Nebraska Public Employees Retirement Systems

ANNUAL REPORT

TO THE LEGISLATIVE RETIREMENT COMMITTEE

2022

NEBRASKA PUBLIC EMPLOYEES RETIREMENT BOARD (PERB)

BOARD MEMBERS (FROM RIGHT TO LEFT):

Jim Schulz *(Public Member)*; Gerald Clausen *(Public Member)*; Kelli Ackerman *(Vice Chair, School Plan Member)*; Judge Thomas Zimmerman *(Judges Plan Member)*; Randy Gerke *(Director, NPERS, Ex-Officio)*; Mike Jahnke *(Patrol Plan Member)*; Janis Elliott *(Chair, School Plan Member)*; Allen Simpson *(State Plan Member)*; Pamela Lancaster *(County Plan Member)*; Michael Walden-Newman *(State Investment Officer, Ex-Officio)*

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (NPERS)

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NPERS Letter From the Director

Nebraska Public Employees Retirement Systems

March 30, 2022

Senator Mark Kolterman, Chairman
Nebraska Retirement Systems Committee
Nebraska State Capitol, Room 1101
Lincoln, Nebraska 68509

Dear Senator Kolterman and Retirement Systems Committee Members:

It is my pleasure to present the 2022 Annual Report to the Legislature highlighting Nebraska Public Employees Retirement Systems' activities during the past year. NPERS strives to uphold the integrity of the retirement systems, and to maintain the trust of our members, our plan employers, the separate branches of government, and Nebraska's citizens. This report contains detailed information about NPERS' operations, our retirement plans, our achievements throughout the year, and our goals for the future.

The realities of the COVID-19 Pandemic persisted throughout 2021 and presented our agency with continuing challenges which we met as opportunities. NPERS provided uninterrupted benefit payments to our members and receipted the contributions required to keep plan funding strong, enhanced customer service engagement and digital functioning, and created coordinated interdepartmental member and employer education opportunities. We will pursue continued growth, improvement, collaboration, and leadership ideals as we serve the State of Nebraska.

In 2021, NPERS experienced growth in membership and asset totals. The total membership of all six plans was 145,450, while total assets grew to approximately $20.9 billion. Additionally, over $990 million in benefits was distributed providing a vital economic impact for our state and local economies. All retirement plans under the administration of the agency reflect a funded status of 90% or above, providing a model for exemplary fiduciary leadership recognized nationwide. This is due, in large part, to the Nebraska Legislature as a whole, and the stewardship of your committee.

I wish to acknowledge the Public Employees Retirement Board and the Nebraska Investment Council who continue to provide the highest level of vision, leadership, and commitment to the retirement systems. I applaud the NPERS staff whose contributions and commitment are key to our future. I want to thank our partners, Ameritas and Cavanaugh Macdonald, and their significant contributions in the administrations of our retirement plans. I am proud to recognize the exceptional leadership and commitment of the Legislative Retirement Committee to those you serve.

Of special note, NPERS would like to recognize with deep regard the final Legislative sessions of both Senator Kolterman and Legislative Retirement Committee Legal Counsel Kate Allen. Your dedication, deep knowledge, and collaborative ideals are appreciated and admired, and we honor your service.

Sincerely,

Randy Gerke
Director

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NPERS Proudly Serves
145,450
Members and Retirees

1 in **13** Nebraskans are a member of NPERS

Providing Retirement Security for Nebraska's Future

NPERS
Nebraska Public Employees Retirement Systems

INVESTING IN NEBRASKA

$20.9 Billion
In Assets Contributed By Employees, Employers, the State, and Investment Earnings

NPERS Distributed over
$991 Million
with an Average Monthly Benefit of **$2,164**

88%
of Retirement Benefit Distributions Remain Within the Nebraska Economy

NPERS Retirement Distributions Add
$27.2 Million
in State Tax Revenue, for Schools, Roads, and Other Essential Services

Plan Members Served By Nebraska Public Employees Retirement Systems

STATE 29,385

COUNTY 13,228

SCHOOL 96,227

JUDGES 344

PATROL 932

DROP 35

Sources: NPERS 2021 Annual Legislative Report; NPERS Accounting & Finance Reports

Vision

The Nebraska Public Employees Retirement Systems seeks to administer the retirement systems with exceptional service, integrity, and commitment for the exclusive benefit of our plan members and to ensure retirement security for their future.

Mission

The Nebraska Public Employees Retirement Systems recognizes the importance of a successful retirement and is dedicated to providing the highest quality service necessary to assist members in achieving this goal.

Agency Goals

1. To administer each retirement plan in full compliance with applicable federal and state laws.
2. To operate our agency efficiently and responsibly in order to maintain the trust of our members, our plan employers, the separate branches of government, and the public as a whole.
3. To guard the integrity of our systems' assets and the accuracy of the data systems.
4. To provide ongoing informational and educational opportunities for members and employers.
5. To monitor benefit patterns and funding levels of the various retirement plans and advise policy makers of our observations.
6. To continue improving our technology to achieve the highest level of service possible.

Agency Statutory Authority

The Public Employees Retirement Board (PERB) is entrusted with the administration of the Nebraska Public Employees Retirement Systems (NPERS), per Chapter 84-1501 to 84-1514.

THE LAWS GOVERNING EACH RETIREMENT PLAN ARE AS FOLLOWS:

County Employees Retirement Act	23-2301 to 23-2334
Judges Retirement Act	24-701 to 24-714
School Employees Retirement Act	79-901 to 79-977.03
Nebraska Patrol Retirement Act	81-2014 to 81-2041
State Employees Retirement Act	84-1301 to 84-1333
State Deferred Compensation Plan	84-1504 to 84-1506.01 and 84-1509 to 84-1510

OTHERS:

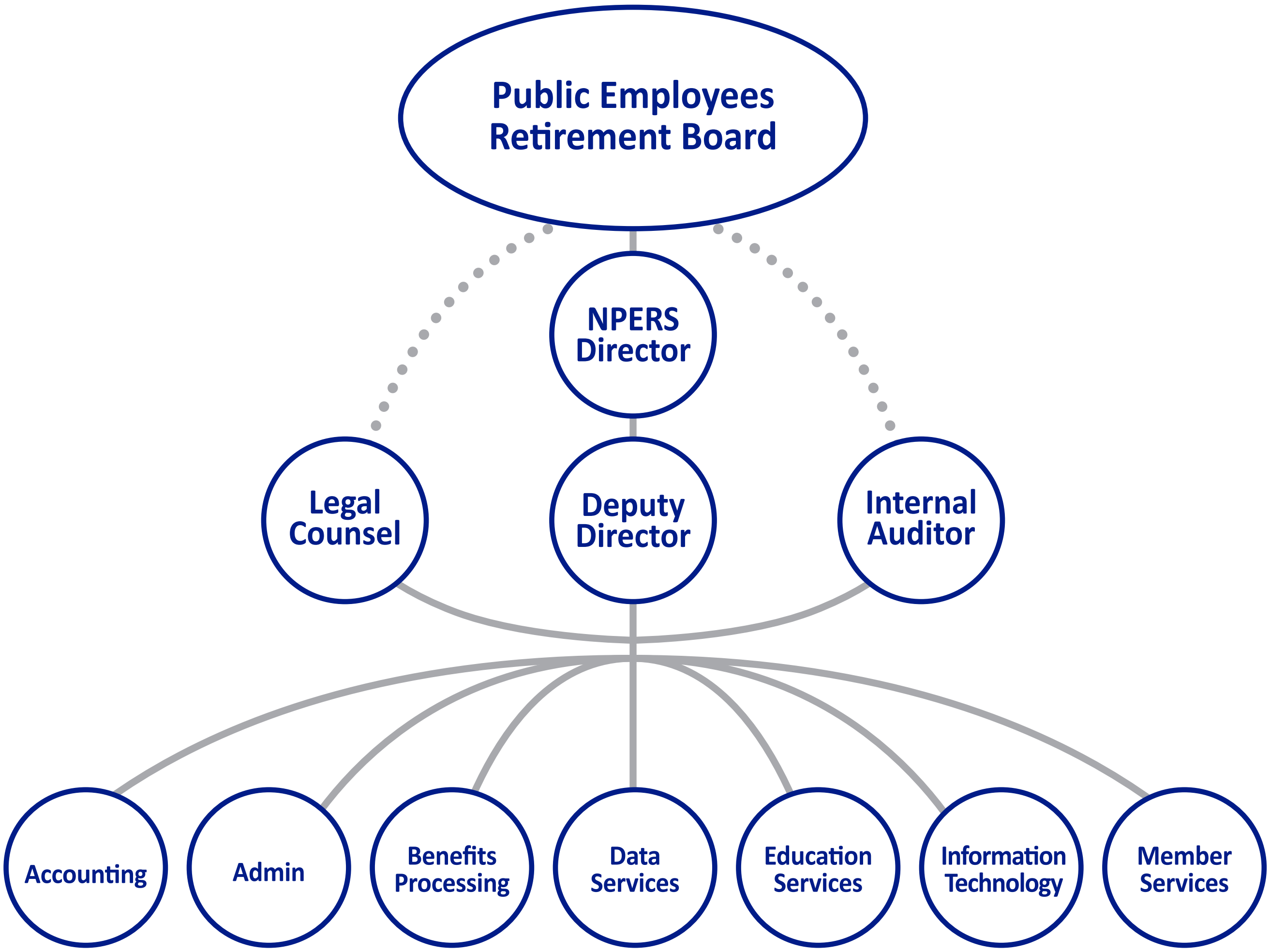
Spousal Pension Rights Act	42-1101 to 42-1113
Nebraska Investment Council	72-1237 to 72-1269
Nebraska Public Employees Retirement Board	84-1501 to 84-1514

Staffing

We currently have a total of 53 NPERS employees and four OCIO employees on staff. The key management staff members are:

- **Randy Gerke, Director**
- **Orron Hill, Deputy Director & Legal Counsel**
- **Teresa Zulauf, Controller**
- **Tim Baker, Internal Auditor**
- **Melissa Nuss, Benefits Processing Manager**
- **Tyler Cummings, Member Services Manager**
- **Johnetta Lang, Data Services Manager**
- **Heather Critchfield-Smith, Education Services Manager**
- **Vicki Huber, Personnel Officer**
- **Jack Hardy, IT Manager**

Organizational Structure



2021 Accomplishments

1. The number of member accounts in the School, Judges, Patrol, State, County, and Deferred Compensation plans grew from 141,748 in 2020 to a record total of 145,450 in 2021. The total assets of the plans increased from $16.8 billion in 2020 to a record total of $20.9 billion in 2021.
2. The Member Services department answered 44,046 phone calls and met with 2,186 members who visited our office for retirement information and counseling.
3. The Benefits Processing department processed 2,074 new retirements across all plans, 114 estimates for purchase of service and 60 actual purchases of service, 35 Qualified Domestic Relations Orders (QDROs), and 13 disability retirements.
4. NPERS distributed over $991 million in benefits to plan members in all six plans. The benefits included $768 million in monthly annuity payments to over 32,000 members. NPERS processed 7,036 distributions totaling $223 million.
5. NPERS exercised careful control of agency expenditures and financial reporting. The financial statements represent accurate and reliable information.
6. The State Auditor audited the State and County plans in the spring and the School, Judges, and Patrol plans in the fall.
7. The Internal Audit department developed guidance and materials to assist School plan employers in complying with retirement regulations. This information was presented at the NASBO conference as well as during the School Plan Employer Workshops.
8. The Internal Audit department completed 26 School employer audits consisting of 471 contributing members tested and 478 non-contributing employees tested, as well as 28 County employer audits consisting of 465 contributing members tested and 364 non-contributing employees tested.
9. NPERS worked with the actuaries to prepare annual valuation reports for all five plans.
10. Effective July 1, 2021, eligible School, Judges, and Patrol retirees received a cost-of-living adjustment (COLA) in their monthly benefit distributions. The COLA is calculated using the consumer price index and may be capped at 2.5% or 1.0% per plan provisions. For the year ending June 30, 2021, the CPI increase was 6.12%. As a result, all School, Judges and Patrol retirees received the maximum COLA increase. Tier 1 members received an increase of 2.5% and Tier 2/3/4 members received an increase of 1%. The COLA increase resulted in $1,467,770.92 in additional benefits paid to NPERS members.
11. The State and County Cash Balance (CB) plans exceeded the 100% funding as of December 31, 2020. The PERB voted to grant a 5.25% dividend to the State CB members and a 2.5% dividend to the County CB members. A total of $84,947,282.94 was awarded to plan members based upon their account balance of December 31, 2020.
12. The Education Services department's new web-based offerings allowed NPERS to reach a wide audience of its members, even during the COVID-19 pandemic. The Education Services department was able to provide education opportunities to all six of the plans administered at NPERS. The total number of attendees for the 2021 web offerings was 2,466.

13. The Education Services department added ten new videos to the NPERS YouTube Channel this year. The channel had over 10,000 views of the content that has been produced. This content included two new step-by-step guides, one on completing the School Refund Application and the other on completing the NPERS Direct Deposit form. A video explaining the Annuity Benefit Options for the School Retirement plan and a recording of the live webinar for School Employer Reporting Agents were also added.

14. The Data Services department processed 36,594 pieces of incoming mail, 265,840 pieces of outgoing mail, and scanned 182,154 documents. There were 692 member accounts validated for service credit.

15. The IT department developed a portal for state and county employers to submit online non-contributing member forms through the NPERS self-service website.

16. The IT department implemented the Microsoft Azure DevOps platform for work management, issue tracking, and release planning of software changes in our pension administration system.

17. As directed by LB 147, NPERS initiated a multi-year project to transfer management of the Omaha Public Schools (OPS) retirement system to NPERS. The transfer will occur on September 1, 2024. NPERS initiated the process for selecting service vendors and submitted a project work plan to the Nebraska Legislature.

18. NPERS Director and Legal Counsel worked cooperatively with the Retirement Systems Committee on legislation, research, analysis, and reports regarding various issues for all of NPERS' retirement plans.

19. The Benefits Processing department made additional improvements to the school team's digital calculation workbook, identifying additional standardizations to multiple sheets within the workbook, and expanding the extraction information from NPERS operating system.

20. The Benefits Processing department Purchase of Service (POS) team held a POS training with NPERS Member Services Department, consisting of four training modules which covered an overview of POS processing, as well as three dedicated modules exploring Air-Time purchases, Out of State purchases, Leave of Absences, and Refund Buybacks. The materials and training modules may be used annually to reinforce and broaden POS acumen within the agency.

