read:

14 79-902 For purposes of the School Employees Retirement
15 Act, unless the context otherwise requires:

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

21 (2) Beneficiary means any person in receipt of a school
22 retirement allowance or other benefit provided by the act;

23 (3) Member means any person who has an account in the
24 School Retirement Fund;

25 (4) County school official means (a) until July 1, 2000,

1 the county superintendent or district superintendent and any person
2 serving in his or her office who is required by law to have a
3 teacher's certificate and (b) on or after July 1, 2000, the county
4 superintendent, county school administrator, or district
5 superintendent and any person serving in his or her office who is
6 required by law to have a teacher's certificate;

7 (5) Creditable service means prior service for which
8 credit is granted under sections 79-926 to 79-929, service credit
9 purchased under sections 79-933.03 to 79-933.06 and 79-933.08, and
10 all service rendered while a contributing member of the retirement
11 system. Creditable service includes working days, sick days, vacation
12 days, holidays, and any other leave days for which the employee is
13 paid regular wages as part of the employee's agreement with the
14 employer. Creditable service does not include lump-sum payments to
15 the employee upon termination or retirement in lieu of accrued
16 benefits for such days, eligibility and vesting credit, nor service
17 years for which member contributions are withdrawn and not repaid.
18 Creditable service also does not include service rendered by a member
19 for which the retirement board determines that the member was paid
20 less in compensation than the minimum wage as provided in the Wage
21 and Hour Act or service which the board determines was rendered with
22 the intent to defraud the retirement system;

23 (6) Disability retirement allowance means the annuity
24 paid to a person upon retirement for disability under section 79-952;

25 (7) Employer means the State of Nebraska or any

1 subdivision thereof or agency of the state or subdivision authorized
2 by law to hire school employees or to pay their compensation;

3 (8) Fiscal year means any year beginning July 1 and
4 ending June 30 next following;

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

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

21 (11) Prior service means service rendered as a school
22 employee in the public schools of the State of Nebraska prior to July
23 1, 1945;

24 (12) Public school means any and all schools offering
25 instruction in elementary or high school grades, as defined in

1 section 79-101, which schools are supported by public funds and are
2 wholly under the control and management of the State of Nebraska or
3 any subdivision thereof, including (a) schools or other entities
4 established, maintained, and controlled by the school boards of local
5 school districts, except Class V school districts, (b) any
6 educational service unit, and (c) any other educational institution
7 wholly supported by public funds, except schools under the control
8 and management of the Board of Trustees of the Nebraska State
9 Colleges, the Board of Regents of the University of Nebraska, or the
10 community college boards of governors for any community college
11 areas;

12 (13) Retirement means qualifying for and accepting a
13 school or disability retirement allowance granted under the School
14 Employees Retirement Act;

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

17 (15) Retirement system means the School Employees
18 Retirement System of the State of Nebraska;

19 (16) Required deposit means the deduction from a member's
20 compensation as provided for in section 79-958 which shall be
21 deposited in the School Retirement Fund;

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

1 (18) Service means employment as a school employee and
2 shall not be deemed interrupted by (a) termination at the end of the
3 school year of the contract of employment of an employee in a public
4 school if the employee enters into a contract of employment in any
5 public school, except a school in a Class V school district, for the
6 following school year, (b) temporary or seasonal suspension of
7 service that does not terminate the employee's employment, (c) leave
8 of absence authorized by the employer for a period not exceeding
9 twelve months, (d) leave of absence because of disability, or (e)
10 military service when properly authorized by the retirement board.
11 Service does not include any period of disability for which
12 disability retirement benefits are received under sections 79-951 to
13 79-953;

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

23 (20) Service annuity means payments for life, made in
24 equal monthly installments, derived from appropriations made by the
25 State of Nebraska to the retirement system;

1 (21) State deposit means the deposit by the state in the
2 retirement system on behalf of any member;

3 (22) State school official means the Commissioner of
4 Education and his or her professional staff who are required by law
5 or by the State Department of Education to hold a certificate as such
6 term is defined in section 79-807;

7 (23) Savings annuity means payments for life, made in
8 equal monthly payments, derived from the accumulated contributions of
9 a member;

10 (24) Emeritus member means a person (a) who has entered
11 retirement under the provisions of the act, including those persons
12 who have retired since July 1, 1945, under any other regularly
13 established retirement or pension system as contemplated by section
14 79-916, (b) who has thereafter been reemployed in any capacity by a
15 public school, a Class V school district, or a school under the
16 control and management of the Board of Trustees of the Nebraska State
17 Colleges, the Board of Regents of the University of Nebraska, or a
18 community college board of governors or has become a state school
19 official or county school official subsequent to such retirement, and
20 (c) who has applied to the board for emeritus membership in the
21 retirement system. The school district or agency shall certify to the
22 retirement board on forms prescribed by the retirement board that the
23 annuitant was reemployed, rendered a service, and was paid by the
24 district or agency for such services;

25 (25) Actuarial equivalent means the equality in value of

1 the aggregate amounts expected to be received under different forms
2 of payment. The determinations shall be based on the 1994 Group
3 Annuity Mortality Table reflecting sex-distinct factors blended using
4 twenty-five percent of the male table and seventy-five percent of the
5 female table. An interest rate of eight percent per annum shall be
6 reflected in making these determinations except when a lump-sum
7 settlement is made to an estate. If the lump-sum settlement is made
8 to an estate, the interest rate will be determined by the Moody's
9 Triple A Bond Index as of the prior June 30, rounded to the next
10 lower quarter percent;

11 (26) Retirement date means (a) if the member has
12 terminated employment, the first day of the month following the date
13 upon which a member's request for retirement is received on a
14 retirement application provided by the retirement system or (b) if
15 the member has filed an application but has not yet terminated
16 employment, the first day of the month following the date on which
17 the member terminates employment. An application may be filed no more
18 than ninety days prior to the effective date of the member's initial
19 benefit;

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

1 (28) Retirement application means the form approved by
2 the retirement system for acceptance of a member's request for either
3 regular or disability retirement;

4 (29) Eligibility and vesting credit means credit for
5 years, or a fraction of a year, of participation in a Nebraska
6 government plan for purposes of determining eligibility for benefits
7 under the School Employees Retirement Act. Such credit shall not be
8 included as years of creditable service in the benefit calculation;

9 (30)(a) Final average compensation means: ~~the~~

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

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

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

20 (ii) For an employee who became a member on or after July
21 1, 2013:

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

25 (B) If a member has such compensation for less than sixty

1 months, the sum of the member's total compensation in all months
2 divided by the total number of months of his or her creditable
3 service therefor.

4 ~~(c)~~—(b) Payments under the Retirement Incentive Plan
5 pursuant to section 79-855 and Staff Development Assistance pursuant
6 to section 79-856 shall not be included in the determination of final
7 average compensation;

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

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

13 (33) Initial benefit means the retirement benefit
14 calculated at the time of retirement;

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

1 spouse for the balance of the benefits;

2 (35)(a) Compensation means gross wages or salaries
3 payable to the member for personal services performed during the plan
4 year and includes (i) overtime pay, (ii) member retirement
5 contributions, (iii) retroactive salary payments paid pursuant to
6 court order, arbitration, or litigation and grievance settlements,
7 and (iv) amounts contributed by the member to plans under sections
8 125, 403(b), and 457 of the Internal Revenue Code as defined in
9 section 49-801.01 or any other section of the code which defers or
10 excludes such amounts from income.

11 (b) Compensation does not include (i) fraudulently
12 obtained amounts as determined by the retirement board, (ii) amounts
13 for unused sick leave or unused vacation leave converted to cash
14 payments, (iii) insurance premiums converted into cash payments, (iv)
15 reimbursement for expenses incurred, (v) fringe benefits, (vi) per
16 diems, (vii) bonuses for services not actually rendered, including,
17 but not limited to, early retirement inducements, cash awards, and
18 severance pay, or (viii) beginning on September 4, 2005, employer
19 contributions made for the purposes of separation payments made at
20 retirement and early retirement inducements as provided for in
21 section 79-514.

22 (c) Compensation in excess of the limitations set forth
23 in section 401(a)(17) of the Internal Revenue Code as defined in
24 section 49-801.01 shall be disregarded. For an employee who was a
25 member of the retirement system before the first plan year beginning

1 after December 31, 1995, the limitation on compensation shall not be
2 less than the amount which was allowed to be taken into account under
3 the retirement system as in effect on July 1, 1993.

4 (d)(i) For purposes of section 79-934, in the
5 determination of compensation for members on or after July 1, 2005,
6 that part of a member's compensation for the plan year which exceeds
7 the member's compensation with the same employer for the preceding
8 plan year by more than seven percent of the compensation base during
9 the sixty months preceding the member's retirement shall be excluded
10 unless (A) the member experienced a substantial change in employment
11 position, (B) as verified by the school board, the excess
12 compensation above seven percent occurred as the result of a
13 collective-bargaining agreement between the employer and a recognized
14 collective-bargaining unit or category of school employee, and the
15 percentage increase in compensation above seven percent shall not be
16 excluded for employees outside of a collective-bargaining unit or
17 within the same category of school employee, or (C) the excess
18 compensation occurred as the result of a districtwide permanent
19 benefit change made by the employer for a category of school employee
20 in accordance with subdivision (35)(a)(iv) of this section.

21 (ii) For purposes of subdivision (35)(d) of this section:

22 (A) Category of school employee means either all
23 employees of the employer who are administrators or certificated
24 teachers, or all employees of the employer who are not administrators
25 or certificated teachers, or both;

1 (B) Compensation base means (I) for current members
2 employed with the same employer, the member's compensation for the
3 plan year ending June 30, 2005, or (II) for members newly hired or
4 hired by a separate employer on or after July 1, 2005, the member's
5 compensation for the first full plan year following the member's date
6 of hiring. Thereafter, the member's compensation base shall be
7 increased each plan year by the lesser of seven percent of the
8 member's preceding plan year's compensation base or the member's
9 actual annual compensation increase during the preceding plan year;
10 and

11 (C) Recognized collective-bargaining unit means a group
12 of employees similarly situated with a similar community of interest
13 appropriate for bargaining recognized as such by a school board.

