

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FOURTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 551**

Introduced by Nordquist, 7.

Read first time January 21, 2015

Committee: Nebraska Retirement Systems

- 1 A BILL FOR AN ACT relating to retirement; to amend section 84-1501,
- 2 Reissue Revised Statutes of Nebraska; to adopt the Local Government
- 3 Employees Retirement Act; to change membership on the Public
- 4 Employees Retirement Board; and to repeal the original section.
- 5 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 40 of this act shall be known and may be  
2 cited as the Local Government Employees Retirement Act.

3           Sec. 2. For purposes of the Local Government Employees Retirement  
4 Act, unless the context otherwise requires:

5           (1) Actuarial equivalent means the equality in value of the  
6 aggregate amounts expected to be received under different forms of an  
7 annuity payment. The mortality assumption used for purposes of converting  
8 the member cash balance account shall be the 1994 Group Annuity Mortality  
9 Table using a unisex rate that is fifty percent male and fifty percent  
10 female;

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

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

23           (4) Cash balance benefit means a member's retirement benefit that is  
24 equal to an amount based on annual employee contribution credits plus  
25 interest credits and, if vested, employer contribution credits plus  
26 interest credits and dividend amounts credited in accordance with  
27 subdivision (3)(c) of section 19 of this act;

28           (5)(a) Compensation means gross wages or salaries payable to the  
29 member for personal services performed during the plan year. Compensation  
30 does not include insurance premiums converted into cash payments,  
31 reimbursement for expenses incurred, fringe benefits, per diems, or

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

9 (b) Compensation in excess of the limitations set forth in section  
10 401(a)(17) of the Internal Revenue Code shall be disregarded;

11 (6) Date of adoption of the retirement system by each local  
12 government means the first day of the month next following the date of  
13 approval of the retirement system by the appropriate local governmental  
14 body or January 1, XXXX, whichever is earlier;

15 (7) Date of disability means the date on which a member is  
16 determined by the board to be disabled;

17 (8) Disability means an inability to engage in a substantially  
18 gainful activity by reason of any medically determinable physical or  
19 mental impairment which can be expected to result in death or be of a  
20 long and indefinite duration;

21 (9) Employee means all persons or officers who are employed on a  
22 permanent basis by a local governmental entity of the State of Nebraska  
23 that has elected to participate in the retirement system;

24 (10) Employee contribution credit means an amount equal to the  
25 member contribution amount required by section 8 of this act;

26 (11) Employer contribution credit means x amount of the employer  
27 contribution amount required by section 9 of this act;

28 (12) Final account value means the value of a member's account on  
29 the date the account is either distributed to the member or used to  
30 purchase an annuity from the plan, which date shall occur as soon as  
31 administratively practicable after receipt of a valid application for

1 benefits, but no sooner than forty-five days after the member's  
2 termination;

3 (13) Five-year break in service means a period of five consecutive  
4 one-year breaks in service;

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

7 (15) Future service means service following the date of adoption of  
8 the retirement system;

9 (16) Guaranteed investment contract means an investment contract or  
10 account offering a return of principal invested plus interest at a  
11 specified rate. Guaranteed investment contract does not include direct  
12 obligations of the United States or its instrumentalities, bonds,  
13 participation certificates, or other obligations of the Federal National  
14 Mortgage Association, the Federal Home Loan Mortgage Corporation, or the  
15 Government National Mortgage Association, or collateralized mortgage  
16 obligations and other derivative securities;

17 (17) Interest credit rate means X percent;

18 (18) Interest credits means the amounts credited to the employee  
19 cash balance account and the employer cash balance account at the end of  
20 each day. Such interest credit for each account shall be determined by  
21 applying the daily portion of the interest credit rate to the account  
22 balance at the end of the previous day. Such interest credits shall  
23 continue to be credited to the employee cash balance account and the  
24 employer cash balance account after a member ceases to be an employee,  
25 except that no such credit shall be made with respect to the employee  
26 cash balance account and the employer cash balance account for any day  
27 beginning on or after the member's date of final account value. If  
28 benefits payable to the member's surviving spouse or beneficiary are  
29 delayed after the member's death, interest credits shall continue to be  
30 credited to the employee cash balance account and the employer cash  
31 balance account until such surviving spouse or beneficiary commences

1 receipt of a distribution from the plan;

2 (19) Local government means any political subdivision formed and  
3 organized under state law and any joint entity or joint public agency  
4 created under state law to act on behalf of political subdivisions;

5 (20) Member cash balance account means an account equal to the sum  
6 of the employee cash balance account and, if vested, the employer cash  
7 balance account and dividend amounts credited in accordance with section  
8 19 of this act;

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

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

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

16 (24) Plan year means the twelve-month period beginning on January 1  
17 and ending on December 31;

18 (25) Prior service means service prior to the date of adoption of  
19 the retirement system;

20 (26) Regular interest means the rate of interest earned each  
21 calendar year as determined by the retirement board in conformity with  
22 actual and expected earnings on the investments;

23 (27) Required contribution means the deduction to be made from the  
24 compensation of employees as provided in the act;

25 (28) Retirement means qualifying for and accepting the retirement  
26 benefit granted under the act after terminating employment;

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

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

1       (31) Retirement date means (a) the first day of the month following  
2 the date upon which a member's request for retirement is received on a  
3 retirement application if the member is eligible for retirement and has  
4 terminated employment or (b) the first day of the month following  
5 termination of employment if the member is eligible for retirement and  
6 has filed an application but has not yet terminated employment;

7       (32) Retirement system means the Retirement System for Local  
8 Government Employees;

9       (33) Service means the actual total length of employment as an  
10 employee and is not deemed to be interrupted by (a) temporary or seasonal  
11 suspension of service that does not terminate the employee's employment,  
12 (b) leave of absence authorized by the employer for a period not  
13 exceeding twelve months, (c) leave of absence because of disability, or  
14 (d) military service, when properly authorized by the retirement board.  
15 Service does not include any period of disability for which disability  
16 retirement benefits are received under section 16 of this act;

