

LEGISLATIVE BILL 1170

Approved by the Governor April 11, 1988

Introduced by Nebraska Retirement Systems Committee,
 Haberman, 44, Chairperson; Marsh, 29;
 Abboud, 12; Warner, 25; Nelson, 35;
 Goodrich, 20; Wesely, 26

AN ACT relating to school retirement; to amend sections 79-1501, 79-1512, 79-1522.01, 79-1527, 79-1528, 79-1531 to 79-1533, 79-1536, 79-1540, 79-1542, 79-1545 to 79-1546, 79-1548 to 79-1550, 79-1552, 79-1556, and 84-1503, Reissue Revised Statutes of Nebraska, 1943; to change provisions relating to funds of the school retirement system; to rename certain funds; to create a fund; to change retirement benefits as prescribed; to change contribution provisions; to provide powers and duties; to harmonize provisions; and to repeal the original sections.

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

Section 1. That section 79-1501, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1501. As used in sections 79-1501 to 79-1557, unless the context otherwise requires:

(1) Accumulated contributions shall mean the sum of all amounts deducted from the compensation of a member and credited to his or her individual account in the School Employees' Savings Retirement Fund together with regular interest thereon, compounded annually;

(2) Beneficiary shall mean any person in receipt of a school retirement allowance or other benefit provided by sections 79-1501 to 79-1557;

(3) Member shall mean any person who has an account in the School Employees' Savings Retirement Fund;

(4) County school official shall mean the county superintendent or district superintendent and any person serving in his or her office who is required by law to have a teacher's certificate;

(5) Creditable service shall mean prior service for which credit is granted under sections 79-1515 to 79-1518 plus all service rendered while a member of the retirement system and shall include

working days, sick days, vacation days, holidays, and any other leave days for which the employee is paid regular wages as part of the employee's agreement with the employer. Creditable service shall not include lump-sum payments to the employee upon termination or retirement in lieu of accrued benefits for such days;

(6) Disability retirement allowance shall mean the annuity paid to a person upon retirement for disability under section 79-1524;

(7) Employer shall mean the State of Nebraska or any subdivision thereof or agency of the state or subdivision authorized by law to hire school employees; as defined in this section; or to pay their salaries;

(8) Fiscal year shall mean any year beginning July 1 and ending June 30 next following;

(9) Regular interest shall mean interest at such a rate as shall be determined by the retirement board in conformity with actual and expected earnings on its investments;

(10) Junior school employee shall mean a school employee, as herein defined, who has not arrived at his or her twenty-first birthday anniversary on August 15 preceding;

(11) Present senior school employee shall mean a senior school employee, as herein defined, who was employed within the State of Nebraska on September 1, 1945;

(12) School employee shall mean the following persons who receive compensation from a public school: (a) Regular teachers and administrators employed on a written contract basis; (b) regular employees not certified, hired upon a full-time basis, which contemplates a work week of not less than thirty hours; and (c) part-time employees hired on a work week of not less than fifteen hours;

(13) Prior service shall mean service rendered as a school employee in the public schools of the State of Nebraska, as such is defined in this section, prior to July 1, 1945;

(14) Public school shall mean any and all schools supported by public funds and wholly under the control and management of the State of Nebraska, or any subdivision thereof, including schools established, maintained, and controlled by the school boards of local school districts and schools under the control and management of the state colleges, the Board of Regents of the University of Nebraska, any educational service unit, and any other educational institution wholly supported by public funds;

(15) Retirement shall mean qualifying for and accepting a school or disability retirement allowance granted under sections 79-1501 to 79-1557;

(16) Retirement board or board shall mean the Public Employees Retirement Board; which shall administer the retirement system;

(17) Retirement system shall mean the school retirement system of the State of Nebraska provided for in sections 79-1501 to 79-1557;

(18) Required deposit shall mean the deduction from a member's compensation as provided for in section 79-1531 which shall all be deposited in the School Employees' Savings Retirement Fund;

(19) School year shall mean one fiscal year which shall include not less than one thousand thirty-two instructional hours or, in the case of service in the State of Nebraska prior to July 1, 1945, not less than seventy-five percent of the then legal school year;

(20) Senior school employee shall mean a school employee, ~~as herein defined~~, who has arrived at his or her twenty-first birthday anniversary on August 15 preceding;