14 (e)(i) In the determination of compensation for members
15 on or after July 1, 2012, until July 1, 2013, that part of a member's
16 compensation for the plan year which exceeds the member's
17 compensation with the same employer for the preceding plan year by
18 more than nine percent of the compensation base during the sixty
19 months preceding the member's retirement shall be excluded.

20 (ii) For purposes of subdivision (35)(e) of this section:

21 (A) Category of school employee means either all
22 employees of the employer who are administrators or certificated
23 teachers, or all employees of the employer who are not administrators
24 or certificated teachers, or both; and

25 (B) Compensation base means (I) for current members

1 employed with the same employer, the member's compensation for the
2 plan year ending June 30, 2012, or (II) for members newly hired or
3 hired by a separate employer on or after July 1, 2012, the member's
4 compensation for the first full plan year following the member's date
5 of hiring. Thereafter, the member's compensation base shall be
6 increased each plan year by the lesser of nine percent of the
7 member's preceding plan year's compensation base or the member's
8 actual annual compensation increase during the preceding plan year.

9 (f)(i) In the determination of compensation for members
10 on or after July 1, 2013, that part of a member's compensation for
11 the plan year which exceeds the member's compensation with the same
12 employer for the preceding plan year by more than eight percent of
13 the compensation base during the sixty months preceding the member's
14 retirement shall be excluded.

15 (ii) For purposes of subdivision (35)(f) of this section:

16 (A) Category of school employee means either all
17 employees of the employer who are administrators or certificated
18 teachers, or all employees of the employer who are not administrators
19 or certificated teachers, or both; and

20 (B) Compensation base means (I) for current members
21 employed with the same employer, the member's compensation for the
22 plan year ending June 30, 2013, or (II) for members newly hired or
23 hired by a separate employer on or after July 1, 2013, the member's
24 compensation for the first full plan year following the member's date
25 of hiring. Thereafter, the member's compensation base shall be

1 increased each plan year by the lesser of eight percent of the
2 member's preceding plan year's compensation base or the member's
3 actual annual compensation increase during the preceding plan year;

4 (36) Termination of employment occurs on the date on
5 which the member experiences a bona fide separation from service of
6 employment with the member's employer, the date of which separation
7 is determined by the employer. The employer shall notify the board of
8 the date on which such a termination has occurred. It is the
9 responsibility of the employer that is involved in the termination of
10 employment to notify the board of such change in employment and
11 provide the board with such information as the board deems necessary.
12 If the board determines that termination of employment has not
13 occurred and a retirement benefit has been paid to a member of the
14 retirement system pursuant to section 79-933, the board shall require
15 the member who has received such benefit to repay the benefit to the
16 retirement system. A member shall not be deemed to have terminated
17 employment if the member subsequently provides service to any
18 employer participating in the retirement system provided for in the
19 School Employees Retirement Act within one hundred eighty calendar
20 days after ceasing employment unless such service:

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

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

24 A member shall not be deemed to have terminated
25 employment if the board determines that a purported termination was

1 not a bona fide separation from service with the employer;

2 (37) Disability means an inability to engage in a
3 substantially gainful activity by reason of any medically
4 determinable physical or mental impairment which can be expected to
5 result in death or be of a long and indefinite duration;

6 (38) Substitute employee means a person hired by a public
7 school as a temporary employee to assume the duties of regular
8 employees due to the temporary absence of the regular employees.
9 Substitute employee does not mean a person hired as a regular
10 employee on an ongoing basis to assume the duties of other regular
11 employees who are temporarily absent;

12 (39) Participation means qualifying for and making
13 required deposits to the retirement system during the course of a
14 plan year;

15 (40) Regular employee means an employee hired by a public
16 school or under contract in a regular full-time or part-time position
17 who works a full-time or part-time schedule on an ongoing basis for
18 ~~fifteen~~twenty or more hours per week. An employee hired as described
19 in this subdivision to provide service for less than ~~fifteen~~twenty
20 hours per week but who provides service for an average of ~~fifteen~~
21 twenty hours or more per week in each calendar month of any three
22 calendar months of a plan year shall immediately commence
23 contributions and shall be deemed a regular employee; and

24 (41) Temporary employee means an employee hired by a
25 public school who is not a regular employee and who is hired to

1 provide service for a limited period of time to accomplish a specific
2 purpose or task. When such specific purpose or task is complete, the
3 employment of such temporary employee shall terminate and in no case
4 shall the temporary employment period exceed one year in duration.

5 Sec. 4. Section 79-916, Revised Statutes Cumulative
6 Supplement, 2012, is amended to read:

7 79-916 (1)(a) On July 1, 2004, the board shall transfer
8 from the School Retirement Fund to the Service Annuity Fund an amount
9 equal to the funded ratio of the retirement system which is equal to
10 the market value of the retirement system assets divided by the
11 actuarial accrued liability of the retirement system, times the
12 actuarial accrued liability of the service annuity, as determined
13 pursuant to section 79-966.01, of the employees who are members of
14 the retirement system established pursuant to the Class V School
15 Employees Retirement Act. ~~Such Beginning July 1, 2013, such~~ actuarial
16 accrued liability shall be determined for each employee on a level
17 ~~dollar basis. percentage of salary basis.~~ On or before July 1 of each
18 fiscal year, ~~thereafter,~~ the state shall deposit into the Service
19 Annuity Fund such amounts as may be necessary to pay the normal cost
20 and amortize the unfunded actuarial accrued liability of the service
21 annuity, as determined pursuant to section 79-966.01, as of the end
22 of the previous fiscal year of the employees who are members of the
23 retirement system established pursuant to the Class V School
24 Employees Retirement Act. Based on the fiscal year of the retirement
25 system established pursuant to the Class V School Employees

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

7 (b) At the time of retirement of any employee who is a
8 member of the retirement system established pursuant to the Class V
9 School Employees Retirement Act, the retirement board shall, upon
10 receipt of a certification of the administrator of such retirement
11 system of the name, identification number, date of birth, retirement
12 date, last date of employment, type of retirement, and number of
13 years of service credited to such eligible employee at the date of
14 retirement, transfer to such retirement system from the Service
15 Annuity Fund the actuarial accrued liability of the service annuity
16 to be paid by the state to the eligible employee for the years of
17 service thus certified as provided for members of the School
18 Employees Retirement System of the State of Nebraska under sections
19 79-933 and 79-952. Such transfer of the actuarial accrued liability
20 to the retirement system established pursuant to the Class V School
21 Employees Retirement Act shall be in lieu of the payment of the
22 service annuity to which the employee would be entitled.

23 (c) The Service Annuity Fund is created. The fund shall
24 consist of the amounts paid by the state and transferred from the
25 School Retirement Fund pursuant to this section to pay the service

1 annuity to be paid by the state to employees who are members of the
2 retirement system established pursuant to the Class V School
3 Employees Retirement Act. Any money in the Service Annuity Fund
4 available for investment shall be invested by the state investment
5 officer pursuant to the Nebraska Capital Expansion Act and the
6 Nebraska State Funds Investment Act.

7 (2) In addition to the transfer of the actuarial accrued
8 liability of the service annuity to be paid by the state, the state
9 shall also transfer to the funds of the Class V school district's
10 retirement system an amount determined by multiplying the
11 compensation of all members of such retirement system by the percent
12 specified in subsection (2) of section 79-966 for determining the
13 amount of the state's payment to the School Retirement Fund. The
14 transfer shall be made annually on or before July 1 of each fiscal
15 year.

16 Sec. 5. Section 79-947.06, Revised Statutes Cumulative
17 Supplement, 2012, is amended to read:

18 79-947.06 On July 1 of each year, for school employees
19 who became members prior to July 1, 2013:

20 (1) ~~Beginning July 1, 2011, and each July 1 thereafter,~~
21 ~~the~~The board shall determine the number of retired members or
22 beneficiaries described in subdivision (4)(b) of this section in the
23 retirement system and an annual benefit adjustment shall be made by
24 the board for each retired member or beneficiary under one of the
25 cost-of-living adjustment calculation methods found in ~~subsection~~

1 subdivision (2), (3), or (4) of this section. Each retired member or
2 beneficiary, if eligible, shall receive an annual benefit adjustment
3 under the cost-of-living adjustment calculation method that provides
4 the retired member or beneficiary the greatest annual benefit
5 adjustment increase. No retired member or beneficiary shall receive
6 an annual benefit adjustment under more than one of the cost-of-
7 living adjustment calculation methods provided in this section; -

8 (2) The current benefit paid to a retired member or
9 beneficiary under this ~~subsection~~subdivision shall be adjusted so
10 that the purchasing power of the benefit being paid is not less than
11 seventy-five percent of the purchasing power of the initial benefit.
12 The purchasing power of the initial benefit in any year following the
13 year in which the initial benefit commenced shall be calculated by
14 dividing the United States Department of Labor, Bureau of Labor
15 Statistics, Consumer Price Index for Urban Wage Earners and Clerical
16 Workers factor on June 30 of the current year by the Consumer Price
17 Index for Urban Wage Earners and Clerical Workers factor on June 30
18 of the year in which the benefit commenced. The result shall be
19 multiplied by the product that results when the amount of the initial
20 benefit is multiplied by seventy-five percent. In any year in which
21 applying the adjustment provided in ~~subsection~~subdivision (3) of
22 this section results in a benefit which would be less than seventy-
23 five percent of the purchasing power of the initial benefit as
24 calculated in this ~~subsection~~subdivision, the adjustment shall
25 instead be equal to the percentage change in the Consumer Price Index

1 for Urban Wage Earners and Clerical Workers factor from the prior
2 year to the current year; -

3 (3) The current benefit paid to a retired member or
4 beneficiary under this ~~subsection~~ subdivision shall be increased
5 annually by the lesser of (a) the percentage change in the Consumer
6 Price Index for Urban Wage Earners and Clerical Workers for the
7 period between June 30 of the prior year to June 30 of the present
8 year or (b) two and one-half percent; -

9 (4)(a) The current benefit paid to a retired member or
10 beneficiary under ~~this subsection~~ subdivision (4) of this section
11 shall be calculated by multiplying the retired member's or
12 beneficiary's total monthly benefit by the lesser of (i) the
13 cumulative change in the Consumer Price Index for Urban Wage Earners
14 and Clerical Workers from the last adjustment of the total monthly
15 benefit of each retired member or beneficiary through June 30 of the
16 year for which the annual benefit adjustment is being calculated or
17 (ii) an amount equal to three percent per annum compounded for the
18 period from the last adjustment of the total monthly benefit of each
19 retired member or beneficiary through June 30 of the year for which
20 the annual benefit adjustment is being calculated.