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

28       (35) Termination of employment occurs on the date on which a local  
29 governmental entity which is a member of the retirement system determines  
30 that its employer-employee relationship with an employee is dissolved.  
31 The local governmental entity shall notify the board of the date on which

1 such a termination has occurred. Termination of employment does not occur  
2 if an employee whose employer-employee relationship with a local  
3 governmental entity is dissolved enters into an employer-employee  
4 relationship with the same or another local governmental entity which  
5 participates in the Retirement System for Local Government Employees and  
6 there are less than one hundred twenty days between the date when the  
7 employee's employer-employee relationship ceased with the local  
8 governmental entity and the date when the employer-employee relationship  
9 commenced with the same or another local governmental entity which  
10 qualifies the employee for participation in the plan. It is the  
11 responsibility of the employer that is involved in the termination of  
12 employment to notify the board of such change in employment and provide  
13 the board with such information as the board deems necessary. If the  
14 board determines that termination of employment has not occurred and a  
15 retirement benefit has been paid to a member of the retirement system  
16 pursuant to section 20 of this act, the board shall require the member  
17 who has received such benefit to repay the benefit to the retirement  
18 system; and

19 (36) Vesting credit means credit for years, or a fraction of a year,  
20 of participation in another Nebraska governmental plan for purposes of  
21 determining vesting of the employer account.

22 Sec. 3. (1) A local government employees retirement system shall be  
23 established for the purpose of providing a retirement annuity or other  
24 benefits for employees as provided by the Local Government Employees  
25 Retirement Act. It shall be known as the Retirement System for Local  
26 Government Employees, and by such name shall transact all business and  
27 hold all cash and other property as provided in the Local Government  
28 Employees Retirement Act.

29 (2) The retirement system shall not accept as contributions any  
30 money from members or participating local governmental entities except  
31 the following:

1       (a) Mandatory contributions and fees established by sections 8 and 9  
2 of this act;

3       (b) Money that is a repayment of refunded contributions made  
4 pursuant to section 22 of this act;

5       (c) Contributions for military service credit made pursuant to  
6 section 25 of this act;

7       (d) Actuarially required contributions pursuant to section 19 of  
8 this act;

9       (e) Trustee-to-trustee transfers pursuant to section 28 of this act;  
10 or

11       (f) Corrections ordered by the board pursuant to section 5 of this  
12 act.

13       Sec. 4. It shall be the duty of the board to administer the Local  
14 Government Employees Retirement Act. The board shall adopt and promulgate  
15 rules and regulations to carry out the act.

16       Sec. 5. (1) If the board determines that the retirement system has  
17 previously received contributions or distributed benefits which for any  
18 reason are not in accordance with the statutory provisions of the Local  
19 Government Employees Retirement Act, the board shall refund  
20 contributions, require additional contributions, adjust benefits, credit  
21 dividend amounts, or require repayment of benefits paid. In the event of  
22 an overpayment of a benefit, the board may, in addition to other  
23 remedies, offset future benefit payments by the amount of the prior  
24 overpayment, together with regular interest or interest credits,  
25 whichever is appropriate, thereon. In the event of an underpayment of a  
26 benefit, the board shall immediately make payment equal to the deficit  
27 amount plus regular interest or interest credits, whichever is  
28 appropriate.

29       (2) The board shall adopt and promulgate rules and regulations  
30 implementing this section, which shall include, but not be limited to,  
31 the following: (a) The procedures for refunding contributions, adjusting



1 future contributions or benefit payments, and requiring additional  
2 contributions or repayment of benefits; (b) the process for a member,  
3 member's beneficiary, employee, or employer to dispute an adjustment of  
4 contributions or benefits; and (c) notice provided to all affected  
5 persons. All notices shall be sent prior to an adjustment and shall  
6 describe the process for disputing an adjustment of contributions or  
7 benefits.

8       Sec. 6.   (1) The membership of the retirement system shall be  
9 composed of all persons who are or were employed by member local  
10 governmental entities that elect to participate in the retirement system  
11 and who maintain an account balance with the retirement system.

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

22       (3) No employee of a member local governmental entity shall be  
23 authorized to participate in the retirement system provided for in the  
24 Local Government Employees Retirement Act unless the employee (a) is a  
25 United States citizen or (b) is a qualified alien under the federal  
26 Immigration and Nationality Act, 8 U.S.C. 1101 et seq., as such act  
27 existed on January 1, 2015, and is lawfully present in the United States.

28       (4) The board may determine that a governmental entity currently  
29 participating in the retirement system no longer qualifies under section  
30 414(d) of the Internal Revenue Code as a participating employer in a  
31 governmental plan. Upon such determination, affected plan members shall

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

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

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

23 (7) Local governmental entities shall ensure that employees  
24 authorized to participate in the retirement system pursuant to this  
25 section shall enroll and make required contributions to the retirement  
26 system immediately upon becoming an employee. Information necessary to  
27 determine membership in the retirement system shall be provided by the  
28 employer.

29 Sec. 7. Under such rules and regulations as the retirement board  
30 adopts and promulgates, a full-time or part-time employee of a local  
31 governmental entity who elects to participate in the retirement system

1 shall transfer all of his or her funds in the retirement system of the  
2 other local governmental entity by paying to the Retirement System for  
3 Local Government Employees from funds held by the retirement system of  
4 the other local governmental entity an amount equal to one of the  
5 following: (1) If the retirement system of the local governmental entity  
6 maintains a defined benefit plan, an amount not to exceed the initial  
7 benefit transfer value, leaving no funds attributable to the transferred  
8 employee within the retirement system of the local governmental entity;  
9 or (2) if the retirement system of the local governmental entity  
10 maintains a defined contribution plan, an amount not to exceed the  
11 employee and employer accounts of the transferring employee plus earnings  
12 during the period of employment with the local governmental entity. The  
13 employee shall receive vesting credit for his or her years of service in  
14 a governmental plan, as defined in section 414(d) of the Internal Revenue  
15 Code, maintained by the local governmental entity. Payment shall be made  
16 within five years after employment begins with the receiving entity or  
17 prior to retirement, whichever comes first, and may be made through  
18 direct payment, installment payments, or an irrevocable payroll deduction  
19 authorization.