(21) Service shall mean service as a school employee;

(22) School retirement allowance shall mean the total of the savings annuity and the service annuity paid a person who has retired under section 79-1520. The monthly payments shall be payable at the end of each calendar month during the life of a retired member. The first payment shall include all amounts accrued since the effective date of the award of annuity, including a pro rata portion of the monthly amount of any fraction of a month elapsing between the effective date of such annuity and the end of the calendar month in which such annuity began. The last payment shall be at the end of the calendar month in which such member shall die;

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

(24) State deposit shall mean the deposit by the state in the retirement system on behalf of any member;

(25) State school official shall mean the Commissioner of Education and his or her professional staff and the assistant commissioner of education in charge of vocational education and his or her professional staff;

(26) Savings annuity shall mean payments for life, made in equal monthly payments, derived from the accumulated contributions of a member;

(27) Emeritus member shall mean a person who has entered retirement under the provisions of sections 79-1501 to 79-1557, including those persons who have retired since July 1, 1945, under any other regularly established retirement or pension system as contemplated by section 79-1512, and who has thereafter been reemployed in any capacity by a public school in Nebraska, or has become a state school official or county school official subsequent to such retirement, and who has applied to the board for emeritus membership in the retirement system. The school district or agency shall certify to the retirement board on forms prescribed by the retirement board that the annuitant was reemployed, rendered a service, and was paid by the district for such services;

(28) Primary carrier shall mean the life insurance companies and trust companies designated as the underwriter or trustee of the retirement system;

(29) Actuarial equivalent shall mean the equality in value of the aggregate amounts expected to be received under different forms of payment. The determinations shall be based on the 1971 Group Annuity Mortality Table reflecting sex-distinct factors blended using twenty-five percent of the male table and seventy-five percent of the female table. An interest rate of seven percent per annum shall be reflected in making these determinations;

(30) Retirement date shall mean the first day of the month following the date upon which a member's request for retirement is received on an application form provided by the retirement system if the member has ceased employment in the school system. An application may be filed no more than ninety days in advance of the date on which a member ceases employment in the school system;

(31) Disability retirement date shall mean the first day of the month following the date upon which a member's request for disability retirement is received on an application form provided by the retirement system if the member has ceased employment in the school system and has complied with sections 79-1523 to 79-1526 as they refer to disability retirement; and

(32) Retirement application form shall mean the form approved by the retirement system for acceptance of a member's request for either regular or disability retirement.

Sec. 2. 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 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. No member shall receive a retirement benefit from the retirement system covering years for which he or she is being paid a benefit under sections 79-1032 to 79-1060.

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 percent specified in section 79-1540 for determining the amount of the state's payment to the School Employer's Deposit Fund Account. The transfer shall be made annually on or before July 1 of each fiscal year commencing on or after

July 1, 1984.

Sec. 3. That section 79-1522.01, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1522.01. In lieu of the school retirement allowance provided by section 79-1522, any member who is not an employee of a Class V school district and who becomes eligible to make application for and receive a school retirement allowance under section 79-1520 may 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 for which such member would otherwise receive the service annuity provided by section 79-1522 (1) by one and one-quarter percent of his or her final average compensation, (2) by one and one-half percent of his or her final average compensation, or (3) by one and sixty-five hundredths percent of his or her final average compensation. If the annuity begins prior to the sixty-fifth birthday of the member, the annuity at the date it begins shall be reduced by three percent for each year after the member's sixtieth birthday and prior to his or her sixty-fifth birthday. A member ~~must~~ shall 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 percent of his or her final average compensation as one of the factors, ~~must~~ shall 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 percent of his or her final average compensation as one of the factors, or ~~must~~ shall 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 percent 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~~ will be continued to his or her estate or to ~~such~~ the beneficiary as he or she ~~shall~~ have has 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 for full-time employees shall be determined by dividing the member's total compensation subject to required deposits for the three fiscal years in which such compensation was the highest by thirty-six. Final average compensation for part-time employees shall be determined by dividing total adjusted compensation subject to required deposits for the three fiscal years in which such adjusted 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. Adjusted compensation for any year shall be equal to actual pay times the ratio of one to the actual credited service for such year. A member ~~must~~ shall 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 Account. Upon the granting of a formula annuity, there shall be transferred to the Annuity Reserve Fund Account: (a) From the Service Annuity Fund Account, the value of the service annuity which would otherwise be payable; (b) from the School Employees' Savings Fund Account, the accumulated contributions of the member; and (c) from the School Employer's Deposit Fund Account, the value of the formula annuity in excess of the amounts transferred from the Service Annuity Fund Account and the School Employees' Savings Fund Account.