21 (b) In order for a retired member or beneficiary to
22 receive the cost-of-living adjustment calculation method provided in
23 ~~this subsection,~~ subdivision (4) of this section, the retired member
24 or beneficiary shall be (i) a retired member or beneficiary who has
25 been receiving a retirement benefit for at least five years if the

1 member had at least twenty-five years of creditable service, (ii) a
2 member who has been receiving a disability retirement benefit for at
3 least five years pursuant to section 79-952, or (iii) a beneficiary
4 who has been receiving a death benefit pursuant to section 79-956 for
5 at least five years, if the member's or beneficiary's monthly accrual
6 rate is less than or equal to the minimum accrual rate as determined
7 by ~~this subsection.~~ subdivision (4) of this section.

8 (c) The monthly accrual rate under ~~this subsection~~
9 subdivision (4) of this section is the retired member's or
10 beneficiary's total monthly benefit divided by the number of years of
11 creditable service earned by the retired or deceased member.

12 (d) The total monthly benefit under ~~this subsection~~
13 subdivision (4) of this section is the total benefit received by a
14 retired member or beneficiary pursuant to the School Employees
15 Retirement Act and previous adjustments made pursuant to this section
16 or any other provision of the act that grants a benefit or cost-of-
17 living increase, but the total monthly benefit shall not include sums
18 received by an eligible retired member or eligible beneficiary from
19 federal sources.

20 (e) The minimum accrual rate under ~~this subsection~~
21 subdivision (4) of this section is twenty-three dollars and thirty-
22 two cents until adjusted pursuant to ~~this subsection.~~ such
23 subdivision. Beginning July 1, 2011, the board shall annually adjust
24 the minimum accrual rate to reflect the cumulative percentage change
25 in the Consumer Price Index for Urban Wage Earners and Clerical

1 Workers from the last adjustment of the minimum accrual rate; -

2 (5) ~~Beginning July 1, 2011, and each July 1 thereafter,~~
3 ~~each~~ Each retired member or beneficiary shall receive the sum of the
4 annual benefit adjustment and such retiree's total monthly benefit
5 less withholding, which sum shall be the retired member's or
6 beneficiary's adjusted total monthly benefit. Each retired member or
7 beneficiary shall receive the adjusted total monthly benefit until
8 the expiration of the annuity option selected by the member or until
9 the retired member or beneficiary again qualifies for the annual
10 benefit adjustment, whichever occurs first; -

11 (6) The annual benefit adjustment pursuant to this
12 section shall not cause a current benefit to be reduced, and a
13 retired member or beneficiary shall never receive less than the
14 adjusted total monthly benefit until the annuity option selected by
15 the member expires; and -

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

1 retired employees.

2 ~~(8) The state shall contribute to the Annuity Reserve~~
3 ~~Fund an annual level dollar payment certified by the board. For the~~
4 ~~2011-12 fiscal year through the 2012-13 fiscal year, the annual level~~
5 ~~dollar payment certified by the board shall equal 81.7873 percent of~~
6 ~~six million eight hundred ninety five thousand dollars.~~

7 Sec. 6. On July 1 of each year, for school employees who
8 became members on or after July 1, 2013:

9 (1) The board shall determine the number of retired
10 members or beneficiaries in the retirement system and an annual
11 benefit adjustment shall be made by the board for each retired member
12 or beneficiary. The benefit paid to a retired member or beneficiary
13 under this section shall be increased annually by the lesser of (a)
14 the percentage change in the Consumer Price Index for Urban Wage
15 Earners and Clerical Workers for the period between June 30 of the
16 prior year to June 30 of the present year or (b) one percent;

17 (2) Each retired member or beneficiary shall receive the
18 sum of the annual benefit adjustment and such retiree's total monthly
19 benefit less withholding, which sum shall be the retired member's or
20 beneficiary's adjusted total monthly benefit. Each retired member or
21 beneficiary shall receive the adjusted total monthly benefit until
22 the expiration of the annuity option selected by the member or until
23 the retired member or beneficiary again qualifies for the annual
24 benefit adjustment, whichever occurs first;

25 (3) The annual benefit adjustment pursuant to this

1 section shall not cause a current benefit to be reduced, and a
2 retired member or beneficiary shall never receive less than the
3 adjusted total monthly benefit until the annuity option selected by
4 the member expires; and

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

16 Sec. 7. Section 79-954, Revised Statutes Cumulative
17 Supplement, 2012, is amended to read:

18 79-954 (1) Except as provided in subsection (2) of this
19 section, if a disability beneficiary under the age of sixty-five
20 years is restored to active service as a school employee or if the
21 examining physician certifies that the person is no longer disabled
22 for service as a school employee, the school or disability retirement
23 allowance shall cease. If the beneficiary again becomes a school
24 employee, he or she shall become a member of the retirement system.
25 Any prior service certificate, on the basis of which his or her

1 creditable service was computed at the time of his or her retirement
2 for disability, shall be restored to full force and effect upon his
3 or her again becoming a member of such retirement system.

4 (2) If a disability beneficiary under the age of sixty-
5 five years obtains employment as a school employee and the examining
6 physician certifies that the beneficiary has a permanent disability,
7 the beneficiary shall retain his or her disability retirement
8 allowance if the beneficiary works fewer than ~~fifteen~~ twenty hours
9 per week.

10 Sec. 8. Section 79-958, Revised Statutes Cumulative
11 Supplement, 2012, is amended to read:

12 79-958 (1) ~~Beginning on September 1, 2009, and ending~~
13 ~~August 31, 2011, for the purpose of providing the funds to pay for~~
14 ~~formula annuities, every employee shall be required to deposit in the~~
15 ~~School Retirement Fund eight and twenty-eight hundredths percent of~~
16 ~~compensation. Beginning on September 1, 2011, and ending August 31,~~
17 ~~2012, for the purpose of providing the funds to pay for formula~~
18 ~~annuities, every employee shall be required to deposit in the School~~
19 ~~Retirement Fund eight and eighty-eight hundredths percent of~~
20 ~~compensation. Beginning on September 1, 2012, and ending August 31,~~
21 ~~2017, for the purpose of providing the funds to pay for formula~~
22 annuities, every employee shall be required to deposit in the School
23 Retirement Fund nine and seventy-eight hundredths percent of
24 compensation. ~~Beginning on September 1, 2017, for the purpose of~~
25 ~~providing the funds to pay for formula annuities, every employee~~

1 ~~shall be required to deposit in the School Retirement Fund seven and~~
2 ~~twenty eight hundredths percent of compensation.~~ Such deposits shall
3 be transmitted at the same time and in the same manner as required
4 employer contributions.

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

11 (3) The employer shall pick up the member contributions
12 required by this section for all compensation paid on or after
13 January 1, 1986, and the contributions so picked up shall be treated
14 as employer contributions in determining federal tax treatment under
15 the Internal Revenue Code as defined in section 49-801.01, except
16 that the employer shall continue to withhold federal income taxes
17 based upon these contributions until the Internal Revenue Service or
18 the federal courts rule that, pursuant to section 414(h) of the code,
19 these contributions shall not be included as gross income of the
20 member until such time as they are distributed or made available. The
21 employer shall pay these member contributions from the same source of
22 funds which is used in paying earnings to the member. The employer
23 shall pick up these contributions by a compensation deduction through
24 a reduction in the cash compensation of the member. Member
25 contributions picked up shall be treated for all purposes of the

1 School Employees Retirement Act in the same manner and to the same
2 extent as member contributions made prior to the date picked up.

3 (4) The employer shall pick up the member contributions
4 made through irrevocable payroll deduction authorizations pursuant to
5 sections 79-921, 79-933.03 to 79-933.06, and 79-933.08, and the
6 contributions so picked up shall be treated as employer contributions
7 in the same manner as contributions picked up under subsection (3) of
8 this section.

9 Sec. 9. Section 79-966, Revised Statutes Cumulative
10 Supplement, 2012, is amended to read:

11 79-966 (1) On the basis of all data in the possession of
12 the retirement board, including such mortality and other tables as
13 are recommended by the actuary engaged by the retirement board and
14 adopted by the retirement board, the retirement board shall annually,
15 on or before July 1, determine the state deposit to be made by the
16 state in the School Retirement Fund for that fiscal year. The amount
17 of such state deposit shall be determined pursuant to section
18 79-966.01. The retirement board shall thereupon certify the amount of
19 such state deposit, and on the warrant of the Director of
20 Administrative Services, the State Treasurer shall, as of July 1 of
21 such year, transfer from funds appropriated by the state for that
22 purpose to the School Retirement Fund the amount of such state
23 deposit.