20       Sec. 8. Each employee who is a member of the retirement system  
21 shall pay to the local governmental entity or have picked up by the local  
22 governmental entity a sum equal to x percent of his or her compensation  
23 for each pay period. The contributions, although designated as employee  
24 contributions, shall be paid by the local governmental entity in lieu of  
25 employee contributions. The local governmental entity shall pick up the  
26 employee contributions required by this section for all compensation paid  
27 on or after January 1, xxxx, and the contributions so picked up shall be  
28 treated as employer contributions pursuant to section 414(h)(2) of the  
29 Internal Revenue Code in determining federal tax treatment under the code  
30 and shall not be included as gross income of the employee until such time  
31 as they are distributed or made available. The local governmental entity

1 shall pay these employee contributions from the same source of funds  
2 which is used in paying earnings to the employee. The local governmental  
3 entity shall pick up these contributions by a compensation deduction  
4 through a reduction in the cash compensation of the employee. Employee  
5 contributions picked up shall be treated for all purposes of the Local  
6 Government Employees Retirement Act in the same manner and to the extent  
7 as employee contributions made prior to the date picked up.

8       Sec. 9.   (1) The Local Government Employees Retirement Fund is  
9 created. The fund shall be administered by the board and shall consist of  
10 contributions and other such sums as provided in section 3 of this act.  
11 Any money in the fund available for investment shall be invested by the  
12 state investment officer pursuant to the Nebraska Capital Expansion Act  
13 and the Nebraska State Funds Investment Act.

14       (2) The appropriate local governmental entity administrator shall  
15 pay to the board or an entity designated by the board an amount equal to  
16 x percent of the amounts deducted from the compensation of employees in  
17 accordance with the provisions of section 8 of this act, which x percent  
18 equals the employees' contributions plus the local governmental entity's  
19 contributions of x percent of the employees' contributions.

20       (3) The board may charge the local governmental entity an  
21 administrative processing fee of twenty-five dollars if the reports of  
22 necessary information or payments made pursuant to this section are  
23 received later than the date on which the board requires that such  
24 information or money should be received. In addition, the board may  
25 charge the local governmental entity a late fee of thirty-eight  
26 thousandths of one percent of the amount required to be submitted  
27 pursuant to this section for each day such amount has not been received  
28 or in an amount equal to the amount of any costs incurred by the member  
29 due to the late receipt of contributions, whichever is greater. The late  
30 fee may be used to make a member's account whole for any costs that may  
31 have been incurred by the member due to the late receipt of

1 contributions.

2 (4) The Department of Administrative Services may, for accounting  
3 purposes, create subfunds of the Local Government Employees Retirement  
4 Fund to separately account for cash balance plan assets.

5 Sec. 10. (1)(a) Except as provided in subdivision (2)(b) of section  
6 21 of this act, the employee cash balance account within the Local  
7 Government Employees Retirement Fund shall, at any time, be equal to the  
8 following:

9 (i) The initial employee account balance, if any, transferred from  
10 the local governmental entity account; plus

11 (ii) Employee contribution credits deposited in accordance with  
12 section 8 of this act; plus

13 (iii) Interest credits credited in accordance with section 2 of this  
14 act; plus

15 (iv) Dividend amounts credited in accordance with section 19 of this  
16 act; and

17 (b) The employer cash balance account shall, at any time, be equal  
18 to the following:

19 (i) The initial employer account balance, if any, transferred from  
20 the local governmental entity account; plus

21 (ii) Employer contribution credits deposited in accordance with  
22 section 9 of this act; plus

23 (iii) Interest credits credited in accordance with section 2 of this  
24 act; plus

25 (iv) Dividend amounts credited in accordance with section 19 of this  
26 act.

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

1 participating employees. The board may develop a schedule for the  
2 allocation of the administrative services agreements costs for accounting  
3 or record-keeping services and may assess the costs so that each member  
4 pays a reasonable fee as determined by the board.

5       Sec. 11. The State Treasurer shall be the custodian of the funds  
6 and securities of the retirement system and may deposit the funds and  
7 securities in any financial institution approved by the Nebraska  
8 Investment Council. All disbursements therefrom shall be paid by him or  
9 her only upon vouchers signed by a person authorized by the retirement  
10 board. The State Treasurer shall transmit monthly to the board a detailed  
11 statement showing all credits to and disbursements from the funds in his  
12 or her custody belonging to the retirement system.

13       Sec. 12. The Local Government Employees Retirement Expense Fund is  
14 created. The fund shall be credited with money forfeited pursuant to  
15 section 21 of this act and with money from the retirement system assets  
16 and income sufficient to pay the pro rata share of administrative  
17 expenses incurred as directed by the board for the proper administration  
18 of the Local Government Employees Retirement Act and necessary in  
19 connection with the administration and operation of the retirement  
20 system. Any money in the fund available for investment shall be invested  
21 by the state investment officer pursuant to the Nebraska Capital  
22 Expansion Act and the Nebraska State Funds Investment Act.

23       Sec. 13. (1) The director of the Nebraska Public Employees  
24 Retirement Systems shall keep a complete record of all members with  
25 respect to names, current addresses, ages, contributions, and any other  
26 facts as may be necessary in the administration of the Local Government  
27 Employees Retirement Act. The information in the records shall be  
28 provided by the employer in an accurate and verifiable form, as specified  
29 by the director. The director shall, from time to time, carry out testing  
30 procedures pursuant to section 84-1512 to verify the accuracy of such  
31 information. For the purpose of obtaining such facts and information, the

1 director shall have access to the records of the various local  
2 governmental entities and state departments and agencies and the holder  
3 of the records shall comply with a request by the director for access by  
4 providing such facts and information to the director in a timely manner.  
5 A certified copy of a birth certificate or delayed birth certificate  
6 shall be prima facie evidence of the age of the person named in the  
7 certificate.

8 (2) The director shall develop and implement an employer education  
9 program using principles generally accepted by public employee retirement  
10 systems so that all employers have the knowledge and information  
11 necessary to prepare and file reports as the board requires.