21. The Benefits Processing department began utilization of a premier death audit solution to improve death notice procurement, provide more efficient beneficiary payments, and relieve burdens of repayments placed on beneficiaries and families.

2022 Action Plan

1. The Internal Audit department will continue to review controls for effectiveness and to perform audit functions to ensure employer data and records submitted to NPERS are accurate.
2. In accordance with Government Finance Officers Association's recommended guidance, NPERS will conduct an actuarial audit.
3. The Data Services department will continue to process demographic forms changes in a timely manner with minimum errors.
4. The Data Services department will continue the on-going process of locating missing members to reconnect them with their retirement account through the various search engines.
5. The Data Services department will use the 2022 plan year to revisit and update their guidelines procedures.
6. The Education Services department will continue their commitment to expanding accessibility for NPERS members. Legislation that will allow NPERS to expand its education programs to be offered to all ages is being worked on. Providing education for members of all ages will allow those who are coming to work for the plans to have information about their retirement plan earlier, allowing them to make better long-term savings and investing decisions for the future.
7. The Education Services department has added an afternoon option to web-based events, along with the standard ½ day morning webinars and two-hour evening web events, to accommodate members with busy schedules. Recordings of the current season's webinars are also available on the NPERS website so they can be accessed 24/7.
8. The Education Services department will be focusing on making new and dynamic content for the NPERS website. The department hopes to provide easy-to-follow videos for completing common forms and step-by-step videos for DCP enrollment and changes using the Workday system. Education Services will continue to improve the financial education curriculums for members across all plans.
9. The IT department will complete a redesign of the NPERS website. The project was started in 2021.
10. The IT department will complete a technology assessment project for the agency's pension administration system (NPRIS). The project will recommend technical and functional improvement projects for the system.
11. NPERS will complete the procurement process to select a system integrator to assist with the OPS Management Transfer project. Planning and technical work is in progress and will continue throughout the year to meet the milestones described in the project work plan.
12. NPERS will continue implementing procedures to reduce our reliance on printing and encourage use of community printers.
13. The Member Services department will continue to conduct virtual office visits and expand the program for members.
14. The Member Services department will continue to encourage State and County plan members to use the Ameritas website to access statements and to make investment fund changes.
15. The Benefits Processing department will continue to review and evaluate training materials. The goal of the review is to upgrade materials to enhanced digital formats, identify and update any lagging procedural changes to materials, and create a more engaging and interactive training experience for employees.

Legislation

2021

LB 17

Judges

LB17 increases a dedicated court fee to provide additional revenue into the Judges' plan. This fee will increase from $6 to $8 on July 1, 2021, until it reaches $12 July 1, 2025.

In addition, it adds an annual contribution from the State of Nebraska to the Judges' plan of 5% percent of total compensation of the members of the Judges' plan beginning July 1, 2023. This rate cannot rise above 5% and can be reduced or eliminated by the Legislature.

It adopted a shorter amortization period to reflect recent changes to actuarial standards. Beginning July 1, 2021, closed 25-year amortization periods will apply, rather than the older 30-year amortization period, for the Judges, State Patrol, and School retirement plans.

LB 83

Public Employees Retirement Board (PERB)

LB 83 changes public meeting provisions and provide for virtual conferencing under the Open Meetings Act.

LB 147, LB 145, LB 582, LB 146

School

These bills, amongst other things, direct the transfer of management of the OSERS (Omaha School Employees Retirement System) from the Board of Trustees to NPERS (Nebraska Public Employees Retirement System), and the tasks associated with the transfer of management.

LB 145 requires the completion of a compliance audit by November 15, 2021, and the first annual audit by the state auditor done by July 1, 2022.

LB 146 clarifies membership eligibility in the Omaha Public School (OPS) plan and redefines termination of employment. Specifically, it sets forth that voluntary and/or substitute service is allowed on an intermittent basis, defined as no more than eight service days during a calendar month, during the 180-day period following termination of employment.

LB 147 transfers duties and responsibilities for management of the OSERS to the PERB/NPERS effective September 1, 2024. The bill specifies that OPS remains solely liable for the retirement system's funding obligations and will cover all costs for the management transfer.

LB 582 reinstates the Board of Education as the primary party responsible for the administration of the OSERS plan during the time it takes to transfer the management of the OSERS Board of Trustees to the PERB/NPERS, making the Board of Trustees a subset of that Board of Education, effective July 1, 2021.

LB 209

Deferred Compensation Plan (DCP)

LB 209, as amended, does not impact the Deferred Compensation Plan administered by NPERS.

LB 64

Retirees

LB 64 changes how Social Security benefits are taxed in the state of Nebraska. The changes allow federal adjusted gross income (AGI) to be reduced by a percentage of the Social Security benefits received. The percentages change would be based on marital status and AGI. The pertinent percentages are:

- 5% for taxable years beginning or deemed to begin on or after January 1, 2021 and before January 1, 2022
- 20% for taxable years beginning or deemed to begin on or after January 1, 2022 and before January 1, 2023
- 30% for taxable years beginning or deemed to begin on or after January 1, 2023 and before January 1, 2024
- 40% for taxable years beginning or deemed to begin on or after January 1, 2024 and before January 1, 2025
- 50% for taxable years beginning or deemed to begin on or after January 1, 2025 and before January 1, 2026

Amendment 1360 filed May 11, 2021, adds a legislative intent clause that states the intent to exclude social security benefits from taxation to:

- 60% for taxable years beginning or deemed to begin on or after January 1, 2026
- 70% for taxable years beginning or deemed to begin on or after January 1, 2027
- 80% for taxable years beginning or deemed to begin on or after January 1, 2028
- 90% for taxable years beginning or deemed to begin on or after January 1, 2029
- 100% for taxable years beginning or deemed to begin on or after January 1, 2030

LB 386

Judges

LB 386 increased salaries for Nebraska Supreme Court Justices thereby increasing the salaries for district, juvenile, appellate, and worker's compensation court judges since their salaries are a percentage of the Supreme Court Justices' salaries.

LB 387

Retirees

LB 387 excludes military retirement benefit payments from state income tax.

LB 428

School

LB 428 requires youth rehabilitation and treatment centers to establish educational standards to ensure residents have access to educational opportunities equivalent to other Nebraska schools. This may increase the number of employees at these facilities that participate in the School plan.

2020

LB 1054

All Plans

LB 1054 Modifies Required Minimum Distribution (RMD) language to conform to recent changes in federal law. This bill increased the RMD age from 70½ to 72 for individuals who turned 70½ after December 31, 2019.

2019

LB 31

PERB

LB 31 requires the Public Employees Retirement Board (PERB) to create and submit a report examining the process and costs to transfer administration of the Omaha School Employee's Retirement System (OSERS) to the Nebraska Public Employees Retirement System (NPERS).

The report shall include:

- A detailed analysis and recommendations regarding management, administration, actuarial service, information technology, computer infrastructure, accounting, member data and record transfer.
- Necessary statutory changes to achieve the transfer of management and actuarial services.
- Staff training and assessment of staffing needs.

- Educational and communication plans to fully inform all system stakeholders and affected governmental entities regarding management changes.
- Sufficient timeframes for an orderly transition and implementation of management and actuary changes.
- Cost estimates associated with the tasks necessary to carry out the management transition.
- A comparison of the current annual cost to administer OSERS with an estimate of the annual cost for the PERB and NPERS to administer OSERS after a transfer occurs.

The cost of the report shall be funded by Omaha Public Schools (OPS) and provided to the Clerk of the Legislature no later than June 30, 2020.

LB 32

State & County, DCP, & Deferred Retirement Option Plan

This bill allows the Nebraska Investment Council (NIC) to modify the 13 investment options currently provided to participants in the State and County Defined Contribution plan. This will also result in a change to the investment options in the voluntary State Deferred Compensation Plan (DCP), and the Patrol Deferred Retirement Option Plan program.

On or after January 1, 2021, investment options shall include, but not be limited to:

- An investor select account which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy substantially similar to the investment allocations made by the state investment officer for the defined benefit plans. These investments shall most likely include domestic and international equities, fixed income investments, and real estate, as well as potentially additional asset classes.
- A stable return account which shall be invested by or under the direction of the state investment officer in a stable value strategy that provides capital preservation and consistent, steady returns.
- An equities account which shall be invested by or under the direction of the state investment officer in equities.
- A fixed income account which shall be invested by or under the direction of the state investment officer in fixed income instrument.
- A life-cycle fund which shall be invested under the direction of the state investment officer with an asset allocation and investment strategy that adjusts from a position of higher risk to one of lower risk as the member ages.

Defined Contribution, DCP, and Deferred Retirement Option Plan participants shall be given a detailed current description of each new investment option. Participants who fail to make an investment election from the new funds shall have their account invested in the life-cycle fund.

LB 33

PERB

Increases the Public Employees Retirement Board (PERB) per diem from $50 to $75. In addition, the bill changes the actuary contract limits to allow for two 3-year options, and removes the requirement for a competitive, formal, sealed bidding process for the legal compliance audit. Finally, the bill changes the due date of the Annual Legislative Report from March 31 to April 10, effective 2020.

LB 34

State, County, School, & DCP

Removes the $25,000 grievance distribution provision for State and County members who have filed a grievance regarding a termination.

Requires permanent full-time State and County employees be at least 18 years old to participate in the plan, consistent with the age requirement for part-time employees.

Changes reemployment provisions for State and County effective January 1, 2020. Under the new provisions:

A State or County member who is reemployed in any capacity with less than a 120-day break in service shall not be deemed to have terminated employment. In this instance, the member must:

- Return to plan participation. A member previously participating in Defined Contribution shall resume participation in Defined Contribution. A member participating in Cash Balance shall resume participation in the Cash Balance Tier they were previously participating.
- Repay all distributions, including annuity payments. No further distributions may be taken.
- Make up any missed contributions.

A State or County member who is reemployed on a permanent full or permanent part-time basis on or after a 120-day break in service:

- A member previously participating in Defined Contribution shall resume participation in Defined Contribution. A member participating in Cash Balance shall resume participation in the Cash Balance Tier in which they were previously participating.
- If the member purchased an annuity, these payments will continue.
- No further distributions may be taken until the member again terminates employment at all employers/entities participating in the plan.
- If the member was previously vested, they remain vested.
- If the member was not vested at the time of termination, prior vesting credit shall be restored if they did not take a distribution.
- If the member was not vested at the time of termination and took a distribution, vesting credit for the prior service is forfeited. During the first three years after reemployment, the member may make a one-time election to repay lump sum and/or rollover distributions. If repayment is elected, vesting credit and forfeited employer matching contributions shall be restored in proportion to the percentage of repayment against the total value of all distributions. Repayment must be completed within five years of reemployment or prior to termination, whichever is earlier.

Removes the separate service credit definitions for Tier Four in the School plan. Service credit provisions will be the same for all four tiers. Clarifies service credit is not granted for service provided in an Omaha Public School.

Increases the refund repayment due date for School plan members who were actively employed and participating in the plan on April 17, 2014, to April 16, 2021, or termination, whichever is earlier.

Removes the payroll deduction option for School plan members who submit an application to repay a refund within one year of termination or within one year of the repayment deadlines outlined in statute.

Designates the spouse of a married plan member as the default primary beneficiary in the State, County, School, and DCP plans. If a married plan member dies with no beneficiary designation on file, the surviving spouse who was married to the member on the member's date of death shall be considered the primary beneficiary of the retirement account.

2018

LB 1005

School & County

LB 1005 addressed eligibility in the County and School plans and stipulated the process involved when actions taken by a participating employer remove all or a portion of their employees from plan participation. The Public Employees Retirement Board (PERB) was granted the authority to determine employer and employee eligibility to participate under section 414(d) of the Internal Revenue Code.

When the PERB determines all or a portion of employees are no longer eligible for plan participation due to actions taken by a participating employer:

- The employer is required to pay the costs of all financial liabilities incurred by the plan.
- Affected employees will be vested in the plan and considered inactive within 90 days.

In addition, a medical facility established under the provisions of section 23-3501, in a county eligible to participate in the County Employees Retirement Act, shall be given the option to participate in the County plan. The facility must elect to participate the later of one year from the effective date of the act, or one year from the date the facility is established. Failure to elect participation in the County plan shall bar the facility from future participation.

AM2204

Modified sections of the various retirement acts to make it optional for the Public Employees Retirement Board (PERB) to promulgate rules and regulations when the PERB feels it is necessary, rather than requiring the PERB to promulgate rules and regulations even when the statute is clear.

Clarified and harmonized the definition of actuarial equivalent across the plans.

2017

LB 415

School

Increases the minimum age to qualify for the Rule of 85 from 55 to 60. This provision applies to members hired on or after July 1, 2018, and participants who have taken a refund or retirement benefit and returned to membership (as a new employee) on or after July 1, 2018.

Further defines service credit in the School Plan for employees hired on or after July 1, 2018. Used sick and vacation leave must be leave accrued by the member in order to be counted as service credit. Sick Leave Bank or donated leave used by a member would not be eligible for service credit. Jury duty is added to the definition of service credit when the member is paid full compensation by the employer. Adds language limiting service credit to only those items found in the statutory definitions.

Clarifies early retirement incentives are not counted as compensation for all plan members, and further defines these payments.

Defines disability as, "an inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the plan and which can be expected to result in death or be of a long-continued and indefinite duration." In addition, the bill changes the application time frame for disability retirements. Under the new provisions, all disability applications must be made within one year of termination of employment.

Removes the language allowing employers to pay for purchases of service under the 12-month preretirement provision and requires these purchases be paid by the employee.

Employers participating in the plan must provide written notification of all terminations. This notification shall include whether or not the member accepted and received a retirement incentive and written certification from both the member and employer that, prior to the member's termination, there was no prearranged written or verbal agreement to return to work in any capacity.

Changes the valuation for lump sum settlements to an estate from the Moody's Triple A Bond Index to the Barclays Long U.S. Corporate Bond Index.

State & County Plans

Allows the use of updated mortality tables to calculate Cash Balance annuity rates. The new mortality assumptions shall use a unisex mortality table recommended by the plan actuary and approved by the Public Employees Retirement Board (PERB) after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. Retirement benefits will be calculated using the mortality table and actuarial factors in effect when the member begins retirement (Retirement Date). These provisions would apply to Cash Balance members hired after January 1, 2018; or terminated members rehired on or after January 1, 2018, who have taken a distribution or refund from their account.