24 ~~(2) In addition to the state deposits required by~~
25 ~~subsections (1) and (3) of this section, the state shall deposit in~~

1 ~~the School Retirement Fund an amount equal to seven tenths of one~~
2 ~~percent of the compensation of all members of the retirement system~~
3 ~~for each fiscal year on or after July 1, 1984, until July 1, 2009.~~
4 For each fiscal year beginning July 1, 2009, until July 1, 2017,
5 2014, in addition to the state deposits required by subsections (1)
6 and (3) of this section, the state shall deposit in the School
7 Retirement Fund an amount equal to one percent of the compensation of
8 all members of the retirement system. For each fiscal year beginning
9 July 1, 2017, 2014, in addition to the state deposits required by
10 subsections (1) and (3) of this section, the state shall deposit in
11 the School Retirement Fund an amount equal to ~~seven tenths of one two~~
12 percent of the compensation of all members of the retirement system.

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

22 Sec. 10. Section 79-966.01, Reissue Revised Statutes of
23 Nebraska, is amended to read:

24 79-966.01 Beginning July 1, ~~2002,~~ 2013, and each year
25 thereafter, this section shall govern annual actuarial valuations of

1 the School Retirement Fund. In order to determine the additional
2 required deposits by the State of Nebraska, as required by section
3 79-966, the board shall cause an annual actuarial valuation to be
4 performed that will value the plan assets for the year and ascertain
5 the contributions required for such fiscal year. The actuary for the
6 board shall perform the annual valuation using the entry age
7 actuarial cost method. Under this method, the actuarially required
8 funding rate is equal to the normal cost rate, plus the contribution
9 rate necessary to amortize the unfunded actuarial accrued liability
10 on a level ~~payment percentage of salary~~ basis. The normal cost under
11 this method shall be determined for each individual member on a level
12 percentage of salary basis. The normal cost amount is then summed for
13 all members. ~~The initial unfunded actual accrued liability as of July~~
14 ~~1, 2002, if any, shall be amortized over a twenty five year period.~~
15 ~~Prior to July 1, 2006, changes in the funded actuarial accrued~~
16 ~~liability due to changes in benefits, actuarial assumptions, the~~
17 ~~asset valuation method, or actuarial gains or losses shall be~~
18 ~~measured and amortized over a twenty five year period beginning on~~
19 ~~the valuation date of such change. Beginning July 1, 2006, any~~
20 existing unfunded liabilities shall be reinitialized and amortized
21 over a thirty-year period, and during each subsequent actuarial
22 valuation, changes in the funded actuarial accrued liability due to
23 changes in benefits, actuarial assumptions, the asset valuation
24 method, or actuarial gains or losses shall be measured and amortized
25 over a thirty-year period beginning on the valuation date of such

1 change. If the unfunded actuarial accrued liability under the entry
2 age actuarial cost method is zero or less than zero on an actuarial
3 valuation date, then all prior unfunded actuarial accrued liabilities
4 shall be considered fully funded and the unfunded actuarial accrued
5 liability shall be reinitialized and amortized over a thirty-year
6 period as of the actuarial valuation date. If the actuarially
7 required contribution rate exceeds the rate of all contributions
8 required pursuant to the School Employees Retirement Act, the actuary
9 shall determine the added contributions required to be paid by the
10 State of Nebraska that constitute the difference between the
11 actuarially required contribution rate and the rate of all other
12 required contributions.

13 Sec. 11. Section 79-9,100, Reissue Revised Statutes of
14 Nebraska, is amended to read:

15 79-9,100 (1) In lieu of the retirement annuity provided
16 by section 79-999 or 79-9,113, any member who becomes eligible to
17 receive a retirement annuity after February 20, 1982, under the Class
18 V School Employees Retirement Act shall receive a formula retirement
19 annuity based on final average compensation, except that if the
20 monthly formula retirement annuity based on final average
21 compensation is less than the monthly retirement annuity specified in
22 section 79-999 or 79-9,113, accrued to the date of retirement or
23 August 31, 1983, whichever first occurs, the member shall receive the
24 monthly retirement annuity specified in section 79-999 or 79-9,113
25 accrued to the date of retirement or August 31, 1983, whichever first

1 occurs.

2 (2) The monthly formula retirement annuity based on final
3 average compensation shall be determined by multiplying the number of
4 years of creditable service for which such member would otherwise
5 receive the retirement annuity provided by section 79-999 or 79-9,113
6 by one and one-half percent of his or her final average compensation.
7 For retirements after June 15, 1989, and before April 18, 1992, the
8 applicable percentage shall be one and sixty-five hundredths percent
9 of his or her final average compensation. For retirements on or after
10 April 18, 1992, and before June 7, 1995, the applicable percentage
11 shall be one and seventy-hundredths percent of his or her final
12 average compensation. For retirements on or after June 7, 1995, and
13 before March 4, 1998, the applicable percentage shall be one and
14 eighty-hundredths percent of his or her final average compensation.
15 For retirements on or after March 4, 1998, and before March 22, 2000,
16 the applicable percentage shall be one and eighty-five hundredths
17 percent of his or her final average compensation. For retirements on
18 or after March 22, 2000, the applicable percentage shall be two
19 percent of his or her final average compensation.

20 (3) Final average compensation shall be determined: ~~by~~

21 (a) Except as provided in subdivision (3)(b) of this
22 section, by dividing the member's total compensation for the three
23 fiscal years in which such compensation was the highest by thirty-
24 six; and -

25 (b) For an employee who became a member on or after July

1 1, 2013, by dividing the member's total compensation for the five
2 fiscal years in which such compensation was the highest by sixty.

3 (4) For retirements before June 7, 1995, if the annuity
4 begins prior to the sixty-second birthday of the member and the
5 member has not completed thirty-five or more years of creditable
6 service, the annuity at the date it begins shall be the actuarial
7 equivalent of the annuity deferred to the sixty-second birthday of
8 the member. If the annuity begins prior to the sixty-second birthday
9 of the member and the member has completed thirty-five or more years
10 of creditable service, the annuity shall not be reduced. For
11 retirements on or after June 7, 1995, any retirement annuity which
12 begins prior to the sixty-second birthday of the member shall be
13 reduced by twenty-five hundredths percent for each month or partial
14 month between the date the annuity begins and the member's sixty-
15 second birthday. If the annuity begins at a time when:

16 ~~(1)~~-(a) The sum of the member's attained age and
17 creditable service is eighty-five or more, the annuity shall not be
18 reduced;

19 ~~(2)~~-(b) The sum of the member's attained age and
20 creditable service totals eighty-four, the annuity shall not be
21 reduced by an amount greater than three percent of the unreduced
22 annuity;

23 ~~(3)~~-(c) The sum of the member's attained age and
24 creditable service totals eighty-three, the annuity shall not be
25 reduced by an amount greater than six percent of the unreduced

1 annuity; and

2 ~~(4)~~ (d) The sum of the member's attained age and
3 creditable service totals eighty-two, the annuity shall not be
4 reduced by an amount greater than nine percent of the unreduced
5 annuity.

6 (5) For purposes of this section, a member's creditable
7 service and attained age shall be measured in one-half-year
8 increments.

9 (6) The normal form of the formula retirement annuity
10 based on final average compensation shall be an annuity payable
11 monthly during the remainder of the member's life with the provision
12 that in the event of his or her death before sixty monthly payments
13 have been made the monthly payments will be continued to his or her
14 estate or to the beneficiary he or she has designated until a total
15 of sixty monthly payments have been made. A member may elect to
16 receive, in lieu of the normal form of annuity, an actuarially
17 equivalent annuity in any optional form provided by section 79-9,101.

18 (7) Any member receiving a formula retirement annuity
19 based on final average compensation shall also receive the service
20 annuity to be paid by the State of Nebraska as provided in sections
21 79-933 to 79-935 and 79-951.

22 Sec. 12. Section 79-9,103, Reissue Revised Statutes of
23 Nebraska, is amended to read:

24 79-9,103 (1) Any annuity paid on or after September 1,
25 1983, to a member who retired prior to February 21, 1982, pursuant to

1 the Class V School Employees Retirement Act, or to such member's
2 beneficiary, or to a person who retired under the provisions of the
3 retirement system established by statute for employees of Class V
4 school districts in effect prior to September 1, 1951, or to such
5 person's beneficiary, shall be adjusted by the increase in the cost
6 of living or wage levels between the effective date of retirement and
7 June 30, 1983, except that such increase shall not exceed the sum of
8 one dollar and fifty cents per month for each year of creditable
9 service and one dollar per month for each completed year of
10 retirement as measured from the effective date of retirement to June
11 30, 1983. No separate adjustment in such annuity shall be made as a
12 result of the changes made in section 79-9,113 pursuant to Laws 1983,
13 LB 488. If a joint and survivor annuity was elected, the increase
14 shall be actuarially adjusted so that the joint and survivor annuity
15 remains the actuarial equivalent of the life annuity otherwise
16 payable.

17 (2) In addition to the cost-of-living adjustment provided
18 in subsection (1) of this section, any annuity paid on or after
19 September 1, 1986, pursuant to the act or pursuant to the provisions
20 of the retirement system established by statute for employees of
21 Class V school districts in effect prior to September 1, 1951, and on
22 which the first payment was dated on or before September 1, 1985,
23 shall be adjusted by the increase in the cost of living or wage
24 levels between the effective date of retirement and June 30, 1986,
25 except that such increase shall not exceed (a) three and one-half

1 percent for annuities first paid on or after September 1, 1984, (b)
2 seven percent for annuities first paid on or after September 1, 1983,
3 but before September 1, 1984, or (c) ten and one-half percent for all
4 other annuities.