12 Sec. 14. It shall be the duty of the Auditor of Public Accounts to  
13 make an annual audit of the retirement system and an annual report to the  
14 retirement board and to the Clerk of the Legislature of the condition of  
15 the retirement system. The report submitted to the Clerk of the  
16 Legislature shall be submitted electronically. Each member of the  
17 Legislature shall receive an electronic copy of the report required by  
18 this section by making a request for such report to either the Auditor of  
19 Public Accounts or the retirement board.

20 Sec. 15. The retirement system may sue or be sued in the name of  
21 the system, and in all actions brought by or against it, the system shall  
22 be represented by the Attorney General.

23 Sec. 16. (1) Upon filing an application for benefits with the  
24 board, an employee may elect to retire at any time after attaining the  
25 age of fifty-five years or an employee may retire as a result of  
26 disability at any age.

27 (2) The member shall specify in the application for benefits the  
28 manner in which he or she wishes to receive the retirement benefit under  
29 the options provided by the Local Government Employees Retirement Act.  
30 Payment under the application for benefits shall be made (a) for  
31 annuities, no sooner than the annuity start date, and (b) for other

1 distributions, no sooner than the date of final account value.

2 (3) Payment of any benefit provided under the retirement system may  
3 not be deferred later than April 1 of the year following the year in  
4 which the employee has both attained at least age seventy and one-half  
5 years and terminated his or her employment with the local governmental  
6 entity.

7 (4) The board shall make reasonable efforts to locate the member or  
8 the member's beneficiary and distribute benefits by the required  
9 beginning date as specified by section 401(a)(9) of the Internal Revenue  
10 Code and the regulations issued thereunder. If the board is unable to  
11 make such a distribution, the benefit shall be distributed pursuant to  
12 the Uniform Disposition of Unclaimed Property Act and no amounts may be  
13 applied to increase the benefits any member would otherwise receive under  
14 the Local Government Employees Retirement Act.

15 Sec. 17. (1) Any member, disregarding the length of service, may be  
16 retired as a result of disability either upon his or her own application  
17 or upon the application of his or her employer or any person acting in  
18 his or her behalf. Before any member may be so retired, a medical  
19 examination shall be made at the expense of the retirement system, which  
20 examination shall be conducted by a disinterested physician legally  
21 authorized to practice medicine under the laws of the state in which he  
22 or she practices, such physician to be selected by the retirement board,  
23 and the physician shall certify to the board that the member should be  
24 retired because he or she suffers from an inability to engage in a  
25 substantially gainful activity by reason of any medically determinable  
26 physical or mental impairment which began while the member was a  
27 participant in the plan and which can be expected to result in death or  
28 to be of long-continued and indefinite duration. The application for  
29 disability retirement shall be made within one year of termination of  
30 employment.

31 (2) The retirement board may require any disability beneficiary who



1 has not attained the age of fifty-five years to undergo a medical  
2 examination at the expense of the board once each year. Should any  
3 disability beneficiary refuse to undergo such an examination, his or her  
4 disability retirement benefit may be discontinued by the board.

5       Sec. 18. The retirement value for any employee who retires under  
6 the provisions of section 17 of this act shall be the benefit provided in  
7 section 10 of this act as of the date of final account value.

8       Sec. 19. (1) The future service retirement benefit shall be an  
9 annuity, payable monthly with the first payment made no earlier than the  
10 annuity start date, which shall be the actuarial equivalent of the  
11 retirement value as specified in section 18 of this act based on factors  
12 determined by the board, except that gender shall not be a factor when  
13 determining the amount of such payments pursuant to subsection (2) of  
14 this section.

15       Except as provided in section 42-1107, at any time before the  
16 annuity start date, the retiring employee may choose to receive his or  
17 her annuity either in the form of an annuity as provided under subsection  
18 (3) of this section or any optional form that is determined by the board.

19       Except as provided in section 42-1107, in lieu of the future service  
20 retirement annuity, a retiring employee may receive a benefit not to  
21 exceed the amount in his or her employer and employee accounts as of the  
22 date of final account value payable in a lump sum and, if the employee  
23 chooses not to receive the entire amount in such accounts, an annuity  
24 equal to the actuarial equivalent of the remainder of the retirement  
25 value, and the employee may choose any form of such annuity as provided  
26 for by the board.

27       In any case, the amount of the monthly payment shall be such that  
28 the annuity chosen shall be the actuarial equivalent of the retirement  
29 value as specified in section 18 of this act except as provided in this  
30 section.

31       The board shall provide to any employee who is eligible for

1 retirement, prior to his or her selecting any of the retirement options  
2 provided by this section, information on the federal and state income tax  
3 consequences of the various annuity or retirement benefit options.

4 (2) Except as provided in subsection (3) of this section, the  
5 monthly income payable to a retiring member shall be as follows:

6 He or she shall receive at retirement the amount which may be  
7 purchased by the accumulated contributions based on annuity rates in  
8 effect on the annuity start date which do not utilize gender as a factor.

9 (3)(a) The normal form of payment shall be a single life annuity  
10 with five-year certain, which is an annuity payable monthly during the  
11 remainder of the member's life with the provision that, in the event of  
12 his or her death before sixty monthly payments have been made, the  
13 monthly payments will be continued to his or her estate or to the  
14 beneficiary he or she has designated until sixty monthly payments have  
15 been made in total. Such annuity shall be equal to the actuarial  
16 equivalent of the member cash balance account or the sum of the employee  
17 and employer accounts, whichever is applicable, as of the date of final  
18 account value. As a part of the annuity, the normal form of payment may  
19 include a two and one-half percent cost-of-living adjustment purchased by  
20 the member, if the member elects such a payment option.

21 Except as provided in section 42-1107, a member may elect a lump-sum  
22 distribution of his or her member cash balance account as of the date of  
23 final account value upon termination of service or retirement.

24 The balance of his or her member cash balance account as of the date  
25 of final account value shall be converted to an annuity using an interest  
26 rate used in the actuarial valuation as recommended by the actuary and  
27 approved by the board.