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. 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 percent 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. 4. That section 79-1527, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1527. If a member ceases to be a school employee for any cause other than death or retirement, the retirement board shall, upon his or her demand, terminate his or her membership in the retirement system and order the primary carrier to pay such member the accumulated contributions standing to the credit of his or her individual account in the School Employees' Savings Retirement Fund. Any ~~PROVIDED~~, that any member who attains or has attained membership in another Nebraska state or school retirement system authorized by the Legislature and who elects not to be or remain a member of the retirement system shall have his or her accumulated contributions returned to him or her forthwith.

Sec. 5. That section 79-1528, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1528. (1) Should a member die before retirement, his or her accumulated contributions shall be paid to his or her estate or to ~~such~~ the person as he or she ~~shall have~~ has nominated by written designation duly executed and filed with the retirement board. If no legal representatives or beneficiary designated in writing ~~shall apply~~ applies for his or her accumulated contributions within five years following (a) his or her sixty-fifth birthday if death occurred prior to such date or (b) the date of his or her death if death occurred after his or her sixty-fifth birthday, ~~they the~~ contributions shall be forfeited to the retirement system and credited to the Contingent ~~Fund~~ Account at that time.

(2) When the deceased member has not less than twenty years of creditable service, regardless of age, and leaves a surviving spouse who has been designated in writing as beneficiary and who, as of the date of the

member's death, is the sole surviving primary beneficiary, such beneficiary may elect, within ninety days after the death of the member, to receive an annuity which shall be equal to the amount that would have accrued to the member had he or she elected to have the retirement annuity paid as a joint and survivor annuity payable as long as either the member or the member's spouse should survive and had the member retired (a) on the date of death if his or her age at death is sixty-five or more or (b) at age sixty-five if his or her age at death is less than sixty-five. If such option is not exercised by such spouse within ninety days of the member's death, if no spouse survives, or if the member has not served for twenty years, then the beneficiary or the estate, if the member has not filed a written statement with the board naming a beneficiary, shall be paid a lump sum equal to all contributions to the fund made by such member plus regular interest.

Sec. 6. That section 79-1531, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1531. (1) For the purpose of providing the funds to be transferred from the School Employees' Savings Account for formula annuities, every employee shall be required to make deposits in the School Retirement Fund. Such deposits shall be a percentage of total compensation and shall be transmitted at the same time and in the same manner as required employer contributions. For each fiscal year, such percentage shall be determined by the retirement board upon recommendation of the actuary and shall be equal to forty-nine and seventy-five hundredths percent of the amount determined by deducting from the then actuarial present value of all future liabilities to be funded by transfers from the School Employer's Deposit Account and the School Employees' Savings Account the amount then credited to such accounts and dividing the remainder by the actuarial present value of one percent of future compensation for current active members.

(2) For the purpose of providing the funds to be transferred from the School Employer's Deposit Account for formula annuities, every employer shall be required to make deposits in the School Retirement Fund. Such deposits shall be one hundred one percent 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. Each member of the

retirement system shall be required to make a deposit, or have a deposit made on his or her behalf, in the School Employees' Savings Fund equal to five and four-tenths percent 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.

(3) (2) The employer shall pick up the member contributions required by this section for all compensation paid on or after January 1, 1986, and the contributions so picked up shall be treated as employer contributions in determining federal tax treatment under the United States Internal Revenue Code, except that the employer shall continue to withhold federal income taxes based upon these contributions until the Internal Revenue Service, or the federal courts, rule that, pursuant to section 414(h) of the United States Internal Revenue Code, these contributions shall not be included as gross income of the member until such time as they are distributed or made available. The employer shall pay these member contributions from the same source of funds which is used in paying earnings to the member. The employer shall pick up these contributions by a salary deduction either through a reduction in the cash salary of the member or a combination of a reduction in salary and offset against a future salary increase. Member contributions picked up shall be treated for all purposes of sections 79-1501 to 79-1565 in the same manner and to the same extent as member contributions made prior to the date picked up.