5 (3) In addition to the cost-of-living adjustment provided
6 in subsections (1) and (2) of this section, any annuity paid on or
7 after September 1, 1989, pursuant to the act or pursuant to the
8 provisions of the retirement system established by statute for
9 employees of Class V school districts in effect prior to September 1,
10 1951, and on which the first payment was dated on or before September
11 1, 1988, shall be adjusted by the increase in the cost of living or
12 wage levels between the effective date of retirement and June 30,
13 1989, except that such increase shall not exceed (a) three percent
14 for annuities first paid on or after September 1, 1987, (b) six
15 percent for annuities first paid on or after September 1, 1986, but
16 before September 1, 1987, or (c) nine percent for all other
17 annuities.

18 (4) In addition to the cost-of-living adjustment provided
19 in subsections (1), (2), and (3) of this section, any annuity paid on
20 or after September 1, 1992, pursuant to the act or pursuant to the
21 provisions of the retirement system established by statute for
22 employees of Class V school districts in effect prior to September 1,
23 1951, and on which the first payment was dated on or before October
24 1, 1991, shall be adjusted by the increase in the cost of living or
25 wage levels between the effective date of retirement and June 30,

1 1992, except that such increase shall not exceed (a) three percent
2 for annuities first paid after October 1, 1990, (b) six percent for
3 annuities first paid after October 1, 1989, but on or before October
4 1, 1990, or (c) nine percent for all other annuities.

5 (5) In addition to the cost-of-living adjustment provided
6 in subsections (1), (2), (3), and (4) of this section, any annuity
7 paid on or after September 1, 1995, pursuant to the act or pursuant
8 to the provisions of the retirement system established by statute for
9 employees of Class V school districts in effect prior to September 1,
10 1951, and on which the first payment was dated on or before October
11 1, 1994, shall be adjusted by the increase in the cost of living or
12 wage levels between the effective date of retirement and June 30,
13 1995, except that such increase shall not exceed (a) three percent
14 for annuities first paid after October 1, 1993, (b) six percent for
15 annuities first paid after October 1, 1992, but on or before October
16 1, 1993, or (c) nine percent for all other annuities.

17 (6) In addition to the cost-of-living adjustment provided
18 in subsections (1), (2), (3), (4), and (5) of this section, any
19 annuity paid pursuant to the act or pursuant to the provisions of the
20 retirement system established by statute for employees of Class V
21 school districts in effect prior to September 1, 1951, and on which
22 the first payment was dated on or before October 1, 1994, shall be
23 subject to adjustment to equal the greater of (a) the annuity payable
24 to the member or beneficiary as adjusted, if applicable, under the
25 provisions of subsection (1), (2), (3), (4), or (5) of this section

1 or (b) ninety percent of the annuity which results when the original
2 annuity that was paid to the member or beneficiary (before any cost-
3 of-living adjustments under this section), is adjusted by the
4 increase in the cost of living or wage levels between the
5 commencement date of the annuity and June 30, 1995.

6 (7) In addition to the cost-of-living adjustment provided
7 in subsections (1), (2), (3), (4), (5), and (6) of this section, any
8 annuity paid on or after September 1, 1998, pursuant to the act or
9 pursuant to the provisions of the retirement system established by
10 statute for employees of Class V school districts in effect prior to
11 September 1, 1951, and on which the first payment was dated on or
12 before October 3, 1997, shall be adjusted by the increase in the cost
13 of living or wage levels between the effective date of retirement and
14 June 30, 1998, except that such increase shall not exceed (a) three
15 percent for annuities first paid after October 1, 1996, (b) six
16 percent for annuities first paid after October 1, 1995, but on or
17 before October 1, 1996, or (c) nine percent for all other annuities.

18 (8) Beginning January 1, 2000, and on January 1 of every
19 year thereafter, for employees of Class V school districts who were
20 members prior to July 1, 2013, a cost-of-living adjustment shall be
21 made for any annuity being paid pursuant to the act, or pursuant to
22 the provisions of the retirement system established by statute for
23 employees of Class V school districts in effect prior to September 1,
24 1951, and on which the first payment was dated on or before October 3
25 preceding such January 1 adjustment date. The cost-of-living

1 adjustment for any such annuity shall be the lesser of (a) one and
2 one-half percent or (b) the increase in the consumer price index from
3 the date such annuity first became payable through the August 31
4 preceding the January 1 adjustment date as reduced by the aggregate
5 cost-of-living adjustments previously made to the annuity pursuant to
6 ~~section 79-9,103 and pursuant to subsections (8) and (9) of this~~
7 section.

8 (9) Beginning January 1, 2014, and on January 1 of every
9 year thereafter, for employees of Class V school districts who became
10 members on or after July 1, 2013, a cost-of-living adjustment shall
11 be made for any annuity being paid pursuant to the act and on which
12 the first payment was dated on or before October 3 preceding such
13 January 1 adjustment date. The cost-of-living adjustment for any such
14 annuity shall be the lesser of (a) one percent or (b) the increase in
15 the consumer price index from the date such annuity first became
16 payable through the August 31 preceding the January 1 adjustment date
17 as reduced by the aggregate cost-of-living adjustments previously
18 made to the annuity pursuant to this section.

19 ~~(9)-(10)~~ Beginning September 1, 1999, the actuary shall
20 make an annual valuation of the assets and liabilities of the system.
21 If the annual valuation made by the actuary, as approved by the
22 trustees, indicates that the system has sufficient actuarial surplus
23 to provide for a cost-of-living adjustment in addition to the
24 adjustment made pursuant to subsection (8) or (9) of this section,
25 the board may, in its discretion, declare by resolution that each

1 annuity being paid pursuant to the act, or pursuant to the provisions
2 of the retirement system established by statute for employees of
3 Class V school districts in effect prior to September 1, 1951, and on
4 which the first payment was dated on or before October 3 of the year
5 such resolution is adopted, shall be increased beginning as of the
6 January 1 following the date of the board's resolution by such
7 percentage as may be declared by the board, except that such increase
8 for any such annuity shall not exceed the increase in the consumer
9 price index from the date such annuity first became payable through
10 the applicable valuation date as reduced by the aggregate cost-of-
11 living adjustments previously made to the annuity pursuant to ~~section~~
12 ~~79-9,103 and pursuant to subsections (8) and (9) of this section.~~

13 ~~(10)~~—(11) Except for the adjustments pursuant to
14 subsection ~~(12)~~—(13) of this section, the consumer price index to be
15 used for determining any cost-of-living adjustment under this section
16 shall be the Consumer Price Index - All Urban Consumers, as published
17 by the Bureau of Labor Statistics of the United States Department of
18 Labor. If this consumer price index is discontinued or replaced, a
19 substitute index published by the United States Department of Labor
20 shall be selected by the board, upon recommendation of the trustees,
21 which shall be a reasonable representative measurement of the cost of
22 living for retired employees. An annuity as increased by any cost-of-
23 living adjustment made under this section shall be considered the
24 base annuity amount for the purpose of future adjustments pursuant to
25 this section. In no event shall any cost-of-living adjustment be

1 deemed to affect or increase the amount of the base retirement
2 annuity of a member as determined under section 79-999 or 79-9,100.

3 ~~(11)~~-(12) Any decision or determination by the board (a)
4 to declare or not declare a cost-of-living adjustment, (b) as to
5 whether the annual valuation indicates a sufficient actuarial surplus
6 to provide for a cost-of-living adjustment, or (c) pursuant to the
7 selection of a substitute index shall be made in the sole, absolute,
8 and final discretion of the board and shall not be subject to
9 challenge by any member or beneficiary. In no event shall the
10 Legislature be constrained or limited in amending the system or
11 increasing the benefits of members under the system, nor shall the
12 board or trustees be constrained from supporting any such change to
13 the system, notwithstanding the effect of any such change upon the
14 actuarial surplus of the system and the ability of the board to
15 declare future cost-of-living adjustments.

16 ~~(12)~~-(13) The Legislature finds and declares that there
17 exists in this state a pressing need to attract and retain qualified
18 and dedicated public school employees and that one of the factors
19 prospective public school employees consider when seeking or
20 continuing public school employment is the retirement system and
21 benefits the employment provides. The Legislature further finds that
22 over the past decades, as reflected by the Medical Price Index
23 published by the United States Department of Labor, the cost of
24 medical care, including the cost of medications and insurance
25 coverages, has increased at a rate in excess of that by which the

1 Consumer Price Index - All Urban Consumers has increased. The
2 Legislature further finds and declares that there accordingly exists
3 a need to adjust the amount of retirement benefits paid to retired
4 public school employees in order to assist them in meeting the
5 increased cost of medical care. Therefor, in addition to the cost-of-
6 living adjustments provided in subsections (1) through ~~(11)~~(12) of
7 this section, commencing on October 3, 2001, and on October 3 of
8 every year thereafter, a medical cost-of-living adjustment shall be
9 paid to any annuitant who has been paid an annuity from the
10 retirement system for at least ten years through the October 3
11 adjustment date. The cost-of-living adjustment shall be paid in the
12 form of a supplemental annuity providing monthly payments equal to
13 the amount which results when (a) the fraction, not to exceed one,
14 that results when the annuitant's years of creditable service at his
15 or her retirement date is divided by twenty, is multiplied by (b) the
16 product of ten dollars times the number of years, including attained
17 one-half years, that such annuitant has received annuity payments
18 from the retirement system through the October 3 adjustment date. The
19 supplemental annuity being paid to an annuitant shall increase by ten
20 dollars on October 3 of each subsequent year to reflect the
21 additional year of annuity payments to the annuitant until the total
22 amount of the supplemental annuity is two hundred fifty dollars. In
23 no event shall the medical cost-of-living adjustment for any
24 annuitant pursuant to this subsection result in the payment of a
25 supplemental annuity exceeding two hundred fifty dollars per month.