28 (b) For the calendar year beginning January 1, xxxx, and each  
29 calendar year thereafter, the actuary for the board shall perform an  
30 actuarial valuation of the system using the entry age actuarial cost  
31 method. Under this method, the actuarially required funding rate is equal

1 to the normal cost rate plus the contribution rate necessary to amortize  
2 the unfunded actuarial accrued liability on a level-payment basis. The  
3 normal cost under this method shall be determined for each individual  
4 member on a level percentage of salary basis. The normal cost amount is  
5 then summed for all members. The unfunded actuarial accrued liability due  
6 to changes in benefits, actuarial assumptions, the asset valuation  
7 method, or actuarial gains or losses shall be measured and amortized over  
8 a twenty-five-year period beginning on the valuation date of such change.  
9 If the unfunded actuarial accrued liability under the entry age actuarial  
10 cost method is zero or less than zero on an actuarial valuation date,  
11 then all prior unfunded actuarial accrued liabilities shall be considered  
12 fully funded and the unfunded actuarial accrued liability shall be  
13 reinitialized and amortized over a twenty-five-year period as of the  
14 actuarial valuation date. If the actuarially required contribution rate  
15 exceeds the rate of all contributions required pursuant to the Local  
16 Government Employees Retirement Act, there shall be an additional  
17 contribution provided by x sufficient to pay for the difference between  
18 the actuarially required contribution rate and the rate of all  
19 contributions required pursuant to the act.

20 (c) If the unfunded accrued actuarial liability under the entry age  
21 actuarial cost method is less than zero on an actuarial valuation date,  
22 and on the basis of all data in the possession of the retirement board,  
23 including such mortality and other tables as are recommended by the  
24 actuary engaged by the retirement board and adopted by the retirement  
25 board, the retirement board may elect to pay a dividend to all members  
26 participating in the cash balance option in an amount that would not  
27 increase the actuarial contribution rate above ninety percent of the  
28 actual contribution rate. Dividends shall be credited to the employee  
29 cash balance account and the employer cash balance account based on the  
30 account balances on the actuarial valuation date. In the event a dividend  
31 is granted and paid after the actuarial valuation date, interest for the

1 period from the actuarial valuation date until the dividend is actually  
2 paid shall be paid on the dividend amount. The interest rate shall be the  
3 interest credit rate earned on regular contributions.

4 (4) At the option of the retiring member, any lump sum or annuity  
5 provided under this section or section 40 of this act may be deferred to  
6 commence at any time, except that no benefit shall be deferred later than  
7 April 1 of the year following the year in which the employee has both  
8 attained at least seventy and one-half years of age and has terminated  
9 his or her employment with the local governmental entity. Such election  
10 by the retiring member may be made at any time prior to the commencement  
11 of the lump-sum or annuity payments.

12 Sec. 20. (1) Except as provided in section 42-1107, upon  
13 termination of employment, except for retirement or disability, and after  
14 filing an application with the board, a member may receive:

15 (a) If not vested, a termination benefit equal to the amount of his  
16 or her member cash balance account as of the date of final account value  
17 payable in a lump sum or an annuity with the lump-sum or first annuity  
18 payment made at any time after termination but no later than April 1 of  
19 the year following the year in which the member attains the age of  
20 seventy and one-half years; or

21 (b) If vested, a termination benefit equal to (i) the amount of his  
22 or her member cash balance account as of the date of final account value  
23 payable in a lump sum or an annuity with the lump-sum or first annuity  
24 payment made at any time after termination but no later than April 1 of  
25 the year following the year in which the member attains the age of  
26 seventy and one-half years or (ii)(A) the amount of his or her employee  
27 account as of the date of final account value payable in a lump sum or an  
28 annuity with the lump-sum or first annuity payment made at any time after  
29 termination but no later than April 1 of the year following the year in  
30 which the member attains the age of seventy and one-half years plus (B)  
31 the amount of his or her employer account as of the date of final account

1 value payable in a lump sum or an annuity with the lump-sum or first  
2 annuity payment made at any time after termination but no later than  
3 April 1 of the year following the year in which the member attains the  
4 age of seventy and one-half years.

5 The member cash balance account or employer and employee accounts of  
6 a terminating member shall be retained by the board, and the termination  
7 benefit shall be deferred until a valid application for benefits has been  
8 received.

9 (2) At the option of the terminating member, any lump sum of the  
10 employer account or member cash balance account or any annuity payment  
11 provided under subsection (1) of this section shall commence as of the  
12 first of the month at any time after such member has terminated his or  
13 her employment with the local governmental entity and no later than April  
14 1 of the year following the year in which the member attains the age of  
15 seventy and one-half years. Such election by the terminating member shall  
16 be made at any time prior to the commencement of the lump-sum or annuity  
17 payments.

18 (3) Members of the retirement system shall be vested after a total  
19 of three years of participation in the system as a member, including  
20 vesting credit. If an employee retires pursuant to section 16 of this  
21 act, such employee shall be fully vested in the retirement system.

22 Sec. 21. (1) For a member who has terminated employment and is not  
23 vested, the balance of the member's employer cash balance account shall  
24 be forfeited. The forfeited account shall be credited to the Local  
25 Government Employees Retirement Fund and shall first be used to meet the  
26 expense charges incurred by the retirement board in connection with  
27 administering the retirement system, which charges shall be credited to  
28 the Local Government Employees Retirement Expense Fund, and the  
29 remainder, if any, shall then be used to restore employer accounts or  
30 employer cash balance accounts. Except as provided in subdivision (3)(c)  
31 of section 19 of this act, no forfeited amounts shall be applied to

1 increase the benefits any member would otherwise receive under the Local  
2 Government Employees Retirement Act.

3 (2)(a) If a member ceases to be an employee due to the termination  
4 of his or her employment by the local governmental entity and a grievance  
5 or other appeal of the termination is filed, transactions involving  
6 forfeiture of his or her employer cash balance account and, except as  
7 provided in subdivision (b) of this subsection, transactions for payment  
8 of benefits under sections 16 and 20 of this act shall be suspended  
9 pending the final outcome of the grievance or other appeal.

10 (b) If a member elects to receive benefits payable under sections 16  
11 and 20 of this act after a grievance or appeal is filed, the member may  
12 receive an amount up to the balance of his or her member cash balance  
13 account or twenty-five thousand dollars payable from the employee account  
14 or member cash balance account, whichever is less.