Sec. 7. That section 79-1532, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1532. The account of each member in the School Employees' Savings Retirement Fund shall be credited with regular interest earned monthly, quarterly, semiannually, or annually as the retirement board may direct.

Sec. 8. That section 79-1533, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1533. Every employer shall deduct and withhold an amount pursuant to section 79-1531 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. five and

four-tenths percent 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 ~~directs~~ 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, check, or otherwise according to ~~the rule rules and regulations~~ adopted and promulgated by the retirement board. All such amounts due to the retirement board shall bear interest at the rate of six percent per annum if the payment of the same is delayed more than thirty days after the time prescribed for payment. The proceeds of the interest charge shall be used to reimburse the account of each school employee, deprived of interest by the delay, with regular interest, and the balance shall be paid into the School Employees' Savings Retirement Fund of the retirement system.

Sec. 9. That section 79-1536, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1536. Every employer and school employee shall send to the retirement board, upon its request and in the manner required by it, such information as the board may require (1) for the identification of school employees, and (2) for the determination of the membership of the system and the obligations of the employer and school employee to the retirement system. If ~~;~~ PROVIDED, if an employee, who is qualified for membership, fails or refuses to file, within the fiscal year, in complete form, a membership registration blank properly identifying the member, a sum not to exceed ten dollars shall be transferred from such employee's individual account in the School Employees' Savings Retirement Fund to the Service Annuity Fund Account.

Sec. 10. 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 Account 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 the amount of such state deposit, and, on the warrant of the Director of Administrative Services, the State Treasurer shall, as of July 1 of such year, transfer from funds appropriated by the state for that purpose to the Service Annuity Fund in the retirement system Account the amount of such state deposit.

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

Sec. 11. That section 79-1542, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1542. As often as may be necessary, the retirement board shall cause to be made a thorough investigation of the several funds or accounts of the retirement system, for the purpose of determining the rates at which the benefits shall will be granted. It shall make adjustments in such rates as, upon recommendation of the actuary, may appear to be proper for maintaining solvency of the several funds or accounts. No revision of rates shall affect adversely the rights of any beneficiary under an application made prior to such revision. The retirement board shall, from time to time, order and make such distribution of gains and savings to the several funds or accounts as it may deem equitable. The rate per one thousand dollars of savings applied at which savings annuities are granted, on or after July 1, 1968, shall at no time be less than the corresponding rate in use at that time by

the primary carrier.

Sec. 12. That section 79-1545, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1545. All assets of the retirement system shall be credited, according to the purpose for which they are held, to the Expense Fund or one of six funds five accounts in the School Retirement Fund, namely, the School Employees' Savings Fund Account, the School Employer's Deposit Fund Account, the Service Annuity Fund Account, the Annuity Reserve Fund Account, and the Contingent Fund, ~~and the Expense Fund Account.~~ Any money in these accounts or funds available for investment shall be invested by the state investment officer pursuant to the provisions of sections 72-1237 to 72-1259 72-1269.

Sec. 13. That section 79-1545.01, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1545.01. The School Employer's Deposit Fund Account shall be the fund account in which the required deposits of the employers shall be are accumulated. Upon the granting of a formula annuity, there shall be transferred from this fund account to the Annuity Reserve Fund Account the amounts provided by section 79-1522.01.

Sec. 14. That section 79-1545.02, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1545.02. The Service Annuity Fund Account shall be the fund account in which the required deposits of the state shall be are accumulated. Upon the granting of an annuity, there shall be transferred from this fund account to the Annuity Reserve Fund Account the amount provided by section 79-1522.01 plus the value of any additional service annuity.

Sec. 15. That section 79-1546, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1546. The School Employees' Savings Fund Account shall be the fund account in which the required deposits from the compensation of members to provide savings annuities shall be are accumulated. The accumulated contributions of a member, returned to him or her upon his or her withdrawal from membership or paid to his or her estate or designated beneficiary in the event of his or her death as provided in section 79-1528, shall be paid from the School Employees' Savings Fund Account. Any accumulated contributions

forfeited shall be transferred from the School Employees' Savings Fund Account to the Contingent Fund Account. The accumulated contributions of a member shall be transferred from the School Employees' Savings Fund Account to the Annuity Reserve Fund Account in the event of his or her retirement on a school retirement allowance, a disability retirement allowance, or a formula annuity retirement allowance.

