

## LEGISLATIVE BILL 457

Approved by the Governor April 12, 1984

Introduced by Wesely, 26; Newell, 13

AN ACT relating to the school retirement system; to amend sections 79-1512, 79-1531, 79-1533, and 79-1540, Reissue Revised Statutes of Nebraska, 1943, and section 79-1522.01, Revised Statutes Supplement, 1982; to provide for the transfer and deposit of certain funds; to change certain eligibility, benefit, and annuity provisions; to exclude certain items from budget limitations; to provide operative dates; to repeal the original sections; and to declare an emergency.

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

Section 1. That section 79-1512, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1512. At the time of retirement of any employee who serves a public school operating under any other regularly established retirement or pension system, the retirement board shall, upon receipt of a certification from the public school as to the number of years of service upon which the retirement is based, order the primary carrier to transfer to the funds of the retirement system of which such employee is a member the actuarial value of the service annuity to be paid by the state for the years of service thus certified in the same amount and basis as provided for members of the state retirement system under sections 79-1522 and 79-1524. Such employee, in order to qualify for prior service credit toward a service annuity, shall have the same qualifications as members of the school retirement system of the State of Nebraska who became members on or before July 1, 1950, as provided by section 79-1515, but shall not come under the provisions of sections 79-1501 to 79-1557 while so employed. Such transfer of actuarial value to the retirement system of which such employee is a member shall be in lieu of the payment of the service annuity to which he or she would be entitled, ~~Provided, on the condition that the monthly payment received by him or her from such system shall be in the amount not less than the sum of his or her service annuity and the member's annuity which is the actuarial equivalent of his or her own contributions accumulated at interest to retirement.~~ The public school which such employee serves shall furnish to the retirement board all information required by the

retirement board regarding service records of its employees.

In addition to the transfer of the actuarial value of the service annuity to be paid by the state, the state shall also transfer to the funds of any other regularly established retirement or pension system for public school employees an amount determined by multiplying the compensation of all members of the other regularly established retirement or pension system for public school employees by the per cent specified in section 79-1540 for determining the amount of the state's payment to the School Employer's Deposit Fund. The transfer shall be made annually on or before July 1 of each fiscal year commencing on or after July 1, 1984.

Sec. 2. That section 79-1522.01, Revised Statutes Supplement, 1982, be amended to read as follows:

79-1522.01. In lieu of the school retirement allowance provided by section 79-1522, ~~for service after July 1, 1968,~~ any member who is an employee of a Class I, II, III, IV, or VI school district and who becomes eligible to make application for and receive a school retirement allowance under the provisions of sections 79-1520 and 79-1521, may elect to receive a formula annuity retirement allowance.

Subject to the other provisions of this section, the monthly formula annuity in the normal form shall be determined by multiplying the number of years of service ~~after July 1, 1968,~~ for which such member would otherwise receive the service annuity provided by section 79-1522, (1) by one and one-quarter per cent of his or her final average compensation, ~~or~~ (2) by one and one half per cent of his or her final average compensation, ~~or~~ (3) by one and sixty-five hundredths per cent of his or her final average compensation. ~~7. Provided, that if~~ If the annuity begins prior to the sixty-fifth birthday of the member, the annuity at the date it begins shall be the actuarial equivalent of the formula annuity deferred to the sixty-fifth birthday of the member. A member must have acquired the equivalent of one half year of service or more as a public school employee under the school retirement system following August 24, 1975, to be eligible for computation of his or her formula annuity using one and one-quarter per cent of his or her final average compensation as one of the factors, ~~or~~ must have acquired the equivalent of one half year of service or more as a public school employee under the school retirement system following July 17, 1982, to be eligible for computation of his or her formula annuity using one and one half per cent of his or her final average compensation as one of the factors, ~~or~~ must have acquired the equivalent of one half year of service or more as a public school employee under the school retirement system following July 1, 1984, to be eligible for computation of his or her formula annuity

using one and sixty-five hundredths per cent of his or her final average compensation as one of the factors.

The normal form of the formula annuity shall be an annuity payable monthly during the remainder of the member's life with the provision that in the event of his or her death before sixty monthly payments have been made the monthly payments shall be continued to his or her estate or to such beneficiary as he or she shall have designated until sixty monthly payments have been made. A member may elect to receive in lieu of the normal form of annuity an actuarially equivalent annuity in any optional form provided by section 79-1530.

Final average compensation shall be determined by dividing the member's total compensation subject to required deposits for the three fiscal years ~~after July 1, 1968~~, in which such compensation was the highest, by thirty-six. If a member has such compensation for less than three such fiscal years his or her final average compensation shall be determined by dividing his or her total compensation in all such years by twelve times the total number of years of his or her service therefor. A member must have acquired the equivalent of one half year of service or more as a public school employee under the school retirement system following August 24, 1975, to be eligible for computation of his or her formula annuity using only five fiscal years in the determination of his or her final average compensation.

All formula annuities shall be paid from the Annuity Reserve Fund. Upon the granting of a formula annuity, there shall be transferred to the Annuity Reserve Fund: (a) From the Service Annuity Fund, the value of the service annuity which would otherwise be payable; ~~for service after July 1, 1968~~; (b) from the School Employees' Savings Fund, the accumulated contributions of the member; ~~made after July 1, 1968~~; and (c) from the School Employer's Deposit Fund, the value of the formula annuity in excess of the amounts transferred from the Service Annuity Fund and the School Employees' Savings Fund.