15 (3) The Local Government Employer Retirement Expense Fund is  
16 created. The fund shall be administered by the board. The Local  
17 Government Employer Retirement Expense Fund shall be used to meet  
18 expenses of the retirement system whether such expenses are incurred in  
19 administering the member's employer cash balance account when the funds  
20 available in the Local Government Employees Retirement Expense Fund make  
21 such use reasonably necessary. The Local Government Employer Retirement  
22 Expense Fund shall consist of any reduction in a local governmental  
23 entity contribution which would otherwise be required to fund future  
24 service retirement benefits or to restore employer cash balance accounts  
25 referred to in subsection (1) of this section.

26 Sec. 22. (1) Except as otherwise provided in this section, a member  
27 of the retirement system who has a five-year break in service shall upon  
28 reemployment be considered a new employee with respect to the Local  
29 Government Employees Retirement Act and shall not receive credit for  
30 service prior to his or her reemployment date.

31 (2)(a) A member who ceases to be an employee before becoming

1 eligible for retirement under section 16 of this act and again becomes a  
2 permanent full-time or permanent part-time employee prior to having a  
3 five-year break in service shall immediately be reenrolled in the  
4 retirement system and resume making contributions. For purposes of  
5 vesting employer contributions made prior to and after the reentry into  
6 the retirement system under section 20 of this act, years of  
7 participation include years of participation prior to such employee's  
8 original termination. For a member who is not vested and has received a  
9 termination benefit pursuant to section 20 of this act, the years of  
10 participation prior to such employee's original termination shall be  
11 limited in a ratio equal to the amount that the member repays divided by  
12 the termination benefit withdrawn pursuant to section 20 of this act.

13 (b) The reemployed member may repay the value of, or a portion of  
14 the value of, the termination benefit withdrawn pursuant to section 20 of  
15 this act. A reemployed member who elects to repay all or a portion of the  
16 value of the termination benefit withdrawn pursuant to section 20 of this  
17 act shall repay the actual earnings on such value. Repayment of the  
18 termination benefit shall commence within three years of reemployment and  
19 shall be completed within five years of reemployment or prior to  
20 termination of employment, whichever occurs first, through (i) direct  
21 payments to the retirement system, (ii) installment payments made  
22 pursuant to a binding irrevocable payroll deduction authorization made by  
23 the member, (iii) an eligible rollover distribution as provided under the  
24 Internal Revenue Code, or (iv) a direct rollover distribution made in  
25 accordance with section 401(a)(31) of the Internal Revenue Code.

26 (c) The value of the member's forfeited employer cash balance  
27 account, as of the date of forfeiture, shall be restored in a ratio equal  
28 to the amount of the benefit that the member has repaid divided by the  
29 termination benefit received. The employer cash balance account shall be  
30 restored first out of the current forfeiture amounts and then by  
31 additional employer contributions.

1       (3) For a member who retired pursuant to section 16 of this act and  
2 becomes a permanent full-time employee or permanent part-time employee  
3 with a local governmental entity under the Local Government Employees  
4 Retirement Act more than one hundred twenty days after his or her  
5 retirement date, the member shall continue receiving retirement benefits.  
6 Such a retired member or a retired member who received a lump-sum  
7 distribution of his or her benefit shall be considered a new employee as  
8 of the date of reemployment and shall not receive credit for any service  
9 prior to the member's retirement for purposes of the act.

10       (4) A member who is reinstated as an employee pursuant to a  
11 grievance or appeal of his or her termination by the local governmental  
12 entity shall be a member upon reemployment and shall not be considered to  
13 have a break in service for such period of time that the grievance or  
14 appeal was pending. Following reinstatement, the member shall repay the  
15 value of the amount received from his or her employee account or member  
16 cash balance account under section 21 of this act.

17       Sec. 23. (1) In the event of the death before his or her retirement  
18 date of any employee who is a member of the system, the death benefit  
19 shall be equal to the benefit provided in section 10 of this act. The  
20 death benefit shall be paid to the member's beneficiary, to an alternate  
21 payee pursuant to a qualified domestic relations order as provided in  
22 section 42-1107, or to the member's estate if there are no designated  
23 beneficiaries. If the beneficiary is not the member's surviving spouse,  
24 the death benefit shall be paid as a lump-sum payment or payments, except  
25 that the entire account must be distributed by the fifth anniversary of  
26 the member's death. If the sole primary beneficiary is the member's  
27 surviving spouse, the surviving spouse may elect to receive an annuity  
28 calculated as if the member retired and selected a one-hundred-percent  
29 joint and survivor annuity effective on the annuity purchase date. If the  
30 surviving spouse does not elect the annuity option within one hundred  
31 eighty days after the death of the member, the surviving spouse shall



1 receive a lump-sum payment or payments, except that the entire account  
2 must be distributed by the fifth anniversary of the member's death.

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

8 (3) For any member whose death occurs while performing qualified  
9 military service as defined in section 414(u) of the Internal Revenue  
10 Code, the member's beneficiary shall be entitled to any additional death  
11 benefit that would have been provided, other than the accrual of any  
12 benefit relating to the period of qualified military service. The  
13 additional death benefit shall be determined as if the member had  
14 returned to employment with a participating local governmental entity and  
15 such employment had terminated on the date of the member's death.

16 Sec. 24. Annuities or benefits which any person shall be entitled  
17 to receive under the Local Government Employees Retirement Act shall not  
18 be subject to garnishment, attachment, levy, the operation of bankruptcy  
19 or insolvency laws, or any other process of law whatsoever and shall not  
20 be assignable except to the extent that such annuities or benefits are  
21 subject to a qualified domestic relations order under the Spousal Pension  
22 Rights Act.

23 Sec. 25. (1) Any employee who, while an employee, entered into and  
24 served in the armed forces of the United States and who within ninety  
25 days after honorable discharge or honorable separation from active duty  
26 again became an employee shall be credited, for the purposes of section  
27 16 of this act, with all the time actually served in the armed forces as  
28 if such person had been an employee throughout such service in the armed  
29 forces pursuant to the terms and conditions of subsection (2) of this  
30 section.