Clarifies that the PERB may make adjustments to the Cash Balance interest (annuity) rate based on a recommendation from the plan actuary after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. This rate may be, but is not required to be, equal to the actuarial assumed rate of return. Retirement benefits will be calculated using the interest rate and actuarial factors in effect when the member begins retirement (Retirement Date). In addition, the bill clarifies the annuity rate for Defined Contribution members as the Pension Benefit Guaranty Corporation interest rate plus three-fourths of one percent, or the interest rate used for Cash Balance, whichever is lower.

Defines disability as, "an inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the plan and which can be expected to result in death or be of a long-continued and indefinite duration" The bill also allows the PERB to waive the requirement for a medical exam for disability retirement if the PERB determines, "extraordinary circumstances exist which preclude substantial gainful activity by the member. Such circumstances shall include hospice placement or similar confinement for a terminal illness or injury."

Removes language requiring the PERB to provide information regarding the tax consequences of the various retirement options, to members who are eligible for retirement.

Changes provisions for military service credit. Under the new language, members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions. Payments must be made within 18 months. Late payments will be subject to actuarial costs and interest. These provisions only apply to military service that begins on or after January 1, 2018 and falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA). The bill allows the PERB to adopt and promulgate rules and regulations to carry out these provisions including, but not limited to, notification of military service, acceptable methods of payment, determining the compensation upon which the contributions must be made, and the documentation required to substantiate that the individual was reemployed pursuant to USERRA regulations.

County Plan

Allows Counties to make quarterly, semiannual, or annual payments to individuals receiving a prior service annuity.

School, Judges, & Patrol Plans

Members who are reemployed after qualified military service will be granted vesting and benefit credit for the period of military service. The employer shall be responsible for funding military service benefits including member and employer contributions. Payments must be made within 18 months. Late payments will be subject to actuarial costs and interest. These changes to military service credit provisions only apply to military service that falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA). The bill allows the Public Employees Retirement Board (PERB) to adopt and promulgate rules and regulations to carry out these provisions including, but not limited to, notification of military service, acceptable methods of payment, determining the compensation upon which the contributions must be made, and the documentation required to substantiate that the individual was reemployed pursuant to USERRA regulations.

Allows the use of updated mortality tables to calculate Cash Balance annuity rates. The new mortality assumptions shall use a unisex mortality table recommended by the plan actuary and approved by the Public Employees Retirement Board (PERB) after completion of an actuarial experience study, a benefit adequacy study, or a plan valuation. Such interest rate may be, but is not required to be, equal to the actuarial assumed rate of return. Retirement benefits will be calculated using the mortality table, interest rate, and actuarial factors in effect when the member begins retirement (Retirement Date). These provisions would apply to members hired after July 1, 2017; or terminated members rehired on or after July 1, 2017, who have taken a retirement benefit or refund of their account.

County, Judges, School, Patrol, State Plans

For retirement plan purposes, the bill defines hire date or date of hire as, "the first day of compensated service subject to retirement contributions."

Judges & Patrol Plans

Increases the filing time for retirement applications from 90 to 120 days prior to the effective date of retirement.

Judges Plan

Clarifies language relating to the supplemental cost-of-living payments (COLP) for Judges participating in Tier 2.

2016

LB 447

School

As amended by AM1979 & AM2282:

Removes the current statutory language allowing payment of disability retirement benefits to individuals who work less than 20 hours as a school employee. Disability retirement benefits cease if a member returns to active service as a school employee after receiving disability retirement benefits or if a physician certifies the member is no longer disabled for service as a school employee.

Removes the ½ year of service vesting for members who are actively employed on or over age 65. All members, regardless of age, would require a minimum of five years of service credit to vest in the plan. This provision would apply to:

- All new members hired on or after July 1, 2016.
- Members who have taken a refund or retirement and are hired or rehired on or after July 1, 2016.

AM1979
Adds language from LB 922 & LB 986 to this bill.

From LB 922: Staggers the terms of board members in order to prevent multiple terms from expiring in the same year. Clarifies that the Governor has the authority to remove members of the PERB "for cause after notice and an opportunity to be heard."

From LB 986: Requires, in addition to annual actuarial reports, an experience study to review actuarial assumptions be conducted at least once every four years, or at the request of the Nebraska Retirement Systems Committee. If the PERB does not adopt all of the recommendations in the experience study "the board shall provide to the committee within ten business days after the board's decision at a public meeting a written explanation describing the board's analysis and factors considered in reaching its decision."

Requires a confidential, initial, and final draft of actuarial reports and experience studies be provided to the Governor and the Nebraska Retirement Systems Committee.

AM2344
Adds "cleanup" language.

Transfers investment authority from the OSERS Board of Trustees to the Nebraska Investment Council and makes the PERB/NPERS the pass-through agency for OSERS transactions.

LB 467

Patrol

As amended by AM2351:

Creates a second tier of benefits for members joining the Nebraska Patrol plan on or after July 1, 2016. This benefit tier mirrors the current plan with the following exceptions:

- Individuals participating in Tier Two would contribute 17% of salary.
- Monthly retirement benefits for Tier Two members would be calculated using their five highest 12-month periods of salary.
- Compensation would not include unused sick and vacation leave, holiday compensatory time, compensatory time, or similar benefits converted to cash payments.
- Increases in salary will be capped at 8% per year when determining the final average compensation used to calculate retirement benefits.
- The 60% purchasing power cost of living adjustment (COLA) provision is removed and COLAs for retirement payments would be capped at 1% for Tier Two participants. If the annual actuarial report indicates the plan is fully funded with a sufficient actuarial surplus, the retirement board may elect to issue a supplemental lump-sum cost of living adjustment for that year. The supplemental COLA cannot exceed 1.5%.
- Tier Two members would not be eligible to participate in the Deferred Retirement Option Plan (Deferred Retirement Option Plan).

Contains an emergency clause and would take effect when passed and approved according to law.

LB 790

Judges & School

Alphabetizes the statutory definitions for the Judges and School plans.

LB 803

Judges

Updates the portion of the $42 clerk of the district court docket fee remitted to the Nebraska Retirement Fund for Judges. Currently, $2 of the docket fee is remitted to the Judges Retirement Fund. This bill increases this amount to $4 effective July 1, 2016. On July 1, 2017, this amount increases to $6.

Funded Status of Pensions

The plan actuary performs an actuarial valuation of the five Defined Benefit plans on an annual basis. The State and County Cash Balance plans are reviewed on a calendar-year basis with the report issued in the Spring. The School, Judges, and Patrol plans are reviewed on a fiscal year basis with the report issued in the fall.

As a result of the 2020 quadrennial experience study, several changes were made to the actuarial assumptions. The assumed rate of return was lowered to 7.3% and will decrease .1% each year until it reaches 7%. The price inflation assumption was lowered from 2.75% to 2.35%.

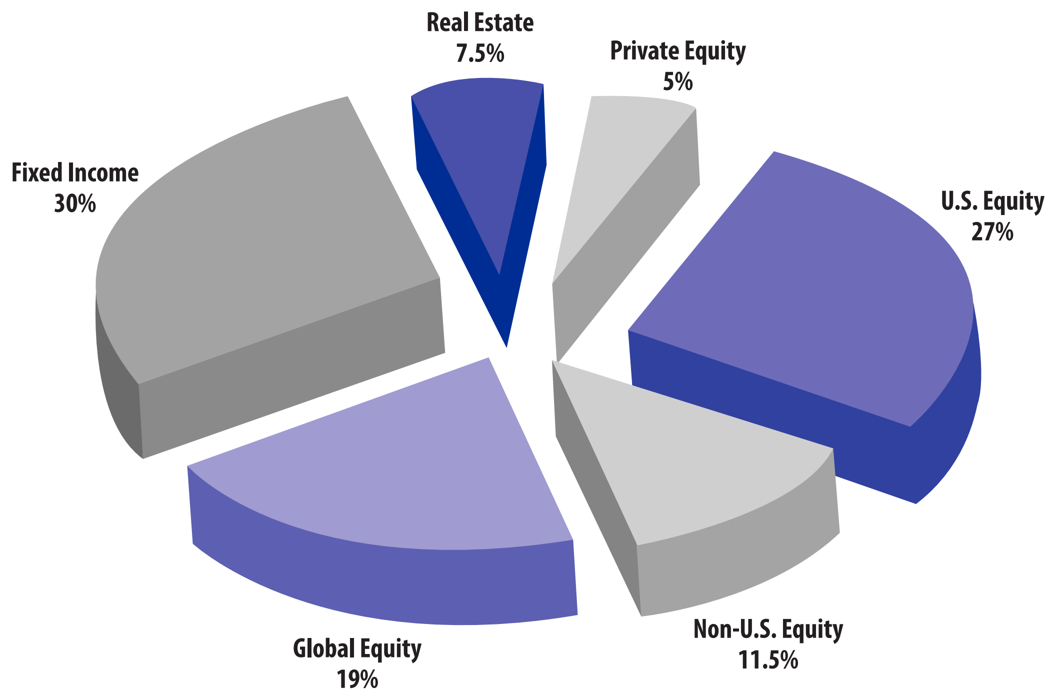
Actuarial reports are published on the NPERS website.

INVESTMENT RETURNS FOR DEFINED BENEFIT PLANS

FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020	FYE 2021
3.9%	1.6%	13.7%	8.3%	6.7%	2.4%	29.9%

ASSET ALLOCATION

The actual asset allocation for the Defined Benefit plans as of June 30, 2021, was approximately 27% U.S. Equity; 11.5% Non-U.S. Equity; 19% Global Equity; 30% Fixed Income; 7.5% Real Estate; and 5% Private Equity.



JUDGES PLAN

As of July 1, 2021, the Judges plan funding increased from 97.3% to 100.7%. The normal cost* for Judges plan members was 24.28% of salary. The Judges plan has a surplus of approximately $1.5 million. This means the actuarial accrued liabilities of $216.9 million are less than the actuarial value of the assets of $218.5 million.

For the plan year ending June 30, 2022, an additional contribution of $231,537 is necessary to meet the actuarially required contribution for the Nebraska Judges Retirement System. This amount is considerably lower than the additional State contribution of $1,427,719 in the prior valuation as a result of the expected increase in court fees for the fiscal year ending June 30, 2022.

SCHOOL EMPLOYEES PLAN

As of July 1, 2021, the School plan funding increased from 91.7% to 97.4%. The normal cost* for School plan members was 12.93% of salary. The School plan has an unfunded liability this year of approximately $369.7 million. This means the actuarial accrued liabilities of $14.3 billion are greater than the actuarial value of the assets of $13.9 billion.

For the plan year ending June 30, 2022, no additional contributions are necessary to meet the actuarially required contribution for the Nebraska School Employees Retirement System.

PATROL PLAN

As of July 1, 2021, the Patrol plan funding increased from 88.1% to 90.5%. The normal cost* for Patrol plan members was 29.85% of salary. The Patrol plan has an unfunded liability of approximately $51.4 million. This means the actuarial accrued liabilities of $540.6 million are greater than the actuarial value of the assets of $489.2 million.

For the plan year ending June 30, 2022, an additional contribution of $3,752,980 is necessary to meet the actuarially required contribution for the Nebraska Patrol Retirement System.

SUMMARY

All three of the Defined Benefit pension plans are currently in good financial condition. There are sufficient assets to pay benefits for years to come. This can be demonstrated by comparing the annual distributions to the asset value. The annual benefit distributions from the plans as a percent of the actuarial value of assets on June 30, 2021, were 5% for the School plan, 5.37% for Patrol, and 5.52% for the Judges. The Defined Benefit plan distributions for the 2021 fiscal year were $692,620,210 for the School plan, $26,256,542 for the Patrol plan, and $12,066,177 for the Judges plan.

Note: Copies of our Annual Actuarial Valuation Reports have been provided separately and are also available on the NPERS website.

**The "Normal Cost" is the annual cost of a member's accruing benefit as a percentage of salary.*

CASH BALANCE BENEFITS (STATE/COUNTY)

The Cash Balance benefit has been offered to State and County employees who elected to participate and for all new employees hired since January 1, 2003. The actuarial valuation for these benefits is performed annually. The annual credit rate (rate of return) for 2021 was 5%. For the historical crediting rates and dividends, see Appendix A.

State and County plan members were given a second opportunity to transfer from Defined Contribution to Cash Balance as provided by LB 665 in 2007. There were 1,574 members who elected to transfer to Cash Balance at that time. In 2012, the passage of LB 916 created a third opportunity for Defined Contribution members to convert to Cash Balance. During this election period, 1,630 members elected to convert.

The results of the actuarial valuation show no additional contributions are needed for the current year. As of January 1, 2021, the funded ratio using actuarial assets was 104.09% for the State Cash Balance Plan and 102.74% for the County Cash Balance Plan.

In accordance with state statutes and recommendations from the plan actuary, the Public Employees Retirement Board voted to grant a 5.25% dividend for State Cash Balance Plan members and 2.5% dividend for County Cash Balance Plan members. Additional dividend data may be found in Appendix A of this report.

Retirement Funding

PROGRAM 515

State law requires ongoing appropriations to the three Defined Benefit plans under our administration, as well as funding for the State Service Annuity for the separate Omaha Public Schools Retirement Plan, which passes through our agency before being paid to Omaha.

SPECIFICALLY, THE ONGOING APPROPRIATIONS INCLUDE:

1. Prior to July 1, 2014, a contribution of 1% of total salaries was being contributed to the School Employees Plan and the Omaha Public School Plan. This contribution was increased to 2% on July 1, 2014.
2. The State is obligated to fund the State Service Annuity portion of the Omaha Public Schools Retirement Plan, the amount of which is determined each year by the annual actuarial valuation.

If additional contributions are required to fund any unfunded liabilities for the School, Judges, or Patrol plans, the State is required by law to make that contribution. Here are the current funding totals appropriated or as requested in our budget, including the funding for Omaha:

2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
$52,698,171	$53,638,505	$54,839,932	$57,053,947	$57,826,161*

*Budget request.