Sec. 16. That section 79-1548, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1548. The Annuity Reserve Fund Account shall be the fund account into which shall be transferred upon a retirement the accumulated contributions from the School Employees' Savings Fund Account, the value of any state service annuity from the Service Annuity Fund Account, and the value, if any, of a contribution from the School Employer's Deposit Fund Account upon the granting of a formula annuity and from which shall be paid all savings annuities, service annuities, and formula annuities as provided in sections 79-1501 to 79-1557. Should a beneficiary, retired on account of disability, be restored to active service, his or her remaining annuity reserve shall be transferred from the Annuity Reserve Fund Account to the School Employees' Savings Fund Account and credited to his or her individual account therein.

Sec. 17. That section 79-1549, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1549. A Contingent Fund Account is hereby created (1) to facilitate the crediting of regular interest on the amounts in the various other funds accounts, with the exception of the Expense Fund, (2) to fund the adjusted supplemental retirement benefit provided by section 21 of this act, and (3) to provide a fund an account to cover any special requirements of the Annuity Reserve Fund Account or the Expense Fund, insofar as the state is responsible for these funds such accounts or fund. All income, interest, and dividends derived from the deposits and investments authorized by sections 79-1501 to 79-1557 shall be paid into the Contingent Fund Account. The retirement board is hereby authorized to may accept gifts, devises, and bequests. Any ; and any funds that which may come into the possession of the retirement system in this manner or which may be transferred from the School Employees' Savings Fund Account by reason of the lack of a claimant or because of a surplus in any fund or account described

in section 79-1545, or any other money the disposition of which is not otherwise provided for herein in sections 79-1501 to 79-1557, shall be credited to the Contingent Fund Account. The interest allowed by the retirement board to each of the funds or accounts shall be paid to such funds or accounts from the Contingent Fund Account or shall be used to fund the adjusted supplemental retirement benefit provided by section 21 of this act. Any deficit occurring in the Annuity Reserve Fund Account or in the Expense Fund, insofar as the state is responsible for these funds such account or fund, shall be met by payments to the fund or account in question from the Contingent Fund Account. Annually the retirement board shall estimate the amount of money deemed necessary to pay the obligation levied against the Contingent Fund Account, including regular interest. If such amount exceeds the revenue estimated to accrue to the fund or account for that year, such excess shall be certified to the State Treasurer and shall, on warrant of the Director of Administrative Services, be transferred from funds appropriated by the state for such purpose to the Contingent Fund Account of the retirement system.

Sec. 18. That section 79-1550, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1550. The Expense Fund shall be the fund to which shall be credited the proportionate share of administration expense transferred from the Contingent Fund Account at the direction of the retirement board. All the expenses necessary, in connection with the administration and operation of the system, shall be paid from the Expense Fund. Annually, as soon after July 1 as shall be practicable, the retirement board shall estimate the amount of money which shall be is deemed necessary to be paid into the Expense Fund for that fiscal year to provide for the expense of operation and administration of the retirement system.

Sec. 19. That section 79-1552, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1552. The right of a person to a school or formula or disability retirement allowance or any optional benefit, any other right accrued or accruing to any person or persons under sections 79-1501 to 79-1557, the various funds and accounts created thereby, and all the money, investments, and income thereof are hereby shall be exempt from any state, county, municipal, or other local tax and shall not be subject to execution,

garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law whatsoever and shall not be assignable, except that a judgment, decree, or order, including approval of a property settlement agreement, made pursuant to law that relates to child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent shall be complied with.

Sec. 20. That section 79-1556, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

79-1556. The retirement board may contract with the state investment officer for investment services with payment for such services to be charged directly against the gross investment returns of the ~~fund~~ funds or accounts. Charges so incurred shall not be a part of the board's annual budget request. The amounts of payment for such services, as of December 31 of each year, shall be reported not later than March 31 of the following year to the Nebraska Investment Council, the retirement board, and members of the Nebraska Retirement Systems Committee. All money received by the State Treasurer and the retirement board for the retirement system shall be invested by the state investment officer within thirty-one days of receipt.