31 (2) Under such rules and regulations as the retirement board adopts

1 and promulgates, an employee who is reemployed pursuant to 38 U.S.C. 4301  
2 et seq. may pay to the retirement system an amount equal to the sum of  
3 all deductions which would have been made from the employee's  
4 compensation during such period of military service. Payment shall be  
5 made within the period required by law, not to exceed five years. To the  
6 extent that payment is made, (a) the employee shall be treated as not  
7 having incurred a break in service by reason of his or her period of  
8 military service, (b) the period of military service shall be credited  
9 for the purposes of determining the nonforfeitability of the member's  
10 accrued benefits and the accrual of benefits under the plan, and (c) the  
11 employer shall allocate the amount of employer contributions to the  
12 member's employer account in the same manner and to the same extent the  
13 allocation occurs for other employees during the period of service. For  
14 purposes of member and employer contributions under this section, the  
15 member's compensation during the period of military service shall be the  
16 rate the member would have received but for the military service or, if  
17 not reasonably determinable, the average rate the member received during  
18 the twelve-month period immediately preceding military service.

19 (3) The employer shall pick up the member contributions made through  
20 irrevocable payroll deduction authorizations pursuant to this section,  
21 and the contributions so picked up shall be treated as employer  
22 contributions in the same manner as contributions picked up under section  
23 8 of this act.

24 Sec. 26. (1) For purposes of this section and section 27 of this  
25 act:

26 (a) Distributee means the member, the member's surviving spouse, or  
27 the member's former spouse who is an alternate payee under a qualified  
28 domestic relations order as defined in section 414(p) of the Internal  
29 Revenue Code;

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

1       (c) Eligible retirement plan means (i) an individual retirement  
2 account described in section 408(a) of the Internal Revenue Code, (ii) an  
3 individual retirement annuity described in section 408(b) of the code,  
4 except for an endowment contract, (iii) a qualified plan described in  
5 section 401(a) of the code, (iv) an annuity plan described in section  
6 403(a) or 403(b) of the code, (v) except for purposes of section 27 of  
7 this act, an individual retirement plan described in section 408A of the  
8 code, and (vi) a plan described in section 457(b) of the code and  
9 maintained by a governmental employer. For eligible rollover  
10 distributions to a surviving spouse, an eligible retirement plan means  
11 subdivisions (1)(c)(i) through (vi) of this section; and

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

21       (2) A distributee may elect to have any portion of an eligible  
22 rollover distribution paid directly to an eligible retirement plan  
23 specified by the distributee.

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

1 Revenue Code.

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

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

15 Sec. 27. (1) The retirement system may accept cash rollover  
16 contributions from a member if the contributions do not exceed the amount  
17 authorized to be paid by the member, and the contributions represent (a)  
18 all or any portion of the balance of the member's interest in a qualified  
19 plan under section 401(a) of the Internal Revenue Code or (b) the  
20 interest of the member from an individual retirement account or an  
21 individual retirement annuity, the entire amount of which is attributable  
22 to a qualified total distribution, as defined in the Internal Revenue  
23 Code, from a qualified plan under section 401(a) of the code and  
24 qualified as a tax-free rollover amount. The member's interest under  
25 subdivision (a) or (b) of this subsection must be transferred to the  
26 retirement system within sixty days from the date of the distribution  
27 from the qualified plan, individual retirement account, or individual  
28 retirement annuity.

29 (2) Cash transferred to the retirement system as a rollover  
30 contribution shall be deposited as other payments.

31 (3) Under the same conditions as provided in subsection (1) of this

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

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

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

18 Sec. 28. The retirement system may accept as payment for withdrawn  
19 amounts made pursuant to the Local Government Employees Retirement Act a  
20 direct trustee-to-trustee transfer from (1) an eligible tax-sheltered  
21 annuity plan as described in section 403(b) of the Internal Revenue Code  
22 or (2) an eligible deferred compensation plan as described in section  
23 457(b) of the code on behalf of a member who is making payments for such  
24 amounts. The amount transferred shall not exceed the amount withdrawn,  
25 and such transferred amount shall qualify as a purchase of permissive  
26 service credit by the member as defined in section 415 of the code.

27 Sec. 29. Persons who have become members of the retirement system  
28 shall not thereafter lose their status as members while they remain  
29 employees.

30 Sec. 30. Any person who, knowing it to be false or fraudulent,  
31 presents or causes to be presented a false or fraudulent claim or benefit

1 application, any false or fraudulent proof in support of such a claim or  
2 benefit, or false or fraudulent information which would affect a future  
3 claim or benefit application to be paid under the retirement system for  
4 the purpose of defrauding or attempting to defraud the retirement system  
5 shall be guilty of a Class II misdemeanor. The retirement board shall  
6 deny any benefits that it determines are based on false or fraudulent  
7 information and shall have a cause of action against the member to  
8 recover any benefits already paid on the basis of such information.

9       Sec. 31. The retirement allowances and benefits provided for by the  
10 Local Government Employees Retirement Act shall be in addition to  
11 benefits and allowances payable under the provisions of the federal  
12 Social Security Act.

13       Sec. 32. The Local Government Employees Retirement Act shall become  
14 effective for each local governmental entity upon its adoption by the  
15 appropriate local governmental entity or on January 1, xxxx, whichever is  
16 earlier.

17       Sec. 33. Upon the adoption of the retirement system by the local  
18 governmental entity, the appropriate local governmental entity  
19 administrator shall certify such action to the retirement board. Upon the  
20 adoption of the retirement system by the local governmental entity or by  
21 January 1, xxxx, whichever is earlier, the appropriate local governmental  
22 entity administrator shall submit to the board a list of all employees  
23 then eligible for participation in the plan, which list shall state the  
24 name and address of the employee and his or her gross monthly wage.

25       Sec. 34. Every claim and demand under the Local Government  
26 Employees Retirement Act and against the retirement system or the  
27 retirement board shall be forever barred unless the action is brought  
28 within two years of the time at which the claim accrued.