Retirement Plan Assets

MARKET VALUE

SYSTEM	2018	2019	2020	2021
School Employees*	$11,636,298,903	$12,214,947,023	$12,285,736,650	$15,692,556,258
Judges*	$188,055,655	$195,672,498	$194,521,175	$246,453,303
Patrol*	$420,683,030	$436,611,997	$435,782,874	$552,081,721
State Employees (DC)	$651,050,413	$743,440,790	$798,620,064	$848,058,838
State Employees (CB)	$1,531,516,356	$1,788,932,039	$1,991,626,797	$2,262,565,874
County Employees (DC)	$205,191,640	$230,859,184	$251,119,589	$265,279,168
County Employees (CB)	$489,059,463	$575,030,839	$653,168,260	$754,450,268
Deferred Compensation (NPERS)	$191,608,382	$218,749,212	$238,022,574	$258,467,426
Deferred Compensation (Mass Mutual)	$29,885,251	$31,548,310	$33,426,518	$33,433,180
Total All Plans	**$15,343,349,093**	**$16,435,791,892**	**$16,882,024,501**	**$20,913,346,036**

*Defined Benefit Plans thru June 30, 2021
State, County, and DCP thru December 31, 2021

Plan Membership Summary

2021 MEMBERSHIP STATUS

SYSTEM	ACTIVE	INACTIVE	RETIRED AND DEFERRED RETIREMENT OPTION PLAN	TOTALS
School Employees*	43,423	25,910	26,894	96,227
Judges*	145	4	195	344
Patrol*	403	39	490	932
Patrol Deferred Retirement Option Plan*	-----	-----	35	35
State Employees (DC)	1,714	1,205	-----	2,919
State Employees (CB)	14,233	9,758	2,475	26,466
County Employees (DC)	716	528	-----	1,244
County Employees (CB)	7,172	3,942	870	11,984
Deferred Compensation (NPERS)	3,640	1,266	-----	4,906
Deferred Compensation (Mass Mutual)	-----	393	-----	393
Total All Plans	**71,446**	**43,045**	**30,959**	**145,450**

*Thru June 30, 2021

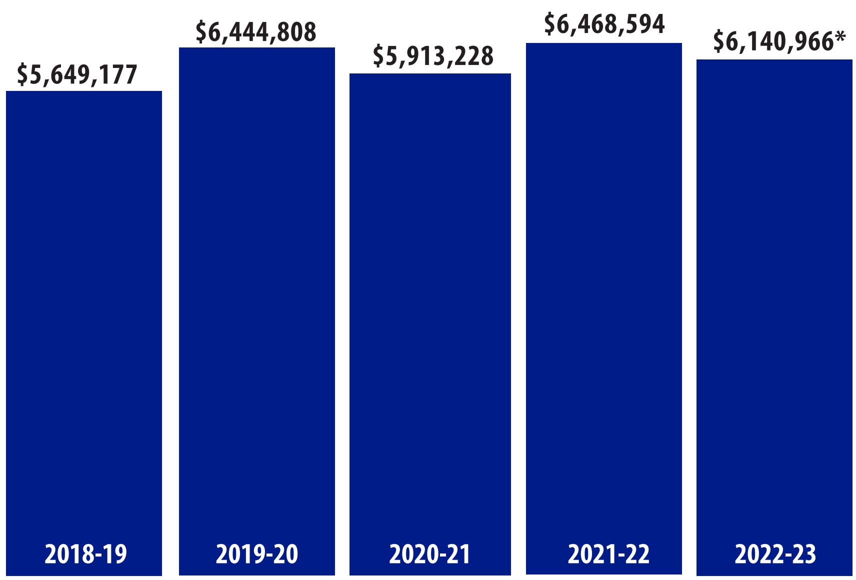
2021 ACTIVITY SUMMARY

SYSTEM	ENROLLMENTS	REFUNDS	RETIREMENTS
School Employees	4,547	1,793	1,745
Judges	10	0	10
Patrol	40	8	23
State Employees (DC)	0	417	22
State Employees (CB)	2,231	2,887	140
County Employees (DC)	0	165	14
County Employees (CB)	1,132	1,210	89
Deferred Compensation*	702	556	0
Total All Plans	**8,662**	**7,036**	**2,043**

*Excludes Empower (previously Mass Mutual) Members

Operating Budget Summary

PROGRAM 041 AND 042



2018-19	2019-20	2020-21	2021-22	2022-23
$5,649,177	$6,444,808	$5,913,228	$6,468,594	$6,140,966*

*Requested

OPERATING EXPENSES

Operating Expenses Paid by Each Plan During 2020-21 Fiscal Year:		
School	$3,278,516	64%
Patrol	$146,940	3%
Judges	$105,259	2%
State	$892,038	17%
County	$646,201	12%
DCP	$103,429	2%

Our budget for FY 21-22 represents expenses of approximately .02% (2BP) of our combined assets of $20.9 billion. For FY 22-23, it is .03% (3BP) of our combined assets.

Education Services

SEMINARS, WORKSHOPS, AND TRAINING

In-Person Retirement Planning Seminars

Retirement Planning Seminars are conducted across the state for members of all six plans. By law, members must be at least age 50 or within five years of qualifying for retirement or early retirement to attend, however as of the date of this report, steps are being taken to revise the law to allow members to obtain greater access to our educational opportunities. The seminars include basic planning aspects related to pension benefits, finances, insurance, estate planning, social security benefits, and emotional preparation. Prior to retirement, members may attend twice, with a spouse or other guest, with paid leave.

In- Person Seminars Offered	Total Attendees	Average Attendance
25	800	32

½ Day Webinars & Evening Webinars

The Education Services department has been providing new resources, such as our ½ day webinars and evening webinars as alternatives to the full day preretirement sessions. These sessions have been very positively received. We continue to get exceptional responses from our membership that attend them.

Webinars Offered	Total Attendees	Average Attendance
30	914	30

Special Meetings/Training Sessions- Webinars

We were privileged to work in conjunction with many other agencies within the State of Nebraska (DAS, DHHS, and the State Treasurer's Office) as well as others to host web events such as "Ask the Experts" Panels, Retirement Q&A's, the Financial Wellness Series provided by the State Treasurer's office and UNL etc. They were all big hits!

Number of Sessions	Total Attendees
5	1,530

Employer Reporting Programs

We recognize the key role that State Agencies, Counties, and School Employers provide for enrollment and information to members. To ensure all employees are enrolled when eligible, NPERS also provides the employer with plan procedure manuals, notices, and regular employer training statewide. This year an Employer Reporting Agent training was also offered via webinar, recorded, and uploaded to the website for 24/7 access to this reporting workshop throughout the year.

In-Person Sessions	Total Attendees	Webinars Offered	Total Attendees
6	157	1	71

THE NPERS YOUTUBE CHANNEL

https://www.youtube.com/channel/UCSx3VhJ7puqDHXiRVhXRsUA

STATS:

Joined Nov 3, 2020

10,345 Total Views to Date

30 Subscribers

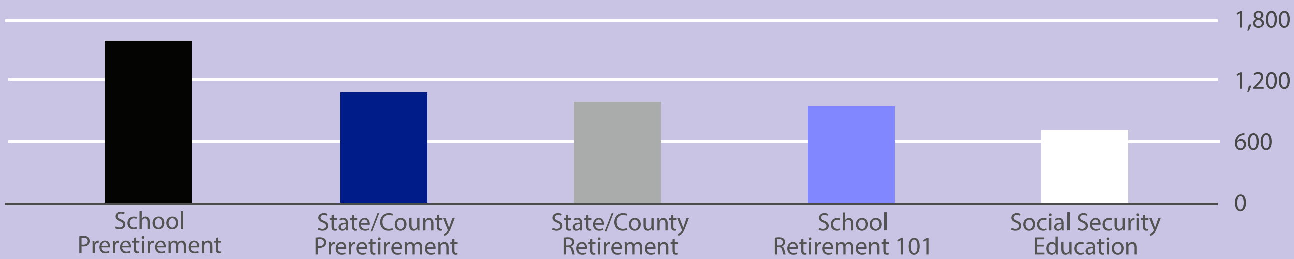
29 Videos Published to Date

The mission of the YouTube channel is to provide unique and dynamic content to NPERS members, in an easy-to-use and easy-to-find format. As of the end of the year, the School and State/County Preretirement Webinars were available in their entirety as video content on both the NPERS website and YouTube channel at no cost to members. Even if you missed attending a webinar it was right there to watch at home.

YOUTUBE CHANNEL STATISTICS 2021

In 2021, the videos that really dominated on our channel were the School and State/County Preretirement videos, as well as the shorter Retirement 101 videos for each plan. The Social Security and Deferred Compensation Plan videos also held their own with substantial views.

TOP VIEWED VIDEOS: JAN 1-DEC 31, 2021



	Views		Watch Time (hours)		Average View Duration
Total	**8,536**		**1,448.5**		**10:10**
NPERS School Plan Preretirement Video	1,523	17.8%	334.4	23.1%	13:10
NPERS State & County Plan Preretirement Video	1,049	12.3%	248.9	17.2%	14:14
NPERS State & County Retirement 101	830	9.7%	103.5	7.2%	7:29
School Retirement 101	807	9.5%	120.0	8.3%	8:55
NPERS Social Security Education Video	676	7.9%	129.6	9.0%	11:30

VIEWS AND IMPRESSIONS: JAN 1-DEC 31, 2021

Total	Views 8,536		Watch Time (hours) 1,448.5		Impressions 19,548
NPERS School Plan Preretirement Video	1,523	17.8%	334.4	23.1%	1,581
NPERS State & County Plan Preretirement Video	1,049	12.3%	248.9	17.2%	1,352
NPERS State & County Retirement 101	830	9.7%	103.5	7.2%	2,214
School Retirement 101	807	9.5%	120.0	8.3%	827
NPERS Social Security Education Video	676	7.9%	129.6	9.0%	2,257
NPERS Deferred Compensation Plan	662	7.8%	49.1	3.4%	632
School Retirement 101	458	5.4%	58.5	4.0%	2,918
NPERS 2021 School Retirement Webinar	427	5.0%	85.6	5.9%	2,292
NPERS Estate Planning Video w/ Ramzi Hynek, Esq.	385	4.5%	103.2	7.1%	759
NPERS Investment Education w/ Michael Morey	254	3.0%	41.3	2.9%	766

VIEWS BY DEVICE: JAN 1-DEC 31, 2021

Device Type	Views 8,536		Watch Time (hours) 1,448.5		Average View Duration 10:10
Computer	7,496	87.8%	1,319.0	91.1%	10:33
Mobile Phone	782	9.2%	80.4	5.6%	6:10
Tablet	158	1.9%	23.3	1.6%	8.51
TV	93	1.1%	25.4	1.8%	16:22

The overwhelming majority of people viewed the NPERS YouTube channel's content on the computer.

However, it is of note that mobile platforms continue to become more popular for website viewing.

WHAT'S NEW?

We have been very busy this year bringing new types of content to our channel that will meet needs that members have been telling us about. We now have two videos that are walkthroughs for filling out specific forms -the Direct Deposit and School Refund Application. We have a short video that explains specifically the annuity options for the School plan. We posted the Employer Reporting Workshop so that new employer reporting agents can review this when they are beginning employment for less reporting errors. By utilizing member and employer feedback we are able to better understand what kind of content is most needed and helpful for everyone.

PUBLICATIONS AND ONLINE RESOURCES

PLAN MEMBER HANDBOOKS

Each member is provided a plan handbook at the time they join the plan. Handbooks contain a summary of plan benefits and are updated periodically.

NEWSLETTERS

NPERS uses newsletters to inform active members of proposed legislation and changes in benefits. A separate newsletter is sent annually to retired plan members receiving benefits. Newsletters are also used to discuss basic retirement educational topics and to encourage members to take advantage of the Retirement Planning Seminars in their areas.

ANNUAL INVESTMENT REPORT

State and County Defined Contribution members, members in the Deferred Retirement Option Plan (DROP), and employees enrolled in our voluntary Deferred Compensation Plan have 17 investment options available to them. Each year NPERS prepares an Annual Investment Report which includes annual investment returns and details on each investment fund. The report also includes year-end information on the Cash Balance benefit. This report is available on our website and announced in the State and County Retirement newsletter. We mail a paper copy of the report to those who request it.

AGENCY WEBSITE

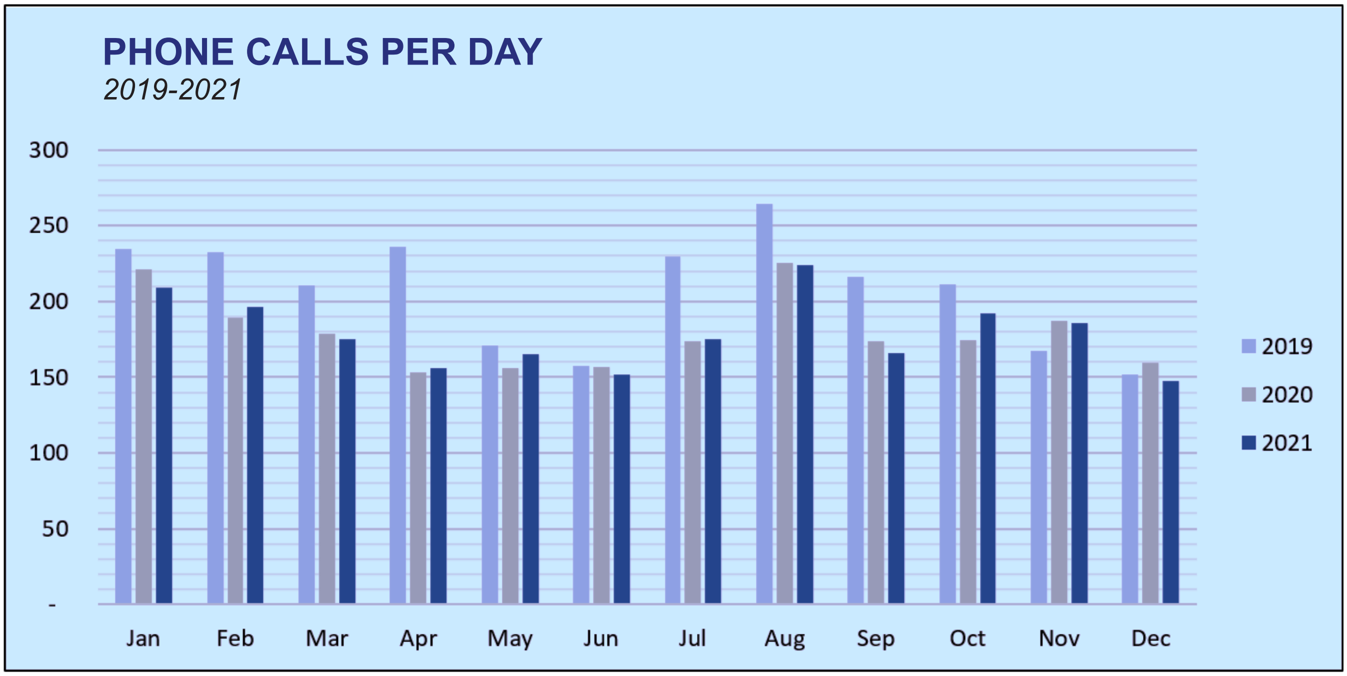
The agency website, npers.ne.gov, was created in 1998 and is continually updated. Members and employers may access the site for basic plan information, forms, seminar schedules and registration brochures, training, videos, benefit calculators, legislative updates, newsletters, annual reports, other publications, and employer manuals. The website is going through a thrilling re-design process involving both Information Technology and Educational Services, that will no doubt offer a beautifully updated aesthetic for the comprehensive library of materials that we offer our members. *Coming Soon!*

Member Services

CALL CENTER

Member Services is the first point of contact for most of NPERS' members. Primarily, members contact NPERS by calling into the office. NPERS operates a call center handled by five full-time retirement specialists. The retirement specialists can provide members with general information about their plan, account balances, distribution timelines, and answers to many other topics.