1 The supplemental annuity paid to an annuitant pursuant to this
2 subsection shall cease at the death of the annuitant regardless of
3 the form of retirement annuity being paid to the annuitant at the
4 time of his or her death.

5 Sec. 13. Section 79-9,105, Reissue Revised Statutes of
6 Nebraska, is amended to read:

7 79-9,105 (1) Any member with five or more years of
8 creditable service, excluding years of prior service acquired
9 pursuant to section 79-990, 79-991, 79-994, 79-995, or 79-997, who
10 becomes totally disabled for further performance of duty on or after
11 March 22, 2000, may be approved for deferred disability retirement by
12 the board. In the case of such deferred disability retirement, the
13 member, during the period specified in subsection (3) of this
14 section, shall be credited with creditable service for each year or
15 portion thereof, to be determined in accordance with board policies
16 governing creditable service, that the member defers retirement, up
17 to a maximum of thirty-five years of total creditable service,
18 including creditable service accrued before the member became totally
19 disabled. The member approved for deferred disability retirement may
20 at any time of the member's choosing request the deferral to end and
21 retirement annuity payments to begin. The retirement annuity of such
22 member shall be based on the total number of years of the member's
23 creditable service, including the years credited to the member during
24 his or her total disability under this section, and the member's
25 final average salary as of the date that the member became totally

1 disabled and as adjusted from such date by a percentage equal to the
2 cumulative percentage cost-of-living adjustments that were made or
3 declared for annuities in pay status pursuant to ~~subsections (8) and~~
4 ~~(9) of~~ section 79-9,103 after the date of the board's approval for
5 deferred disability retirement and before the cessation of the
6 accrual of additional creditable service pursuant to subsection (3)
7 of this section. Except as provided in subsection (4) of this
8 section, the retirement annuity so determined for the member shall be
9 payable to the member without reduction due to any early commencement
10 of benefits, except that the retirement annuity shall be reduced by
11 the amount of any periodic payments to such employee as workers'
12 compensation benefits. Additional creditable service acquired through
13 deferred disability retirement shall apply to the service
14 requirements specified in section 79-9,106. The board shall consider
15 a member to be totally disabled when it has received an application
16 by the member and a statement by at least two licensed and practicing
17 physicians designated by the board certifying that the member is
18 totally and presumably permanently disabled and unable to perform his
19 or her duties as a consequence thereof.

20 (2) Notwithstanding the provisions of subsection (1) of
21 this section, the payment of the retirement annuity of a member may
22 not be deferred later than the member's required beginning date as
23 defined in section 401(a)(9) of the Internal Revenue Code, as defined
24 in section 49-801.01. If the payment of a disabled member's
25 retirement annuity is required to commence before the member has

1 elected to end his or her deferred disability retirement, the amount
2 of benefit that would have accrued pursuant to subsection (1) of this
3 section in the fiscal year of the member's required beginning date,
4 and in each subsequent fiscal year through the year of the member's
5 election to end the deferred disability retirement period, shall be
6 reduced, but not below zero, by the actuarial equivalent of the
7 payments which were paid to the member during each such fiscal year
8 and after the member's required beginning date. The retirement
9 annuity of any member that commences before the end of the member's
10 deferred disability retirement shall be adjusted as of each September
11 1 pursuant to the requirements of this subsection.

12 (3) The accrual of creditable service and any adjustment
13 of final average salary provided in subsection (1) of this section
14 shall begin from the first day of the month following the date of the
15 first of the two examinations by which the member is determined by
16 the board to be totally disabled, shall continue only so long as the
17 member does not receive any wages or compensation for services, and
18 shall end at the earlier of (a) the time total disability ceases as
19 determined by the board or (b) the date the member elects to end the
20 deferred disability retirement and begin to receive his or her
21 retirement annuity. The board may require periodic proof of
22 disability but not more frequently than semiannually.

23 (4) The payment of any retirement annuity to a disabled
24 member, which begins to be paid under this section (a) before the
25 member's sixty-second birthday or (b) at a time before the sum of the

1 member's attained age and creditable service is eighty-five or more,
2 shall be suspended if the board determines at any time before the
3 member's sixty-second birthday that the member's total disability has
4 ceased. Payment of the retirement annuity of such member as
5 determined under this section shall recommence at the member's early
6 retirement date or normal retirement date but shall be subject to
7 reduction at such time as specified in section 79-9,100.

8 Sec. 14. Section 79-9,113, Revised Statutes Cumulative
9 Supplement, 2012, is amended to read:

10 79-9,113 (1)(a) If, at any future time, a majority of the
11 eligible members of the retirement system votes to be included under
12 an agreement providing old age and survivors insurance under the
13 Social Security Act of the United States, the contributions to be
14 made by the member and the school district for membership service,
15 from and after the effective date of the agreement with respect to
16 services performed subsequent to December 31, 1954, shall each be
17 reduced from five to three percent but not less than three percent of
18 the member's salary per annum, and the credits for membership service
19 under this system, as provided in section 79-999, shall thereafter be
20 reduced from one and one-half percent to nine-tenths of one percent
21 and not less than nine-tenths of one percent of salary or wage earned
22 by the member during each fiscal year, and from one and sixty-five
23 hundredths percent to one percent and not less than one percent of
24 salary or wage earned by the member during each fiscal year and from
25 two percent to one and two-tenths percent of salary or wage earned by

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

1 fiscal year. Commencing September 1, 1995, all employees of the
2 school district shall contribute an amount equal to the membership
3 contribution which shall be six and three-tenths percent of the
4 compensation earned in each fiscal year. Commencing September 1,
5 2007, all employees of the school district shall contribute an amount
6 equal to the membership contribution which shall be seven and three-
7 tenths percent of the compensation paid in each fiscal year.
8 Commencing September 1, 2009, all employees of the school district
9 shall contribute an amount equal to the membership contribution which
10 shall be eight and three-tenths percent of the compensation paid in
11 each fiscal year. Commencing September 1, 2011, all employees of the
12 school district shall contribute an amount equal to the membership
13 contribution which shall be nine and three-tenths percent of the
14 compensation paid in each fiscal year. Commencing September 1, 2013,
15 all employees of the school district shall contribute an amount equal
16 to the membership contribution which shall be nine and seventy-eight
17 hundredths percent of the compensation paid in each fiscal year.

18 (b) The contributions by the school district in any
19 fiscal year beginning on or after September 1, 1999, shall be the
20 greater of (i) one hundred percent of the contributions by the
21 employees for such fiscal year or (ii) such amount as may be
22 necessary to maintain the solvency of the system, as determined
23 annually by the board upon recommendation of the actuary and the
24 trustees.

25 (c) The contributions by the school district in any

1 fiscal year beginning on or after September 1, 2007, shall be the
2 greater of (i) one hundred one percent of the contributions by the
3 employees for such fiscal year or (ii) such amount as may be
4 necessary to maintain the solvency of the system, as determined
5 annually by the board upon recommendation of the actuary and the
6 trustees.

7 (d) The employee's contribution shall be made in the form
8 of a monthly deduction from compensation as provided in subsection
9 (2) of this section. Every employee who is a member of the system
10 shall be deemed to consent and agree to such deductions and shall
11 receipt in full for compensation, and payment to such employee of
12 compensation less such deduction shall constitute a full and complete
13 discharge of all claims and demands whatsoever for services rendered
14 by such employee during the period covered by such payment except as
15 to benefits provided under the Class V School Employees Retirement
16 Act.

17 (e) After September 1, 1963, and prior to September 1,
18 1969, all employees shall be credited with a membership service
19 annuity which shall be nine-tenths of one percent of salary or wage
20 covered by old age and survivors insurance and one and one-half
21 percent of salary or wages above that amount, except that those
22 employees who retire on or after August 31, 1969, shall be credited
23 with a membership service annuity which shall be one percent of
24 salary or wages covered by old age and survivors insurance and one
25 and sixty-five hundredths percent of salary or wages above that

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

19 (f) Members of this system having the service
20 qualifications of members of the School Employees Retirement System
21 of the State of Nebraska, as provided by section 79-926, shall
22 receive the state service annuity provided by sections 79-933 to
23 79-935 and 79-951.

24 (2) The school district shall pick up the employee
25 contributions required by this section for all compensation paid on

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

1 picked up shall be treated for all purposes of the Class V School
2 Employees Retirement Act in the same manner and to the extent as
3 employee contributions made prior to the date picked up.