For the purpose of providing the funds to be transferred from the School Employer's Deposit Fund for formula annuities, every employer shall be required to make deposits in the School Employer's Deposit Fund, ~~equal to twenty per cent of the required school employee contributions.~~ Such deposits shall be a uniform percentage of the required contributions of the school employees of each employer and shall be transmitted to the retirement board at the same time and in the same manner as such required employee contributions. In the fiscal year commencing July 1, 1968, such uniform percentage shall be twenty per cent of the required school employee contributions. For each fiscal year thereafter such uniform percentage shall be determined by the retirement board upon recommendation of the actuary and shall be

determined by deducting from the then present value of all future amounts to be transferred from the School Employer's Deposit Fund the amount then credited to such fund and dividing the remainder by the present value of the prospective future required contributions of all employees of the school districts covered by this section.

Sec. 3. That section 79-1531, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1531. Each member of the retirement system shall be required to make a deposit in the School Employees' Savings Fund equal to three and one half four and eight tenths per cent of all compensation. All amounts deposited by or on behalf of any school employee shall be held for the benefit of the individual school employee in the School Employees' Savings Fund and shall be credited to his or her account in this fund for the purpose of providing an annuity or other benefit as provided in sections 79-1501 to 79-1557.

Sec. 4. That section 79-1533, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1533. Every employer shall deduct and withhold from the compensation as a school employee of each member on each and every payroll period after such school employee becomes a member of the retirement system three and one half four and eight tenths per cent of such compensation of such member pursuant to section 79-1531. The employer, through its proper agents, the city or county superintendent, or the secretary of the school board or board of education, shall transmit monthly, quarterly, or semiannually if the retirement board shall so direct, a copy of such payroll, in such form as shall be approved by the retirement board, and a remittance payable to the order of the State Treasurer for all deductions from the compensation of members on such payroll. The remittances may be by draft, money order, ~~or~~ check, or otherwise according to the rule adopted by the retirement board. All such amounts due to the retirement board shall bear interest at the rate of six per cent per annum if the payment of the same is delayed more than thirty days after the time prescribed for payment. ~~thereof~~. The proceeds of the said interest charge shall be used to reimburse the account of each school employee, deprived of interest by ~~said~~ the delay, with regular interest and the balance shall be paid into the School Employees' Savings Fund of the retirement system.

Sec. 5. That section 79-1540, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1540. On the basis of all data in the possession of the retirement board, including such mortality and other tables as shall be recommended by the actuary, who shall be a member of the American Academy of Actuaries, and engaged by the retirement board, and adopted by the retirement board, the retirement board

shall annually, on or before July 1, determine the state deposit to be made by the state in the Service Annuity Fund for that fiscal year. The amount of such state deposit shall be determined on the basis of an annual actuarial valuation to be sufficient to fully fund the service annuities earned in that fiscal year and to fund the unfunded accrued liabilities for all service annuities earned prior to that year by level payments up to January 1, 1994, in the amounts established prior to May 19, 1981. Any increase in the unfunded accrued liability that arises as a result of increasing the amount of the service annuity on or after May 19, 1981, shall increase the state deposit by an amount sufficient to fund the increase in the unfunded accrued liability by level payments for the twenty-five year period following the date the increase becomes effective. The retirement board shall thereupon certify and, on the warrant of the Director of Administrative Services, the State Treasurer shall, as of July 1 of such year, transfer from funds appropriated by the state for that purpose to the Service Annuity Fund in the retirement system the amount of such state deposit.

In addition to the state deposit to the Service Annuity Fund, the state shall deposit in the School Employer's Deposit Fund an amount equal to seven-tenths of one per cent of the compensation of all members of the retirement system for each fiscal year on or after July 1, 1984.

Sec. 6. For purposes of sections 77-3412 to 77-3431 and subdivision (2) of section 77-3424, new program shall include any additional amount a Class I, II, III, IV, or VI school district contributes to a retirement system established pursuant to Chapter 79, article 15, if the funding by the school district is increased as a result of the changes made in sections 79-1512, 79-1522.01, 79-1531, 79-1533, and 79-1540 by this legislative bill.

Sec. 7. No provision of sections 79-1512, 79-1522.01, 79-1531, 79-1533, or 79-1540 which would result in an increase in benefits that would have been payable prior to July 1, 1984 shall apply to any person until that person has acquired the equivalent of one half year of service or more as a public school employee under the school retirement system following July 1, 1984.

Sec. 8. Sections 3, 4, and 10 of this act shall become operative on October 1, 1984. The remaining sections of this act shall become operative on July 1, 1984.

Sec. 9. That original sections 79-1512, and 79-1540, Reissue Revised Statutes of Nebraska, 1943, and section 79-1522.01, Revised Statutes Supplement, 1982, are repealed.

Sec. 10. That original sections 79-1531 and 79-1533, Reissue Revised Statutes of Nebraska, 1943, are repealed.

Sec. 11. Since an emergency exists, this act shall be in full force and take effect, from and after its passage and approval, according to law.