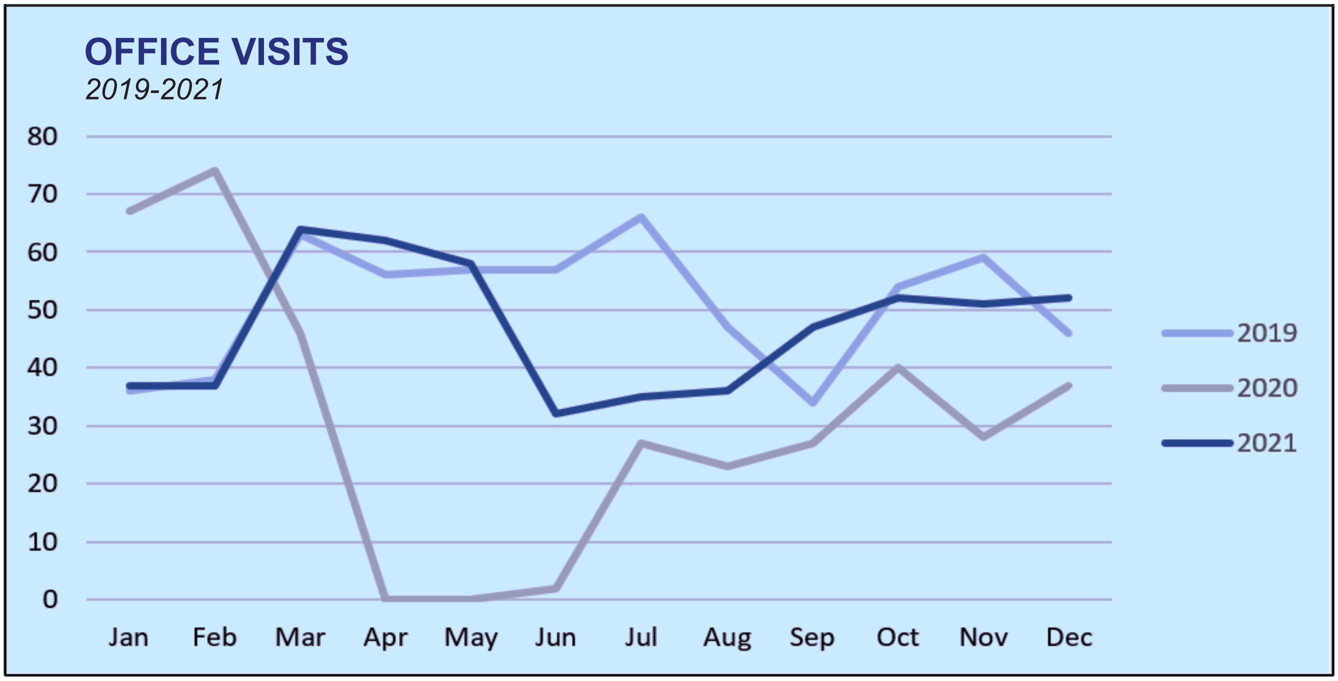
In 2021, our office received a total of 44,046 phone calls. This was a decrease of 610 calls compared to the previous year. Below is a graph of the number of phone calls received on a per day basis broken down by month. January and August continue to be our busiest months for phone calls. As you can see in the second graph, the calls per day average for 2021 was nearly identical to 2020.



OFFICE VISITS

Member Services also provides members with one-on-one office visits. During these visits, staff help to guide members through the retirement process along with all the necessary paperwork that comes with it. Office visits must be scheduled in advanced and a limited number of appointments per day are offered.

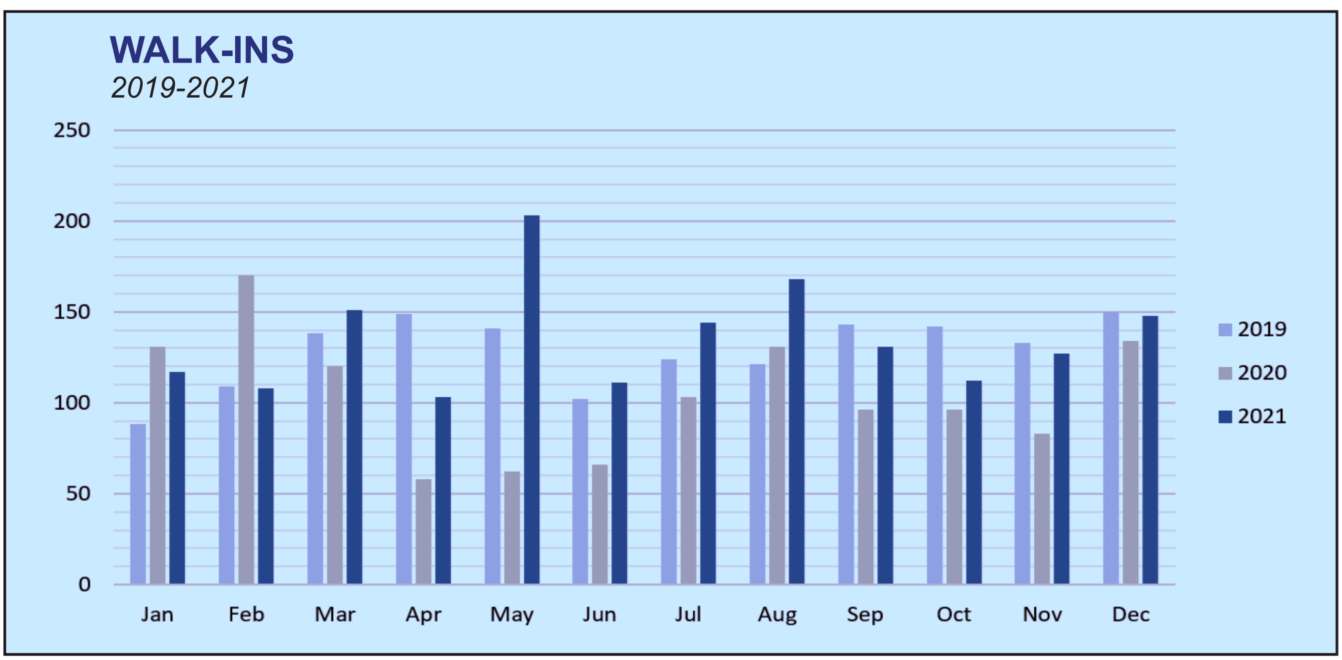
In total, 563 office visits were conducted during 2021 which was a drastic increase from 2020 when we conducted 371 office visits. Due to COVID-19 measures implemented in the spring of 2020, our office conducted a minimal number of office visits between April and June of 2020. During 2021, we saw a return to mostly normal levels of the number of office visits completed. March through May continues to be a busy time for these visits as many School plan members will schedule an appointment to prepare for their upcoming retirement.



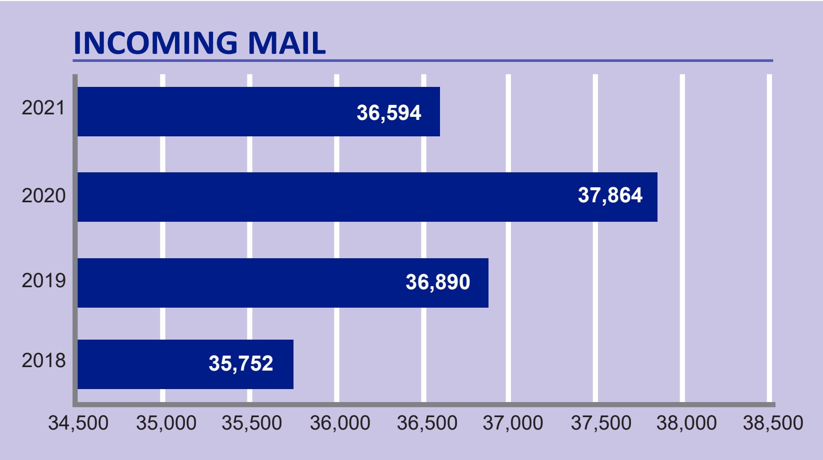
WALK-INS

The Member Services staff not only provides information for those calling the office or coming in for a scheduled visit, we also will help any member who walks into the NPERS office between 8 a.m. and 5 p.m. Members come in throughout the day mostly to turn in paperwork, but many others have questions relating to their retirement plan. The Member Services team will help members complete paperwork or answer any questions they may have.

In 2021, Member Services helped a total of 1,623 walk-ins which was an increase from the 1,250 walk-ins helped in 2020. You can see in the first graph below that our walk-in numbers returned to normal. In 2020, we saw a major decline in walk-ins due to the COVID-19 pandemic, especially in months March through May. Finally, you can see our walk-in numbers in 2021 were higher than the numbers reported in 2019.



Data Services



	2018	2019	2020	2021
OUTGOING MAIL	269,657	412,877	251,357	265,840
DATA PURIFICATION PROJECT	1,596	4,225	2,255	692
SCANNED DOCUMENTS (DOCUMENT IMAGING)	343,617	289,685	253,241	182,154

Additional Services

SERVICE DELIVERY RESULTS

The "Service Deliver Policy" primarily addresses the processing of large numbers of School retirement applications in the summer and early fall.

At the PERB meeting held on November 15, 2021, the Board moved to amend PERB policy 11(2)(b) to accurately reflect NPERS benefit payment schedule when calculating preliminary benefits for the School Plan. The new provision reflects a calendar month timeline for payments using a 1-month, 2-month, and 3-month timeline, instead of a 30, 60, and 90-day timeline. Most school retirements occur during summer months which include 31 calendar days. NPERS distributes payments to school members on the last working day of each month. The former PERB policy was based on distributions completed within 90 days. However, given that July and August each have 31 days, it inadvertently eliminated the payments made on the last 2 days in August (days 91 and 92). Transitioning to the calendar month timeline better reflects NPERS service to its school members and the timely distribution of their benefits.

Benefit payments are required to be processed and paid within 3 calendar months after the effective date of retirement. If payments cannot be processed within this time frame, the PERB allows staff to issue provisional payments at 95% of the expected benefit. There were 1,752 new School retirements processed during 2021. The service delivery results for these new retirements are listed to the top right.

SERVICE DELIVERY RESULTS	
1.66%	Payments began within one month.
7.99%	Payments processed within two months.
60.84%	Payments processed within three months.
22.09%	Payments processed within four months.
7.42%	Payments processed after four months

PERSON-TO-PERSON CONTACT

Members can contact NPERS in person, by phone, or by mail. Requests by phone for details on beneficiary listings or estimated benefit amounts require proper identification before the information is released. We ask members to schedule office visit appointments in advance if extensive plan information is being requested.

RECORD KEEPER SERVICES

State and County members participating in the Defined Contribution benefit as well as DCP members may access daily account values provided by NPERS' record keeper, Ameritas Life Insurance Company. Plan members may make investment changes via the Ameritas website.

STATEMENTS OF ACCOUNT

Each plan member receives an account statement. Members of our School, Judges, and Patrol plans receive annual statements showing account balances, reported service and salary, and other pertinent information. State, County, and Deferred Compensation Plan members receive quarterly statements.

Internal Auditing

PURPOSE

The ongoing review of applicable federal and state statutes is delegated to key NPERS staff members. These associates identify and coordinate the implementation procedures necessary to ensure NPERS remains in compliance with all updates to federal and state statutes.

RESPONSIBILITIES

The Director and agency Legal Counsel monitor and track the legislative process. They provide testimony at legislative committee hearings as directed by the PERB and assist in the preparation of legislation and amendments. Regular updates are provided to the PERB and to the NPERS managers regarding proposed legislative and regulatory changes.

The Controller prepares the fiscal notes for legislation affecting the retirement system.

Once legislation has been enacted, the Director, Legal Counsel, Internal Auditor, and Managers meet to formalize a plan for implementation. The implementation of new legislation becomes the responsibility of the Managers, with guidance and direction provided by the Director, Legal Counsel, and Internal Auditor.

The Internal Auditor will perform periodic tests of controls to ensure compliance with laws and regulations.

IMPLEMENTATION PROCEDURES

- Develop and implement a plan of action in place for new legislation passed by the State Legislature or Congress within a reasonable time frame after new legislation is passed.
- Develop and implement a staff training protocol on the procedures and processes as soon as possible following passage of the legislation.
- Communicate proposed and actual plan law changes to the PERB, staff, employers, and all affected members with updates on the final law changes prior to the effective date of the change.
- Begin implementation on the effective date of the law change. If rules and regulations governing the administration of the law are not complete or are in the approval process, use the proposed rules and regulations as policy so as not to delay implementation.
- Compliance monitoring should begin immediately with all processes checked for accuracy by designated staff. Formal review of the guidelines with staff is to begin within three to six months after the effective date.
- NPERS' Internal Audit function will periodically review the design and effectiveness of the control structure to ensure compliance with laws and regulations.
- Continuously review long-standing statutes to make remedial changes or updates, if necessary.
- Review audit issues to determine policy or procedure changes, as needed.

External Auditing

STATE AUDITING

Each year the State Auditor's office conducts an audit of each of the five retirement plans under our administration. The State and County plans are audited in the spring and summer. The School, Judges, and Patrol plans are audited in the fall and winter. The Deferred Compensation Plan is audited every four years.