4 Sec. 15. Section 79-1003, Revised Statutes Cumulative
5 Supplement, 2012, is amended to read:

6 79-1003 For purposes of the Tax Equity and Educational
7 Opportunities Support Act:

8 (1) Adjusted general fund operating expenditures means
9 (a) for school fiscal years 2010-11 through 2012-13, the difference
10 of the general fund operating expenditures as calculated pursuant to
11 subdivision (22) of this section increased by, or for aid calculated
12 for school fiscal year 2010-11 multiplied by, the cost growth factor
13 calculated pursuant to section 79-1007.10, minus the transportation
14 allowance, special receipts allowance, poverty allowance, limited
15 English proficiency allowance, distance education and
16 telecommunications allowance, elementary site allowance, elementary
17 class size allowance, summer school allowance, instructional time
18 allowance, teacher education allowance, and focus school and program
19 allowance, and (b) for school fiscal year 2013-14 and each school
20 fiscal year thereafter, the difference of the general fund operating
21 expenditures as calculated pursuant to subdivision (22) of this
22 section increased by the cost growth factor calculated pursuant to
23 section 79-1007.10, minus the transportation allowance, special
24 receipts allowance, poverty allowance, limited English proficiency
25 allowance, distance education and telecommunications allowance,

1 elementary site allowance, summer school allowance, instructional
2 time allowance, teacher education allowance, and focus school and
3 program allowance;

4 (2) Adjusted valuation means the assessed valuation of
5 taxable property of each local system in the state, adjusted pursuant
6 to the adjustment factors described in section 79-1016. Adjusted
7 valuation means the adjusted valuation for the property tax year
8 ending during the school fiscal year immediately preceding the school
9 fiscal year in which the aid based upon that value is to be paid. For
10 purposes of determining the local effort rate yield pursuant to
11 section 79-1015.01, adjusted valuation does not include the value of
12 any property which a court, by a final judgment from which no appeal
13 is taken, has declared to be nontaxable or exempt from taxation;

14 (3) Allocated income tax funds means the amount of
15 assistance paid to a local system pursuant to section 79-1005.01 as
16 adjusted by the minimum levy adjustment pursuant to section
17 79-1008.02;

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

23 (5) Base fiscal year means the first school fiscal year
24 following the school fiscal year in which the reorganization or
25 unification occurred;

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

2 (7) Categorical funds means funds limited to a specific
3 purpose by federal or state law, including, but not limited to, Title
4 I funds, Title VI funds, federal vocational education funds, federal
5 school lunch funds, Indian education funds, Head Start funds, and
6 funds from the Education Innovation Fund. Categorical funds does not
7 include funds received pursuant to section 79-1028.02 or 79-1028.04;

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

11 (9) Converted contract means an expired contract that was
12 in effect for at least fifteen school years beginning prior to school
13 year 2012-13 for the education of students in a nonresident district
14 in exchange for tuition from the resident district when the
15 expiration of such contract results in the nonresident district
16 educating students, who would have been covered by the contract if
17 the contract were still in effect, as option students pursuant to the
18 enrollment option program established in section 79-234;

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

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

2 (12) District means any Class I, II, III, IV, V, or VI
3 school district and, beginning with the calculation of state aid for
4 school fiscal year 2011-12 and each school fiscal year thereafter, a
5 unified system as defined in section 79-4,108;

6 (13) Ensuing school fiscal year means the school fiscal
7 year following the current school fiscal year;

8 (14) Equalization aid means the amount of assistance
9 calculated to be paid to a local system pursuant to sections
10 79-1007.11 to 79-1007.23, 79-1007.25, 79-1008.01 to 79-1022,
11 79-1022.02, 79-1028.02, and 79-1028.04;

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

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

18 (17) Formula students means:

19 (a) For state aid certified pursuant to section 79-1022,
20 the sum of the product of fall membership from the school fiscal year
21 immediately preceding the school fiscal year in which the aid is to
22 be paid multiplied by the average ratio of average daily membership
23 to fall membership for the second school fiscal year immediately
24 preceding the school fiscal year in which the aid is to be paid and
25 the prior two school fiscal years plus sixty percent of the qualified

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

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

14 (18) Free lunch and free milk student means a student who
15 qualified for free lunches or free milk from the most recent data
16 available on November 1 of the school fiscal year immediately
17 preceding the school fiscal year in which aid is to be paid;

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

20 (20) General fund budget of expenditures means the total
21 budget of disbursements and transfers for general fund purposes as
22 certified in the budget statement adopted pursuant to the Nebraska
23 Budget Act, except that for purposes of the limitation imposed in
24 section 79-1023 and the calculation pursuant to subdivision (2) of
25 section 79-1027.01, the general fund budget of expenditures does not

1 include any special grant funds, exclusive of local matching funds,
2 received by a district;

3 (21) General fund expenditures means all expenditures
4 from the general fund;

5 (22) General fund operating expenditures means:

6 (a) For state aid calculated for school fiscal years
7 2010-11 and 2011-12, as reported on the annual financial report for
8 the second school fiscal year immediately preceding the school fiscal
9 year in which aid is to be paid, the total general fund expenditures
10 minus (i) the amount of all receipts to the general fund, to the
11 extent that such receipts are not included in local system formula
12 resources, from early childhood education tuition, summer school
13 tuition, educational entities as defined in section 79-1201.01 for
14 providing distance education courses through the Educational Service
15 Unit Coordinating Council to such educational entities, private
16 foundations, individuals, associations, charitable organizations, the
17 textbook loan program authorized by section 79-734, federal impact
18 aid, and levy override elections pursuant to section 77-3444, (ii)
19 the amount of expenditures for categorical funds, tuition paid,
20 transportation fees paid to other districts, adult education,
21 community services, redemption of the principal portion of general
22 fund debt service, retirement incentive plans authorized by section
23 79-855, and staff development assistance authorized by section
24 79-856, (iii) the amount of any transfers from the general fund to
25 any bond fund and transfers from other funds into the general fund,

1 (iv) any legal expenses in excess of fifteen-hundredths of one
2 percent of the formula need for the school fiscal year in which the
3 expenses occurred, (v) expenditures to pay for sums agreed to be paid
4 by a school district to certificated employees in exchange for a
5 voluntary termination occurring prior to July 1, 2009, and (vi)(A)
6 expenditures in school fiscal years 2009-10 through 2013-14 to pay
7 for employer contributions pursuant to subsection (2) of section
8 79-958 to the School Employees Retirement System of the State of
9 Nebraska to the extent that such expenditures exceed the employer
10 contributions under such subsection that would have been made at a
11 contribution rate of seven and thirty-five hundredths percent or (B)
12 expenditures in school fiscal years 2009-10 through 2013-14 to pay
13 for school district contributions pursuant to subdivision (1)(c)(i)
14 of section 79-9,113 to the retirement system established pursuant to
15 the Class V School Employees Retirement Act to the extent that such
16 expenditures exceed the school district contributions under such
17 subdivision that would have been made at a contribution rate of seven
18 and thirty-seven hundredths percent; and

19 (b) For state aid calculated for school fiscal years
20 2012-13 and each school fiscal year thereafter, as reported on the
21 annual financial report for the second school fiscal year immediately
22 preceding the school fiscal year in which aid is to be paid, the
23 total general fund expenditures minus (i) the amount of all receipts
24 to the general fund, to the extent that such receipts are not
25 included in local system formula resources, from early childhood

1 education tuition, summer school tuition, educational entities as
2 defined in section 79-1201.01 for providing distance education
3 courses through the Educational Service Unit Coordinating Council to
4 such educational entities, private foundations, individuals,
5 associations, charitable organizations, the textbook loan program
6 authorized by section 79-734, federal impact aid, and levy override
7 elections pursuant to section 77-3444, (ii) the amount of
8 expenditures for categorical funds, tuition paid, transportation fees
9 paid to other districts, adult education, community services,
10 redemption of the principal portion of general fund debt service,
11 retirement incentive plans authorized by section 79-855, and staff
12 development assistance authorized by section 79-856, (iii) the amount
13 of any transfers from the general fund to any bond fund and transfers
14 from other funds into the general fund, (iv) any legal expenses in
15 excess of fifteen-hundredths of one percent of the formula need for
16 the school fiscal year in which the expenses occurred, (v)
17 expenditures to pay for sums agreed to be paid by a school district
18 to certificated employees in exchange for a voluntary termination
19 occurring prior to July 1, 2009, or occurring on or after the last
20 day of the 2010-11 school year and prior to the first day of the
21 2013-14 school year, (vi)(A) expenditures ~~in school fiscal years~~
22 ~~2009-10 through 2016-17~~ to pay for employer contributions pursuant to
23 subsection (2) of section 79-958 to the School Employees Retirement
24 System of the State of Nebraska to the extent that such expenditures
25 exceed the employer contributions under such subsection that would

1 have been made at a contribution rate of seven and thirty-five
2 hundredths percent or (B) expenditures ~~in school fiscal years 2009-10~~
3 ~~through 2016-17~~ to pay for school district contributions pursuant to
4 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
5 established pursuant to the Class V School Employees Retirement Act
6 to the extent that such expenditures exceed the school district
7 contributions under such subdivision that would have been made at a
8 contribution rate of seven and thirty-seven hundredths percent, and
9 (vii) any amounts paid by the district for lobbyist fees and expenses
10 reported to the Clerk of the Legislature pursuant to section 49-1483.

11 For purposes of this subdivision (22) of this section,
12 receipts from levy override elections shall equal ninety-nine percent
13 of the difference of the total general fund levy minus a levy of one
14 dollar and five cents per one hundred dollars of taxable valuation
15 multiplied by the assessed valuation for school districts that have
16 voted pursuant to section 77-3444 to override the maximum levy
17 provided pursuant to section 77-3442;

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

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

24 (25) Income tax receipts means the amount of income tax
25 collected pursuant to the Nebraska Revenue Act of 1967 less all

1 nonrefundable credits earned and refunds made;

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

11 (27) Local system means a learning community for purposes
12 of calculation of state aid for the second full school fiscal year
13 after becoming a learning community and each school fiscal year
14 thereafter, a unified system, a Class VI district and the associated
15 Class I districts, or a Class II, III, IV, or V district and any
16 affiliated Class I districts or portions of Class I districts. The
17 membership, expenditures, and resources of Class I districts that are
18 affiliated with multiple high school districts will be attributed to
19 local systems based on the percent of the Class I valuation that is
20 affiliated with each high school district;

21 (28) Low-income child means a child under nineteen years
22 of age living in a household having an annual adjusted gross income
23 for the second calendar year preceding the beginning of the school
24 fiscal year for which aid is being calculated equal to or less than
25 the maximum household income that would allow a student from a family

1 of four people to be a free lunch and free milk student during the
2 school fiscal year immediately preceding the school fiscal year for
3 which aid is being calculated;