Sec. 21. (1) Commencing October 1, 1988, the Public Employees Retirement Board shall determine an adjusted supplemental retirement benefit to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement for each person who is retired from the School Retirement System of the State of Nebraska or the retirement system for Class V school districts as provided by sections 79-1032 to 79-1060 with twenty-five or more years of creditable service as of October 1, 1988.

(2) For each person who qualifies under subsection (1) of this section, the board shall determine the value of the total monthly benefit being received from the School Retirement System of the State of Nebraska or the retirement system for Class V school districts and the supplemental benefit provided by section 79-1560 if applicable. From two hundred fifty dollars, the board shall subtract the total monthly benefit. Such difference, if positive, shall be the adjusted supplemental retirement benefit and shall be paid to the retired person each month, except that if this difference is less than five dollars, a minimum payment of five dollars per month shall be made to such person. The adjusted supplemental retirement benefit

shall be paid to a retired person during his or her life.

(3) The board may buy a paid-up annuity for a retired person which guarantees the adjusted supplemental retirement benefit provided under this section.

(4) The adjusted supplemental retirement benefit provided under this section shall be funded from the Contingent Account but only from such income which would be paid to the School Employees' Savings Account and the School Employer's Deposit Account.

Sec. 22. That section 84-1503, Reissue Revised Statutes of Nebraska, 1943, be amended to read as follows:

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

(a) To administer the retirement systems provided for in sections 23-2301 to 23-2331, 24-701 to 24-733, 50-901 to 50-919, 79-1501 to 79-1565, 81-2014 to 81-2034, and 84-1301 to 84-1331 and section 21 of this act;

(b) To hire a director to administer the systems under direction of the board. The director shall not be a member of the board. Salaries of the director and his or her employees shall be set by the board;

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

(d) To administer the deferred compensation program authorized in section 84-1504.

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

(a) To use the services of the state investment officer or to select, on the basis of the most sound proposal or proposals received, after written notice of such proposition to all domestic companies, one or more life insurance companies, banks, trust companies, or investment managers authorized to do business in Nebraska to underwrite, serve as trustee, or manage investments for the retirement system and to enter into a contract or contracts with such company or companies in the name of the retirement system, except that if a bank, trust company, or investment manager is chosen as the primary carrier or investment manager the

funds shall be invested or reinvested in such securities and investments of the nature which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another, and if the life insurance company, bank, trust company, or investment manager has special skills or is named on the basis of representations of special skills or expertise, it is under a duty to use such skills;

(b) To change underwriters, trustees, or investment managers if, in the judgment of the board, such action would be desirable. The cancellation notice may be given by telephone and shall be confirmed in writing within five days by the board or a designated person appointed by the board;

(c) To determine the prior service annuity, if any, for each person who shall be an employee of the county on the date of adoption of the retirement system;

(d) To determine the eligibility of an individual to be a member of the retirement system and other questions of fact in the event of a dispute between an individual and the county board in his or her county;

(e) To adopt and promulgate rules and regulations for the management of the board;

(f) To keep a complete record of all proceedings taken at any meeting of the board; and

(g) To employ such actuarial and other assistance as may be necessary in the performance of its duties. An actuary employed by the board shall be a member of the American Academy of Actuaries.

(3) It shall be the duty of such board to have an analysis made of the investment return that has been achieved on the assets of each retirement system administered by the board. Such analysis shall be prepared as of January 1, 1984, and each four years thereafter. The analysis shall be prepared by an independent private organization which has demonstrated expertise to perform this type of analysis and which is unrelated to any organization offering investment advice or which provides investment management services to the retirement system. The analysis may be waived by the board for any retirement system with assets of less than ten million dollars.

Sec. 23. That original sections 79-1501, 79-1512, 79-1522.01, 79-1527, 79-1528, 79-1531 to 79-1533, 79-1536, 79-1540, 79-1542, 79-1545 to 79-1546, 79-1548 to 79-1550, 79-1552, 79-1556, and 84-1503, Reissue Revised Statutes of Nebraska, 1943, are repealed.