Recent audits for our various retirement plans can be found on the State Auditor's website:
http://www.auditors.state.ne.us/.

COMPLIANCE AUDITING

In 2020, as required by law, NPERS went through a formal compliance audit to verify that NPERS was satisfying federal and state law. The audit was positive, and demonstrated compliance. In addition, the audit included the compliance auditor's opinions on specific questions NPERS had regarding certain statutory and operational items.

APPENDICES

DC, DCP, & CB STATUS
BENEFIT PAYMENT SUMMARY
RETIREMENT PLANS
PERB POLICIES

TIME WEIGHTED RATES OF RETURN

NEW FUNDS

	US Total Stock Market Index *	International Stock Index Fund (revised)*	Global Equity	US Core Plus Bond	LIFEPATH INDEX		
					LifePath 2065	LifePath 2060	LifePath 2055
2021 Q3	-0.1%	-2.6%	-1.6%	0.3%	-1.0%	-1.0%	-1.0%
2021 Q2	8.3%	5.7%	10.3%	2.1%	7.4%	7.4%	7.4%
2021 Q1	6.4%	3.8%	2.7%	-3.1%	5.1%	5.1%	5.1%

* Gross of investment management fees

	LIFEPATH INDEX						
	LifePath 2050	LifePath 2045	LifePath 2040	LifePath 2035	LifePath 2030	LifePath 2025	LifePath Retirement
2021 Q3	-0.9%	-0.9%	-0.7%	-0.6%	-0.4%	-0.3%	-0.2%
2021 Q2	7.3%	7.1%	6.6%	6.0%	5.4%	4.7%	4.2%
2021 Q1	5.1%	4.7%	4.0%	3.2%	2.2%	1.2%	0.4%

RETAINED FUNDS

	Stable Value Fund	US Bond Index Fund	Investor Select Fund
YTD	1.4%	-1.2%	9.7%
1 Year	1.9%	-0.8%	21.7%
3 Year	2.2%	5.4%	11.5%
5 Year	2.1%	2.9%	10.6%
10 Year	2.2%	3.1%	10.8%

1. Returns are net of investment management fees.
2. The 1-, 3-, 5-, and 10-year rates of return are annualized rates of return of the funds through September 30, 2021.
3. Past performance is not indicative of future performance.
4. Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund- 1996; US Bond Index Fund - 1997; Investor Select Fund - 2005.

MAJOR INDICES

MAJOR INDICES:	Dow Jones U.S. Total Stock Market Index	MSCI ACWI ex-US IMI index	S & P 500 (Large Co. Stock)	Russell 2000 (Small Co. Stock)	MSCI ACWI-EX US (Int'l. Stock)	Barclays Aggregate (Bonds)	90-Day Treasury Bill	CPI (Inflation)
YTD	15.3%	9.6%	15.3%	62.0%	9.2%	-1.6%	0.02%	4.3%
1 Year	44.3%	37.2%	40.8%	62.0%	35.7%	-0.3%	0.1%	5.4%
3 Year	18.7%	9.4%	18.7%	13.5%	9.4%	5.3%	1.3%	2.5%
5 Year	17.9%	11.2%	17.7%	16.5%	11.1%	3.0%	1.2%	2.4%

1. Returns are net of investment management fees.
2. The 1-, 3-, and 5-year rates of return are annualized rates of return of the funds through June 30, 2021.
3. Past performance is not indicative of future performance.

Rates of return are for the investment vehicle currently used. Following are the dates of NE fund participation: Stable Value Fund- 1996; Bond Market Index Fund, S & P 500 Stock Index Fund, Money Market Fund - 1997; Large Company Growth Stock Index Fund, Large Company Value Stock Index Fund, Conservative Premixed Fund, Moderate Premixed Fund, Aggressive Premixed Fund - 1999; Small Company Stock Fund - 2000; Investor Select Fund - 2005.

CASH BALANCE CREDIT RATE

	Q1	Q2	Q3	Q4	ANNUAL RATE
2021	5.00%	5.00%	5.00%	5.00%	5.00%
2020	5.00%	5.00%	5.00%	5.00%	5.00%
2019	5.00%	5.00%	5.00%	5.00%	5.00%
2018	5.00%	5.00%	5.00%	5.00%	5.00%
2017	5.00%	5.00%	5.00%	5.00%	5.00%
2016	5.00%	5.00%	5.00%	5.00%	5.00%
2015	5.00%	5.00%	5.00%	5.00%	5.00%
2014	5.00%	5.00%	5.00%	5.00%	5.00%
2013	5.00%	5.00%	5.00%	5.00%	5.00%
2012	5.00%	5.00%	5.00%	5.00%	5.00%
2011	5.00%	5.00%	5.00%	5.00%	5.00%

Cash Balance option pays a credit rate, which is the greater of 5% or the applicable federal mid-term rate, as published by the IRS as of the first day of the calendar quarter, plus 1.5%, compounded annually.

CASH BALANCE DIVIDEND

	RATE	BALANCE AS OF:	PAID ON:	AMOUNT PAID
2021 State	5.25%	12/31/2020	7/30/2021	$71,805,051.31
2021 County	2.5%	12/31/2020	7/30/2021	$13,142,231.63
2020 State & County	3.00%	12/31/2019	7/31/2020	$53,508,123.23
2019	0.00%	n/a	n/a	n/a
2018 State	5.46%	12/31/2017	7/20/2018	$65,973,682.88
2018 County	8.42%	12/31/2017	7/20/2018	$35,180,846.42
2017 State	3.07%	12/31/2016	8/11/2017	$35,633,783.74
2017 County	0.51%	12/31/2016	8/11/2017	$2,003,560.49
2016	0.00%	n/a	n/a	n/a
2015 State	4.53%	12/31/2014	8/14/2015	$48,241,290.44
2015 County	5.81%	12/31/2014	8/14/2015	$19,697,165.11
2014 State	0.00%	n/a	n/a	n/a
2014 County	0.29%	12/31/2013	7/28/2014	$916,192.63
2013	0.00%	n/a	n/a	n/a
2012	0.00%	n/a	n/a	n/a
2011	0.00%	n/a	n/a	n/a

Dividends are calculated based upon the recommendations from the plan actuary using the member's account balances on the last day of the prior calendar year.

TOTAL MONTHLY BENEFITS: DISTRIBUTION BY NEBRASKA COUNTY

DECEMBER 2021

	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Statewide Totals		
COUNTY	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
ADAMS	$1,236,495.77	549	$2,252	$2,116.87	2	$1,058	$89,709.68	66	$1,359	$1,328,322.32	617	$2,153
ANTELOPE	$332,207.11	172	$1,931	$3,711.13	1	$3,711	$35,374.73	22	$1,608	$371,292.97	195	$1,904
ARTHUR	$13,208.51	11	$1,201	-	-	-	-	-	-	$13,208.51	11	$1,201
BANNER	$12,184.77	6	$2,031	-	-	-	$5,924.19	4	$1,481	$18,108.96	10	$1,811
BLAINE	$29,953.12	12	$2,496	-	-	-	$5,104.54	1	$5,105	$35,057.66	13	$2,697
BOONE	$194,228.17	109	$1,782	$432.75	1	$433	$8,103.60	10	$810	$202,764.52	120	$1,690
BOX BUTTE	$415,733.64	199	$2,089	-	-	-	$23,044.75	20	$1,152	$438,778.39	219	$2,004
BOYD	$84,626.47	47	$1,801	-	-	-	$6,955.74	4	$1,739	$91,582.21	51	$1,796
BROWN	$138,203.77	61	$2,266	$4,405.02	1	$4,405	$16,184.24	10	$1,618	$158,793.03	72	$2,205
BUFFALO	$2,173,019.22	897	$2,423	$346.81	1	$347	$92,546.48	60	$1,542	$2,265,912.51	958	$2,365
BURT	$359,531.70	161	$2,233	$14,489.65	8	$1,811	$41,325.25	32	$1,291	$415,346.60	201	$2,066
BUTLER	$257,008.54	120	$2,142	-	-	-	$24,384.59	15	$1,626	$281,393.13	135	$2,084
CASS	$820,067.96	423	$1,939	$105,632.58	53	$1,993	$46,542.23	42	$1,108	$972,242.77	518	$1,877
CEDAR	$274,481.53	137	$2,004	$2,450.90	2	$1,225	$24,675.54	17	$1,452	$301,607.97	156	$1,933
CHASE	$140,955.37	71	$1,985	-	-	-	$6,341.88	4	$1,585	$147,297.25	75	$1,964
CHERRY	$186,021.93	88	$2,114	-	-	-	$11,584.02	14	$827	$197,605.95	102	$1,937
CHEYENNE	$398,961.86	178	$2,241	-	-	-	$18,552.84	15	$1,237	$417,514.70	193	$2,163
CLAY	$269,933.17	146	$1,849	-	-	-	$26,549.41	20	$1,327	$296,482.58	166	$1,786
COLFAX	$308,558.92	136	$2,269	-	-	-	$6,977.82	6	$1,163	$315,536.74	142	$2,222
CUMING	$261,628.67	143	$1,830	-	-	-	$13,473.11	12	$1,123	$275,101.78	155	$1,775
CUSTER	$457,884.09	215	$2,130	$808.47	1	$808	$29,358.23	17	$1,727	$488,050.79	233	$2,095
DAKOTA	$386,232.70	203	$1,903	-	-	-	$8,272.96	8	$1,034	$394,505.66	211	$1,870
DAWES	$239,865.99	134	$1,790	-	-	-	$22,572.89	14	$1,612	$262,438.88	148	$1,773
DAWSON	$750,943.66	330	$2,276	$4,488.12	2	$2,244	$20,021.78	15	$1,335	$775,453.56	347	$2,235
DEUEL	$95,912.32	40	$2,398	-	-	-	$8,855.93	7	$1,265	$104,768.25	47	$2,229
DIXON	$219,150.12	122	$1,796	$4,019.44	2	$2,010	$18,825.10	15	$1,255	$241,994.66	139	$1,741
DODGE	$1,672,213.81	729	$2,294	$37,064.17	18	$2,059	$47,857.65	35	$1,367	$1,757,135.63	782	$2,247
DOUGLAS	$8,641,570.52	3,536	$2,444	$8,191,257.09	3538	$2,315	$372,225.05	250	$1,489	$17,205,052.66	7,324	$2,349
DUNDY	$40,345.10	25	$1,614	$5,490.11	1	$5,490	$3,790.94	4	$948	$49,626.15	30	$1,654
FILLMORE	$244,390.81	107	$2,284	-	-	-	$24,673.13	22	$1,122	$269,063.94	129	$2,086
FRANKLIN	$116,413.97	61	$1,908	-	-	-	$10,534.81	12	$878	$126,948.78	73	$1,739
FRONTIER	$110,147.30	50	$2,203	-	-	-	$10,996.40	10	$1,100	$121,143.70	60	$2,019

	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Statewide Totals		
COUNTY	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
FURNAS	$273,836.52	126	$2,173	-	-	-	$12,156.02	14	$868	$285,992.54	140	$2,043
GAGE	$885,833.92	392	$2,260	$8,349.59	2	$4,175	$153,554.12	102	$1,505	$1,047,737.63	496	$2,112
GARDEN	$120,664.84	52	$2,320	-	-	-	$11,229.31	8	$1,404	$131,894.15	60	$2,198
GARFIELD	$124,876.20	56	$2,230	$2,040.14	1	$2,040	$6,610.67	5	$1,322	$133,527.01	62	$2,154
GOSPER	$145,853.52	60	$2,431	$1,941.19	1	$1,941	$8,870.95	6	$1,478	$156,665.66	67	$2,338
GRANT	$40,171.89	18	$2,232	-	-	-	$636.28	1	$636	$40,808.17	19	$2,148
GREELEY	$81,748.05	41	$1,994	-	-	-	$18,167.85	9	$2,019	$99,915.90	50	$1,998
HALL	$2,357,799.70	945	$2,495	$2,033.20	1	$2,033	$107,842.66	87	$1,240	$2,467,675.56	1,033	$2,389
HAMILTON	$474,393.77	197	$2,408	-	-	-	$27,042.74	15	$1,803	$501,436.51	212	$2,365
HARLAN	$115,456.38	53	$2,178	-	-	-	$11,110.53	8	$1,389	$126,566.91	61	$2,075
HAYES	$36,244.83	20	$1,812	-	-	-	$1,180.96	2	$590	$37,425.79	22	$1,701
HITCHCOCK	$113,881.39	53	$2,149	-	-	-	$4,025.43	5	$805	$117,906.82	58	$2,033
HOLT	$378,974.91	186	$2,037	$1,039.57	1	$1,040	$12,070.42	12	$1,006	$392,084.90	199	$1,970
HOOKER	$48,275.79	25	$1,931	-	-	-	$2,606.00	3	$869	$50,881.79	28	$1,817
HOWARD	$224,146.19	115	$1,949	-	-	-	$26,538.50	21	$1,264	$250,684.69	136	$1,843
JEFFERSON	$270,431.34	145	$1,865	$495.63	1	$496	$22,630.13	16	$1,414	$293,557.10	162	$1,812
JOHNSON	$201,685.01	96	$2,101	-	-	-	$31,094.53	22	$1,413	$232,779.54	118	$1,973
KEARNEY	$294,341.99	132	$2,230	-	-	-	$17,103.85	9	$1,900	$311,445.84	141	$2,209
KEITH	$337,786.75	156	$2,165	-	-	-	$19,930.62	18	$1,107	$357,717.37	174	$2,056
KEYA PAHA	$34,025.96	16	$2,127	-	-	-	$375.59	1	$376	$34,401.55	17	$2,024
KIMBALL	$154,403.24	78	$1,980	-	-	-	$5,560.57	9	$618	$159,963.81	87	$1,839
KNOX	$395,091.76	201	$1,966	$1,858.08	1	$1,858	$16,456.03	12	$1,371	$413,405.87	214	$1,932
LANCASTER	$11,046,856.43	4,534	$2,436	$69,625.63	42	$1,658	$2,013,599.47	1,047	$1,923	$13,130,081.53	5,623	$2,335
LINCOLN	$1,251,026.91	547	$2,287	$4,773.04	4	$1,193	$67,808.47	45	$1,507	$1,323,608.42	596	$2,221
LOGAN	$39,032.21	23	$1,697	-	-	-	$371.25	1	$371	$39,403.46	24	$1,642
LOUP	$37,179.12	13	$2,860	-	-	-	$3,236.50	2	$1,618	$40,415.62	15	$2,694
MADISON	$1,279,514.23	554	$2,310	-	-	-	$100,048.80	68	$1,471	$1,379,563.03	622	$2,218
MCPHERSON	$7,988.46	4	$1,997	-	-	-	-	-	-	$7,988.46	4	$1,997
MERRICK	$306,469.45	147	$2,085	$2,311.12	2	$1,156	$16,963.91	11	$1,542	$325,744.48	160	$2,036
MORRILL	$201,765.28	92	$2,193	-	-	-	$8,442.25	7	$1,206	$210,207.53	99	$2,123
NANCE	$185,698.71	82	$2,265	$983.65	1	$984	$5,839.64	4	$1,460	$192,522.00	87	$2,213
NEMAHA	$235,402.62	109	$2,160	$3,244.87	1	$3,245	$21,894.33	23	$952	$260,541.82	133	$1,959
NUCKOLLS	$189,125.19	97	$1,950	-	-	-	$8,631.84	6	$1,439	$197,757.03	103	$1,920
OTOE	$630,444.35	281	$2,244	$8,252.32	5	$1,650	$45,898.44	37	$1,240	$684,595.11	323	$2,119