29       Sec. 35. All contributions to the retirement system, all property  
30 and rights purchased with the contributions, and all investment income  
31 attributable to the contributions, property, or rights shall be held in

1 trust by the State of Nebraska for the exclusive benefit of members and  
2 their beneficiaries and shall only be used to pay benefits to such  
3 persons and to pay administrative expenses according to the provisions of  
4 the Local Government Employees Retirement Act.

5       Sec. 36. Upon termination or partial termination of the retirement  
6 system or upon complete discontinuance of contributions under the  
7 retirement system, the rights of all affected members to the amounts  
8 credited to the members' accounts shall be nonforfeitable.

9       Sec. 37. Any city of the first class which elects for its police  
10 officers to participate in the Retirement System for Local Government  
11 Employees established by the Local Government Employees Retirement Act  
12 shall establish and fund a supplemental retirement plan for the benefit  
13 of all present and future police officers employed by such city. The  
14 auxiliary benefit plan shall be funded by additional contributions to the  
15 local government employees retirement plan in excess of the amounts  
16 established in sections 8 and 9 of this act. The additional contributions  
17 made by police officers shall be credited to the employee account, and  
18 contributions paid by the city shall be credited to the employer account,  
19 with each amount to be established at a rate of x percent of  
20 compensation. The supplemental contributions when combined with amounts  
21 established in sections 8 and 9 of this act shall not be less than the  
22 amounts established in sections 16-1005 and 16-1006. All contributions  
23 made pursuant to this section shall be invested and administered  
24 according to the Local Government Employees Retirement Act.

25       Sec. 38. Any city of the first class which elects for its  
26 firefighters to participate in the Retirement System for Local Government  
27 Employees established by the Local Government Employees Retirement Act  
28 shall establish and fund a supplemental retirement plan for the benefit  
29 of all present and future firefighters employed by such city. The  
30 auxiliary benefit plan shall be funded by additional contributions to the  
31 local government employees retirement plan. The additional contributions

1 made by firefighters shall be credited to the employee account, and  
2 contributions paid by the city shall be credited to the employer account,  
3 with each amount to be established at a rate of x percent of  
4 compensation. The supplemental contributions when combined with amounts  
5 established in sections 8 and 9 of this act shall not be less than the  
6 amounts established in sections 16-1024 and 16-1025. All contributions  
7 made pursuant to this section shall be invested and administered  
8 according to the Local Government Employees Retirement Act.

9       Sec. 39. As of the date of adoption of the retirement system, a  
10 prior service annuity shall be computed for all employees who have been  
11 employees continuously for one year prior to the date of the adoption of  
12 the retirement system and who are at least twenty-five years of age. Such  
13 prior service annuity shall be equal to the number of years of creditable  
14 prior service multiplied by the prior service annuity factor.

15       The number of years of creditable prior service shall be the number  
16 of completed years of prior service less all years during which the  
17 employee was participating in or for which he or she received a benefit  
18 from a public retirement plan, but not more than twenty-five.

19       The prior service annuity factor shall be the smaller of (1) one  
20 dollar or (2) the employee's compensation for the last completed twelve  
21 months of prior service divided by two thousand four hundred.

22       Sec. 40. The prior service retirement benefit shall be a straight  
23 life annuity, payable monthly with the first payment made as of the  
24 annuity start date, in an amount determined in accordance with section 39  
25 of this act, except that if the monthly payment would be less than ten  
26 dollars, payments shall be made annually in advance with each annual  
27 payment equal to 11.54 multiplied by the monthly payment that would have  
28 been made in the absence of this restriction on small monthly payments,  
29 and no prior service retirement benefit shall be paid to any person who  
30 terminates his or her employment unless such person has been continuously  
31 employed by the local governmental entity for ten or more years



1 immediately prior to termination. An employee meeting such requirement  
2 and who terminates his or her employment shall not receive a prior  
3 service benefit determined in accordance with section 39 of this act  
4 prior to attaining age sixty-five years.

5 Prior service retirement benefits shall be paid directly by the  
6 local governmental entity to the retired employee.

7 Sec. 41. Section 84-1501, Reissue Revised Statutes of Nebraska, is  
8 amended to read:

9 84-1501 (1) The Public Employees Retirement Board is hereby  
10 established.

11 (2)(a) The board shall consist of nine ~~eight~~ appointed members as  
12 described in this subsection and the state investment officer as a  
13 nonvoting, ex officio member. Seven ~~Six~~ of the appointed members shall be  
14 active or retired participants in the retirement systems administered by  
15 the board, and two of the appointed members (i) shall not be employees of  
16 the State of Nebraska or any of its political subdivisions and (ii) shall  
17 have at least ten years of experience in the management of a public or  
18 private organization or have at least five years of experience in the  
19 field of actuarial analysis or the administration of an employee benefit  
20 plan.

21 (b) The seven ~~six~~ appointed members who are participants in the  
22 systems shall be as follows:

23 (i) Two of the appointed members shall be participants in the School  
24 Employees Retirement System of the State of Nebraska and shall include  
25 one administrator and one teacher;

26 (ii) One of the appointed members shall be a participant in the  
27 Nebraska Judges Retirement System as provided in the Judges Retirement  
28 Act;

29 (iii) One of the appointed members shall be a participant in the  
30 Nebraska State Patrol Retirement System;

31 (iv) One of the appointed members shall be a participant in the

1 Retirement System for Nebraska Counties;~~and~~

2 (v) One of the appointed members shall be a participant in the State  
3 Employees Retirement System of the State of Nebraska; and -

4 (vi) One of the appointed members shall be a participant in the  
5 Retirement System for Local Government Employees.

6 (c) Appointments to the board shall be made by the Governor and  
7 shall be subject to the approval of the Legislature. All appointed  
8 members shall be citizens of the State of Nebraska.

9 (3) All members shall serve for terms of five years or until a  
10 successor has been appointed and qualified. The terms shall begin on  
11 January 1 of the appropriate year. The members of the board shall be  
12 reimbursed for their actual and necessary expenses as provided in  
13 sections 81-1174 to 81-1177. The appointed members of the board may be  
14 removed by the Governor for cause after notice and an opportunity to be  
15 heard.

16 Sec. 42. Original section 84-1501, Reissue Revised Statutes of  
17 Nebraska, is repealed.