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

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

15 (31) Poverty students means the number of low-income
16 students or the number of students who are free lunch and free milk
17 students in a district plus the difference of the number of low-
18 income students or the number of students who are free lunch and free
19 milk students in a district, whichever is greater, minus the average
20 number of poverty students for such district, prior to such addition,
21 for the three immediately preceding school fiscal years if such
22 difference is greater than zero;

23 (32) Qualified early childhood education average daily
24 membership means the product of the average daily membership for
25 school fiscal year 2006-07 and each school fiscal year thereafter of

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

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

1 any of such programs receiving an expansion grant;

2 (34) Regular route transportation means the
3 transportation of students on regularly scheduled daily routes to and
4 from the attendance center;

5 (35) Reorganized district means any district involved in
6 a consolidation and currently educating students following
7 consolidation;

8 (36) School year or school fiscal year means the fiscal
9 year of a school district as defined in section 79-1091;

10 (37) Sparse local system means a local system that is not
11 a very sparse local system but which meets the following criteria:

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

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

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

25 (d)(i) Less than two formula students per square mile in

1 the local system and (ii) the local system includes an area equal to
2 ninety-five percent or more of the square miles in the largest county
3 in which a high school attendance center is located in the local
4 system;

5 (38) Special education means specially designed
6 kindergarten through grade twelve instruction pursuant to section
7 79-1125, and includes special education transportation;

8 (39) Special grant funds means the budgeted receipts for
9 grants, including, but not limited to, categorical funds,
10 reimbursements for wards of the court, short-term borrowings
11 including, but not limited to, registered warrants and tax
12 anticipation notes, interfund loans, insurance settlements, and
13 reimbursements to county government for previous overpayment. The
14 state board shall approve a listing of grants that qualify as special
15 grant funds;

16 (40) State aid means the amount of assistance paid to a
17 district pursuant to the Tax Equity and Educational Opportunities
18 Support Act;

19 (41) State board means the State Board of Education;

20 (42) State support means all funds provided to districts
21 by the State of Nebraska for the general fund support of elementary
22 and secondary education;

23 (43) Statewide average basic funding per formula student
24 means the statewide total basic funding for all districts divided by
25 the statewide total formula students for all districts;

1 (44) Statewide average general fund operating
2 expenditures per formula student means the statewide total general
3 fund operating expenditures for all districts divided by the
4 statewide total formula students for all districts;

5 (45) Teacher has the definition found in section 79-101;

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

18 (47) Tuition receipts from converted contracts means
19 tuition receipts received by a district from another district in the
20 most recently available complete data year pursuant to a converted
21 contract prior to the expiration of the contract;

22 (48) Tuitioned students means students in kindergarten
23 through grade twelve of the district whose tuition is paid by the
24 district to some other district or education agency; and

25 (49) Very sparse local system means a local system that

1 has:

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

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

13 Sec. 16. Section 79-1028.01, Revised Statutes Cumulative
14 Supplement, 2012, is amended to read:

15 79-1028.01 (1) For each school fiscal year, a school
16 district may exceed its budget authority for the general fund budget
17 of expenditures as calculated pursuant to section 79-1023 for such
18 school fiscal year by a specific dollar amount for the following
19 exclusions:

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

23 (b) Expenditures for judgments, except judgments or
24 orders from the Commission of Industrial Relations, obtained against
25 a school district which require or obligate a school district to pay

1 such judgment, to the extent such judgment is not paid by liability
2 insurance coverage of a school district;

3 (c) Expenditures pursuant to the Retirement Incentive
4 Plan authorized in section 79-855 or the Staff Development Assistance
5 authorized in section 79-856;

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

10 (e) Expenditures to pay another school district for the
11 transfer of land from such other school district;

12 (f) Expenditures ~~in school fiscal years 2009-10 through~~
13 ~~2016-17~~ to pay for employer contributions pursuant to subsection (2)
14 of section 79-958 to the School Employees Retirement System of the
15 State of Nebraska to the extent that such expenditures exceed the
16 employer contributions under such subsection that would have been
17 made at a contribution rate of seven and thirty-five hundredths
18 percent;

19 (g) Expenditures ~~in school fiscal years 2009-10 through~~
20 ~~2016-17~~ to pay for school district contributions pursuant to
21 subdivision (1)(c)(i) of section 79-9,113 to the retirement system
22 established pursuant to the Class V School Employees Retirement Act
23 to the extent that such expenditures exceed the school district
24 contributions under such subdivision that would have been made at a
25 contribution rate of seven and thirty-seven hundredths percent;

1 (h) Expenditures for sums agreed to be paid by a school
2 district to certificated employees in exchange for a voluntary
3 termination occurring prior to July 1, 2009, or occurring on or after
4 the last day of the 2010-11 school year and prior to the first day of
5 the 2013-14 school year;

6 (i) Any expenditures in school fiscal years 2016-17 and
7 2017-18 of amounts specified in the notice provided by the
8 Commissioner of Education pursuant to section 79-309.01 for teacher
9 performance pay;

10 (j) The special education budget of expenditures; and

11 (k) Expenditures of special grant funds.

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

19 (a) Expenditures of incentive payments or base fiscal
20 year incentive payments to be received in such school fiscal year
21 pursuant to section 79-1011;

22 (b) The first school fiscal year the district will be
23 participating in Network Nebraska for the full school fiscal year,
24 for the difference of the estimated expenditures for such school
25 fiscal year for telecommunications services, access to data

1 transmission networks that transmit data to and from the school
2 district, and the transmission of data on such networks as such
3 expenditures are defined by the department for purposes of the
4 distance education and telecommunications allowance minus the dollar
5 amount of such expenditures for the second school fiscal year
6 preceding the first full school fiscal year the district participates
7 in Network Nebraska; and

8 (c) Expenditures for new elementary attendance sites in
9 the first year of operation or the first year of operation after
10 being closed for at least one school year if such elementary
11 attendance site will most likely qualify for the elementary site
12 allowance in the immediately following school fiscal year as
13 determined by the state board.

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

17 Sec. 17. Section 81-2017, Revised Statutes Cumulative
18 Supplement, 2012, is amended to read:

19 81-2017 (1) Commencing July 1, 2010, and until July 1,
20 2011, each officer while in the service of the Nebraska State Patrol
21 shall pay or have paid on his or her behalf a sum equal to sixteen
22 percent of his or her monthly compensation. Commencing July 1, 2011,
23 and until July 1, 2013, each officer while in the service of the
24 Nebraska State Patrol shall pay or have paid on his or her behalf a
25 sum equal to nineteen percent of his or her monthly compensation.

1 Commencing July 1, 2013, each officer while in the service of the
2 Nebraska State Patrol shall pay or have paid on his or her behalf a
3 sum equal to sixteen percent of his or her monthly compensation. Such
4 amounts shall be deducted monthly by the Director of Administrative
5 Services who shall draw a warrant monthly in the amount of the total
6 deductions from the compensation of members of the Nebraska State
7 Patrol in accordance with subsection (4) of this section, and the
8 State Treasurer shall credit the amount of such warrant to the State
9 Patrol Retirement Fund. The director shall cause a detailed report of
10 all monthly deductions to be made each month to the board.

11 (2) In addition, commencing July 1, 2010, and until July
12 1, 2011, there shall be assessed against the appropriation of the
13 Nebraska State Patrol a sum equal to the amount of sixteen percent of
14 each officer's monthly compensation which shall be credited to the
15 State Patrol Retirement Fund. Commencing July 1, 2011, and until July
16 1, 2013, there shall be assessed against the appropriation of the
17 Nebraska State Patrol a sum equal to the amount of nineteen percent
18 of each officer's monthly compensation which shall be credited to the
19 State Patrol Retirement Fund. Commencing July 1, 2013, there shall be
20 assessed against the appropriation of the Nebraska State Patrol a sum
21 equal to the amount of sixteen percent of each officer's monthly
22 compensation which shall be credited to the State Patrol Retirement
23 Fund.

24 (3) For the fiscal year beginning on July 1, 2002, and
25 each fiscal year thereafter, the actuary for the board shall perform

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

1 Retirement Act. Such valuation shall be on the basis of actuarial
2 assumptions recommended by the actuary, approved by the board, and
3 kept on file with the board.

4 (4) The state shall pick up the member contributions
5 required by this section for all compensation paid on or after
6 January 1, 1985, and the contributions so picked up shall be treated
7 as employer contributions in determining federal tax treatment under
8 the Internal Revenue Code as defined in section 49-801.01, except
9 that the state shall continue to withhold federal income taxes based
10 upon these contributions until the Internal Revenue Service or the
11 federal courts rule that, pursuant to section 414(h) of the code,
12 these contributions shall not be included as gross income of the
13 member until such time as they are distributed or made available. The
14 state shall pay these member contributions from the same source of
15 funds which is used in paying earnings to the member. The state shall
16 pick up these contributions by a compensation deduction through a
17 reduction in the cash compensation of the member. Member
18 contributions picked up shall be treated for all purposes of the
19 Nebraska State Patrol Retirement Act in the same manner and to the
20 extent as member contributions made prior to the date picked up.

21 Sec. 18. This act becomes operative on July 1, 2013.

22 Sec. 19. If any section in this act or any part of any
23 section is declared invalid or unconstitutional, the declaration
24 shall not affect the validity or constitutionality of the remaining
25 portions.

1 Sec. 20. Original sections 79-966.01, 79-9,100, 79-9,103,
2 and 79-9,105, Reissue Revised Statutes of Nebraska, and sections
3 24-703, 79-901, 79-902, 79-916, 79-947.06, 79-954, 79-958, 79-966,
4 79-9,113, 79-1003, 79-1028.01, and 81-2017, Revised Statutes
5 Cumulative Supplement, 2012, are repealed.

6 Sec. 21. Since an emergency exists, this act takes effect
7 when passed and approved according to law.