COUNTY	School/Patrol/Judge (GROSS AMOUNTS) BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	Omaha Schools (GROSS AMOUNTS) BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	State & County Cash Balance (GROSS AMOUNTS) BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	Statewide Totals BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
PAWNEE	$103,209.83	57	$1,811	$3,489.92	1	$3,490	$26,659.44	21	$1,269	$133,359.19	79	$1,688
PERKINS	$112,637.97	64	$1,760	-	-	-	$3,584.93	5	$717	$116,222.90	69	$1,684
PHELPS	$476,705.00	212	$2,249	$1,058.34	1	$1,058	$12,106.60	10	$1,211	$489,869.94	223	$2,197
PIERCE	$291,348.74	127	$2,294	-	-	-	$23,614.79	15	$1,574	$314,963.53	142	$2,218
PLATTE	$1,028,070.22	480	$2,142	$3,850.75	1	$3,851	$40,848.32	25	$1,634	$1,072,769.29	506	$2,120
POLK	$243,683.71	119	$2,048	$2,316.14	2	$1,158	$14,667.54	9	$1,630	$260,667.39	130	$2,005
RED WILLOW	$386,051.60	193	$2,000	-	-	-	$26,452.68	16	$1,653	$412,504.28	209	$1,974
RICHARDSON	$273,134.89	147	$1,858	-	-	-	$19,391.08	15	$1,293	$292,525.97	162	$1,806
ROCK	$48,175.42	28	$1,721	-	-	-	$4,199.14	4	$1,050	$52,374.56	32	$1,637
SALINE	$493,370.13	231	$2,136	-	-	-	$40,606.01	25	$1,624	$533,976.14	256	$2,086
SARPY	$3,471,444.34	1556	$2,231	$1,252,933.30	601	$2,085	$221,150.84	135	$1,638	$4,945,528.48	2,292	$2,158
SAUNDERS	$688,469.18	305	$2,257	$29,293.07	18	$1,627	$59,740.21	44	$1,358	$777,502.46	367	$2,119
SCOTTS BLUFF	$1,549,785.98	654	$2,370	$1,220.99	2	$610	$104,417.90	76	$1,374	$1,655,424.87	732	$2,262
SEWARD	$718,498.00	311	$2,310	$1,870.63	2	$935	$54,057.72	39	$1,386	$774,426.35	352	$2,200
SHERIDAN	$260,111.30	116	$2,242	-	-	-	$16,671.87	15	$1,111	$276,783.17	131	$2,113
SHERMAN	$129,567.70	62	$2,090	$2,807.97	1	$2,808	$8,309.69	6	$1,385	$140,685.36	69	$2,039
SIOUX	$27,863.11	13	$2,143	-	-	-	$196.92	1	$197	$28,060.03	14	$2,004
STANTON	$112,979.11	53	$2,132	-	-	-	$11,600.51	9	$1,289	$124,579.62	62	$2,009
THAYER	$253,562.71	125	$2,029	-	-	-	$21,683.71	23	$943	$275,246.42	148	$1,860
THOMAS	$41,636.50	19	$2,191	-	-	-	$1,415.06	2	$708	$43,051.56	21	$2,050
THURSTON	$146,571.70	80	$1,832	-	-	-	$1,575.86	4	$394	$148,147.56	84	$1,764
VALLEY	$179,316.70	84	$2,135	-	-	-	$11,590.95	10	$1,159	$190,907.65	94	$2,031
WASHINGTON	$613,323.95	272	$2,255	$112,747.71	53	$2,127	$34,250.72	22	$1,557	$760,322.38	347	$2,191
WAYNE	$342,827.23	150	$2,286	$3,269.82	1	$3,270	$5,013.80	4	$1,253	$351,110.85	155	$2,265
WEBSTER	$109,893.37	69	$1,593	-	-	-	$9,638.86	9	$1,071	$119,532.23	78	$1,532
WHEELER	$33,321.19	17	$1,960	-	-	-	$6,199.99	5	$1,240	$39,521.18	22	$1,796
YORK	$517,208.17	261	$1,982	$9,101.87	4	$2,275	$28,300.70	17	$1,665	$554,610.74	282	$1,967
TOTALS	$56,055,275.25	24,669		$9,907,621.65	4,381		$4,698,814.01	2,985		$70,661,710.91	32,035	

***Total Gross Annuity Benefits** Paid Per Month to Nebraska Residents by NPERS*

$70,661,711

***Total Gross Annuity Benefits** Paid Per Month to Nebraska Residents by OSERS*

$9,907,622

TOTAL MONTHLY BENEFITS PAID: DISTRIBUTION BY STATE

DECEMBER 2021

	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Totals		
STATE	**BENEFIT PAYMENT**	**MEMBERS**	**% OF TOTAL**	**BENEFIT PAYMENT**	**MEMBERS**	**% OF TOTAL**	**BENEFIT PAYMENT**	**MEMBERS**	**% OF TOTAL**	**BENEFIT PAYMENT**	**MEMBERS**	**% OF TOTAL**
AK	$51,352.66	16	0.08%	$175.42	1	0.00%	-	-	0.00%	$51,528.08	17	0.06%
AL	$7,690.16	10	0.01%	$28,344.13	11	0.24%	$7,873.14	4	0.15%	$43,907.43	25	0.05%
AR	$102,050.42	62	0.16%	$23,814.45	17	0.20%	$13,342.61	11	0.26%	$139,207.48	90	0.17%
AZ	$860,099.04	377	1.36%	$180,223.73	70	1.53%	$48,943.94	33	0.96%	$1,089,266.71	480	1.36%
CA	$132,206.60	82	0.21%	$69,054.12	32	0.59%	$7,444.60	9	0.15%	$208,705.32	123	0.26%
CO	$716,932.14	379	1.14%	$100,720.35	51	0.86%	$43,534.04	28	0.85%	$861,186.53	458	1.08%
CT	$11,228.64	6	0.02%	$2,773.80	1	0.02%	$386.56	1	0.01%	$14,389.00	8	0.02%
DC	$1,825.53	2	0.00%	$524.08	1	0.00%	-	-	0.00%	$2,349.61	3	0.00%
DE	$11,738.63	3	0.02%	$12,925.44	5	0.11%	-	-	0.00%	$24,664.07	8	0.03%
FL	$514,111.17	223	0.81%	$141,270.47	57	1.20%	$22,066.82	16	0.43%	$677,448.46	296	0.85%
GA	$37,290.77	28	0.06%	$25,015.63	13	0.21%	$5,627.47	7	0.11%	$67,933.87	48	0.08%
HI	$25,630.26	7	0.04%	$4,807.64	3	0.04%	-	-	0.00%	$30,437.90	10	0.04%
IA	$841,236.46	494	1.33%	$504,501.51	237	4.29%	$33,536.20	44	0.66%	$1,379,274.17	775	1.72%
ID	$60,595.22	35	0.10%	$15,715.37	7	0.13%	$3,304.63	1	0.06%	$79,615.22	43	0.10%
IL	$75,726.55	45	0.12%	$21,235.11	16	0.18%	-	-	0.00%	$96,961.66	61	0.12%
IN	$26,762.40	22	0.04%	$17,187.87	7	0.15%	$4,667.91	6	0.09%	$48,618.18	35	0.06%
KS	$380,905.35	235	0.60%	$54,455.17	33	0.46%	$20,838.07	19	0.41%	$456,198.59	287	0.57%
KY	$7,198.08	6	0.01%	-	-	-	-	-	0.00%	$7,198.08	6	0.01%
LA	$12,703.30	6	0.02%	$10,895.31	4	0.09%	$1,972.94	2	0.04%	$25,571.55	12	0.03%
MA	$9,695.13	8	0.02%	$8,841.64	6	0.08%	-	-	0.00%	$18,536.77	14	0.02%
MD	$480.19	3	0.00%	$765.34	1	0.01%	$6,515.36	6	0.13%	$7,760.89	10	0.01%
MI	$23,126.30	15	0.04%	$7,219.15	5	0.06%	$3,851.04	3	0.08%	$34,196.49	23	0.04%
ME	$1,180.26	3	0.00%	$1,532.33	1	0.01%	$233.94	1	0.00%	$2,946.53	5	0.00%
MN	$153,854.70	117	0.24%	$59,017.38	27	0.50%	$11,994.61	8	0.23%	$224,866.69	152	0.28%
MO	$546,368.48	264	0.87%	$97,904.36	46	0.83%	$32,230.43	26	0.63%	$676,503.27	336	0.85%
MS	$19,331.72	8	0.03%	$6,828.40	4	0.06%	$3,655.94	3	0.07%	$29,816.06	15	0.04%
MT	$69,271.69	36	0.11%	$2,015.22	1	0.02%	-	-	0.00%	$71,286.91	37	0.09%
NC	$77,701.09	41	0.12%	$23,639.47	13	0.20%	$6,828.06	7	0.13%	$108,168.62	61	0.14%
ND	$11,551.05	6	0.02%	$1,320.59	1	0.01%	$3,408.99	4	0.07%	$16,280.63	11	0.02%
NE	$56,055,275.25	24,669	88.81%	$9,907,621.65	4,381	84.17%	$4,698,814.01	2,985	91.92%	$70,661,710.91	32,035	88.33%
NH	$3,735.99	3	0.01%	-	-	-	-	-	0.00%	$3,735.99	3	0.00%
NJ	$7,572.43	8	0.01%	$3,050.30	2	0.03%	-	-	0.00%	$10,622.73	10	0.01%
NM	$81,659.82	40	0.13%	$9,812.37	5	0.08%	$4,561.72	4	0.09%	$96,033.91	49	0.12%
NV	$119,790.17	54	0.19%	$26,334.08	10	0.22%	$9,966.02	8	0.19%	$156,090.27	72	0.20%

	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			State & County Cash Balance (GROSS AMOUNTS)			Totals		
STATE	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL	BENEFIT PAYMENT	MEMBERS	% OF TOTAL
NY	$61,018.57	26	0.10%	$3,702.94	1	0.03%	$3,629.90	3	0.07%	$68,351.41	30	0.09%
OH	$32,005.53	23	0.05%	$3,095.68	3	0.03%	$1,129.45	2	0.02%	$36,230.66	28	0.05%
OK	$37,590.66	30	0.06%	$30,890.87	11	0.26%	$10,779.59	13	0.21%	$79,261.12	54	0.10%
OR	$108,909.10	62	0.17%	$15,066.33	8	0.13%	$8,072.18	4	0.16%	$132,047.61	74	0.17%
PA	$38,678.48	15	0.06%	$24,574.73	5	0.21%	$3,139.32	4	0.06%	$66,392.53	24	0.08%
RI	$4,474.46	4	0.01%	-	-	-	-	-	-	$4,474.46	4	0.01%
SC	$59,825.41	34	0.09%	$17,550.19	6	0.15%	$2,705.08	2	0.05%	$80,080.68	42	0.10%
SD	$700,337.30	326	1.11%	$32,341.58	18	0.27%	$24,481.87	22	0.48%	$757,160.75	366	0.95%
TN	$70,689.57	42	0.11%	$28,345.02	13	0.24%	$672.92	1	0.01%	$99,707.51	56	0.12%
TX	$509,780.69	234	0.81%	$162,301.45	68	1.38%	$25,840.77	26	0.51%	$697,922.91	328	0.87%
UT	$35,315.85	20	0.06%	$4,938.12	3	0.04%	$6,988.83	5	0.14%	$47,242.80	28	0.06%
VA	$54,562.16	29	0.09%	$11,014.36	9	0.09%	$2,692.97	4	0.05%	$68,269.49	42	0.09%
VT	$2,841.44	1	0.00%	-		-	-	-	-	$2,841.44	1	0.00%
WA	$73,996.76	49	0.12%	$25,341.92	11	0.22%	$8,899.33	8	0.17%	$108,238.01	68	0.14%
WI	$57,258.70	41	0.09%	$15,057.41	10	0.13%	$2,192.74	4	0.04%	$74,508.85	55	0.09%
WV	$7,968.81	6	0.01%	$6,566.55	2	0.06%	-	-	-	$14,535.36	8	0.02%
WY	$199,287.44	116	0.32%	$15,837.90	7	0.13%	$14,026.75	10	0.27%	$229,152.09	133	0.29%
Great Britain	$887.58	1	0.00%	-	-	-	$929.83	1	0.00%	$887.58	2	0.00%
Vietnam	$645.63	1	0.00%	-	-	-	-	-	-	$645.63	1	0.00%
Slovak	-	-	-	-	-	-	-	-	-	-	-	-
Mexico	-	-	-	$2,468.81	1	0.02%	-	-	-	$2,468.81	1	0.00%
Canada	$1,006.85	2	0.00%	$1,795.04	2	0.02%	-	-	-	$2,801.89	4	0.00%
Nigeria	$250.33	1	0.00%	-	-	-	-	-	-	$250.33	1	0.00%
Ecuador	$856.52	1	0.00%	-	-	-	-	-	-	$856.52	1	0.00%
TOTALS	**$63,116,065**	**28,377**		**$11,770,431**	**5,247**		**$5,111,781**	**3,345**		**$79,997,347**	**36,969**	

***Total Gross Annuity Benefits** Paid Per Month by NPERS*

$79,998,277

***Total Gross Annuity Benefits** Paid Per Month by OSERS*

$68,227,846

Plan Summaries

The following are brief descriptions of each plan under the administration of the Public Employees Retirement Board (PERB). The PERB has limited authority with respect to establishing the funding policy for these five statewide retirement systems.

COUNTY EMPLOYEES RETIREMENT SYSTEM

County employees participate in either the Defined Contribution or Cash Balance plan. Benefits for both Defined Contribution and Cash Balance members are based on the accumulated account balance (employee and employer contributions and earnings).

In 2017, the Cash Balance Tier Two benefit was created for participants joining the plan on or after January 1, 2018. Annuities for Tier One participants are calculated using the 1994 Group Annuity Table with a 7.75% rate. Tier Two annuities are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB. The current rate for Tier Two is 7.3% and will go down .1% each year until it hits 7%.

Employees contribute 4.5% of compensation, and County employers match member contributions at the rate of 150%. Commissioned law enforcement personnel contribute a supplemental 2% of compensation for counties with populations in excess of 85,000 and an additional 1% for counties with populations of 85,000 or less. County employers match supplemental law enforcement contributions at 100%. Members are vested in the employer match after three years of plan participation.

Cash Balance participants do not make investment choices and the rate of return credited to their accounts is not tied to investment performance. Cash Balance accounts receive an "interest credit rate" (rate of return) based on the federal mid-term rate plus 1.5%. When the federal mid-term rate falls below 3.5%, Cash Balance accounts receive a 5% minimum interest credit rate.

Defined Contribution participants make their own investment decisions for both employee and employer contributions. Rates of return vary based on investment choices and market performance. There is no guaranteed rate of return.

At termination/retirement, distribution options include an annuity, rollover, or lump sum withdrawal. Defined Contribution participants have the additional option of a systematic withdrawal, and their annuity rate is determined for each calendar year using the January Pension Benefit Guaranty Corporate rate, plus 0.75%.

STATE EMPLOYEES RETIREMENT SYSTEM

State employees participate in either a Defined Contribution or a Cash Balance plan. Benefits for both Defined Contribution and Cash Balance members are based on the accumulated account balance (employee and employer contributions and earnings).

The Cash Balance Tier Two benefit was created in 2017 for participants joining the plan on or after January 1, 2018. Annuities for Tier One participants are calculated using the 1994 Group Annuity Table with a 7.75% rate. Tier Two annuities are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB. The current rate for Tier Two is 7.3% and will decrease .1% each year until it is 7%.

Employees contribute 4.8% of compensation. The employer contribution is 156% of the employee's contribution. Members are vested in the employer match after three years of plan participation.

Cash Balance participants do not make investment choices and the rate of return credited to their accounts is not tied to investment performance. Cash Balance accounts receive an "interest credit rate" (rate of return) based on the federal mid-term rate plus 1.5%. When the federal mid-term rate falls below 3.5%, Cash Balance accounts receive a 5% minimum interest credit rate.

Defined Contribution participants make their own investment decisions for both employee and employer contributions. Rates of return vary based on investment choices and market performance. There is no guaranteed rate of return.

At termination/retirement, distribution options include an annuity, rollover, or lump sum withdrawal. Defined Contribution participants have the additional option of a systematic withdrawal, and their annuity rate is determined for each calendar year using the January Pension Benefit Guaranty Corporate rate, plus 0.75%.

DEFERRED COMPENSATION PLAN

This is a voluntary tax-deferred investment plan available to state and some county employees. The plan is an eligible Deferred Compensation Plan under section 457 of the Internal Revenue Code. If a member is over the age of 50, they can potentially contribute up to $27,000 in 2022. The investment options are identical to those offered through the Defined Contribution component of the State and County plans. There are no employer contributions. All expenses associated with the administration of the Deferred Compensation Plan are paid by the members of the plan through a monthly assessment against member accounts.

JUDGES RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute, with PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

In 2004, multiple changes to the Judges Retirement Plan were implemented, including an enhanced Joint and Survivor benefit and a higher contribution rate. Judges hired on or after this date and judges who opted to participate in the new benefit fall under the updated provisions.

In 2015, a second "tier" of benefits was created for members who began participation on or after July 1, 2015, and in 2017 a third "tier" of benefits was created for members who begin participation on or after July 1, 2017. For Tier Two and Three participants, the final average salary calculation happens at five years and the maximum cost of living adjustment (COLA) is limited to 1%. The retirement board may vote to issue a supplemental Tier Two/Three COLA up to 1.5% when the plan is fully funded with a sufficient actuarial surplus.

Tier One refers to members participating prior to July 1, 2015, Tier Two refers to members joining on or after July 1, 2015, and Tier Three refers to members joining the plan on or after July 1, 2017.

Tier One members hired on or after July 1, 2004, and those members who elected to participate in the enhanced joint and survivor benefit, contribute 9% of compensation. Upon reaching 20 years of service credit, this rate decreases to 5%. Judges hired before July 1, 2004, who elected not to participate, contribute 7% of compensation. Upon reaching 20 years of service credit, this rate decreases to 1%. Tier Two and Three members contribute 10% of compensation. The plan is also funded by court fees assessed on various court filings.

Annuities for members who began participation on and after July 1, 2017, are calculated using rates and mortality tables recommended by the plan actuary and approved by the PERB.

The PERB must have an annual valuation of the plan performed by its consulting actuary. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities.

Members are eligible for early, reduced retirement at age 55 or with unreduced benefits at age 65. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3.5%. Benefits are capped at 70% of average salary. A retired member is eligible to receive an annual COLA after being retired one year.

PATROL RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute, with PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

In 2016, a second "tier" of benefits for new plan participants was created. Tier One refers to members participating prior to July 1, 2016 and Tier Two refers to members joining on or after July 1, 2016.

Currently individuals participating in Tier One contribute 16% of compensation and Tier Two members contribute 17% of compensation. The employer matching contribution is currently 100% of the employee's contribution.

The PERB must have an annual valuation of the plan performed by its consulting actuary. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities.

Members are eligible for retirement as early as age 50 with 25 years of creditable service or at normal retirement age of 55. A member must retire upon reaching age 60. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3%. For Tier One members, final average salary is determined using the three highest 12-month periods of compensation. For Tier Two members, final average salary is determined using the five highest 12-month periods of compensation. Benefits are capped at 75% of average salary. If a member retires prior to age 55 and does not have 25 years of service, the member's benefit is reduced by 5/9 of 1% for every year prior to age 55 or reaching 25 years of service. A retired member is eligible to receive an annual COLA after being retired one year. The COLA for Tier One members is capped at 2.5%. The COLA for Tier Two members is capped at 1%.

Annuities for members who began participation on or after July 1, 2017 are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB.

A voluntary Deferred Retirement Option Plan (DROP) was added in 2008. Members with 25 or more years of service may participate as early as age 50. Upon entering DROP, benefits are calculated using current salary and service. During the DROP time frame the participant continues employment with the Patrol and no longer makes contributions to retirement. Monthly pension benefits are deposited into the DROP account and invested by the participant using the same investment options utilized in the Defined Contribution and Deferred Compensation plans. At termination, the DROP account is available to the participant. Subsequent monthly benefits are issued directly to the participant. Tier Two plan members are not eligible to participate in the DROP provision.

SCHOOL EMPLOYEES RETIREMENT SYSTEM

This is a Defined Benefit plan with contribution levels established by statute, with PERB responsibilities for determining additional contributions based upon information provided by the PERB's consulting actuary.

The Nebraska School Plan currently contains four "Tiers" of benefits. Tier membership is determined by the member's date of plan participation. Tier One refers to members who joined the plan prior to July 1, 2013. Tier Two refers to members who joined the plan on or after July 1, 2013 and prior to July 1, 2017. Tier Three refers to members who joined the plan on or after July 1, 2017 and prior to July 1, 2018. Tier Four refers to members who joined the plan on or after July 1, 2018.

Currently all members contribute 9.78% of compensation. The plan is also funded by a matching employer contribution of 101% of the member's contribution.

In addition, the state contributes an amount equal to 2% of the compensation of all members in the system. A retired member is eligible to receive an annual COLA after being retired one year. The COLA for Tier One members is capped at 2.5%. The COLA for Tier Two, Three, and Four members is capped at 1%.

The PERB must have an annual valuation of the plan performed by its consulting actuary. On the basis of this annual valuation, the state contributes an amount sufficient to cover the state service annuity.

Under certain circumstances, members may purchase additional years of service credit (such as out-of-state public school service). For members hired or rehired on or after July 1996, these service credit purchases must be purchased on the basis of full actuarial cost to the system. The PERB's consulting actuary provides actuarial cost tables for the PERB to determine the amount to be paid by the member for the additional service so that the impact to the plan for allowing this additional service is actuarially neutral.

"Normal" retirement age is 65. Under Tiers One, Two and Three, members may retire as early as age 55 with 30 years of service under the "Rule of 85." Under Tier Four, the minimum age for the "Rule of 85" is 60.

Benefits are calculated by multiplying the member's final average salary by their total creditable service, times a factor of 2%. Under Tier One, final average salary is determined using the three highest 12-month periods of compensation. For Under Tiers Two, Three, and Four, final average salary is determined using the five highest 12-month periods of compensation. There is an early retirement benefit reduction at age 60 to 65 if the member does not meet the "Rule of 85."

Annuities for Tier Three and Four members are calculated using rates and (updated) mortality tables recommended by the plan actuary and approved by the PERB.

DEFINED BENEFIT PLAN/ ACTUARIAL ASSUMPTIONS

The PERB's actuary recommends actuarial assumptions based upon annual actuarial valuations of the three Defined Benefit plans, as well as conduct experience studies every four years. The assumptions are key to the ongoing funding of the plans.

Actuarial assumptions are included for:

- Investment rates of return
- Salary changes
- Withdrawal rates
- Retirement rates
- Post-retirement mortality rates

In 1996, the PERB adopted a "smoothing of assets" policy for the recognition of investment returns by the three plans. As recommended by the actuary, this policy requires that annual investment gains and/or losses be amortized over five years to avoid significant variations in funding from year to year.

An actuarial experience study was completed in 2020. The study was presented to the Legislative Retirement Committee on January 27, 2021. The actuarial report is available on the NPERS website, under Publications/Videos. The next experience study is scheduled to be conducted in 2024.

POLICY 1 – BOARD DUTIES AND GOVERNANCE

1. **Duties -** The Public Employees Retirement Board (Board) will perform the duties outlined in its enabling legislation. (Neb. Rev. Stat. §§ 84-1501 to 84-1514.) The Board will also:

    (a) Review and approve all member disability claims;

    (b) Review and approve all hardship withdrawals from the Deferred Compensation Plan; and

    (c) Consider all member appeals according to the governing laws and Title 303, Nebraska Administrative Code, Chapter 12.

2. **Board Governance**

    (a) ***Officers*** – The Board's officers consist of a Chairperson, a Vice-Chairperson, and a Secretary. The Board's officers will serve from the date elected or assigned, as applicable, until the Board elects or assigns a successor.

    (i) The Nebraska Public Employees Retirement Systems (NPERS) Director will serve as the Secretary unless the Board votes to remove the Director from the Secretary position and elects another individual to serve as the Secretary. If the Board elects a Secretary, the Board will follow the same election procedure as used for the Chairperson and Vice-Chairperson.

    (ii) Eligibility to serve as the Chairperson or Vice-Chairperson – Board members must serve on the Board for at least one full year before they are eligible to serve as the Chairperson or Vice-Chairperson. The ex-officio, non-voting member of the Board is not to be eligible to serve as the Chairperson or Vice-Chairperson.

    (iii) Election Procedure – The Board will elect the Chairperson and Vice-Chairperson every January, or at such other times as necessary. Any voting member of the Board may nominate another eligible voting member of the Board as a candidate for Chairperson and Vice-Chairperson. To win an election for Chairperson and Vice-Chairperson, a candidate must receive a majority of the votes of the voting members of the Board present during the meeting in which the election takes place.

    (A) A roll call vote election is required when two (2) or more candidates are running for the same position unless a majority of the voting Board members present first approves a motion for a secret ballot.

    (B) A roll call vote election or an approved motion to cast a unanimous ballot are acceptable methods of resolving the election when only one (1) candidate is running for an officer position.

    (C) In the absence of the Chairperson and Vice-Chairperson, the Secretary may call the meeting to order and conduct an election for a Chairperson Pro Tem. A roll call vote election is required to elect the Chairperson Pro Tem. The elected Chairperson Pro Tem's status remains in place only for the duration of meeting in which the Chairperson Pro Tem's election occurred.

(iv) Duties of the Chairperson – The Chairperson must ensure the Board operates in accordance with the governing law, rules and regulations, and Board policies. The Chairperson must ensure:

(A) Meeting discussion content relates to the published agenda; and

(B) Discussion is on-point, relevant, thorough, orderly, efficient, and reasonable in length of time.

(v) Authority of the Chairperson – The Chairperson may only make decisions on behalf of the Board that fall within, and are consistent with, the Board's policies. Examples of delegated authority, and restrictions on the Chairperson's authority, include:

(A) The authority to chair Board meetings with all the commonly accepted powers of that position (e.g., ruling, recognizing, etc.);

(B) The authority to represent the Board to outside parties by announcing Board-stated positions, or stating the Chairperson's decisions and interpretations within the delegated areas of operation; and

(C) The authority to convene Board meetings, certify Board actions, name Board members to committees, and perform such other necessary and appropriate duties to facilitate the Board's completion of its statutory duties.

The Chairperson has no authority to make decisions for the Board that exceed the scope of the Board's policies or fall within the duties assigned to the NPERS Director through law, rules and regulations, or Board policy.

(vi) Duties of the Vice-Chairperson – In the absence of the Chairperson, the Vice-Chairperson acts as the Chairperson, and performs the duties assigned to the Chairperson. The Vice-Chairperson's authority to act as the Chairperson is subject to the same delegations and restrictions to which the Chairperson is bound and ends upon the Chairperson's return.

(vii) Duties of the Chairperson Pro Tem – In the absence of the Chairperson and Vice-Chairperson, and following a properly conducted election, the Chairperson Pro Tem, acts as the Chairperson, and performs the duties imposed on the Chairperson. The Chairperson Pro Tem's authority to act as the Chairperson is subject to the same delegations and restrictions to which the Chairperson is bound and ends upon adjournment of the meeting in which the Chairperson Pro Tem's election occurred, or upon the arrival of the Chairperson or Vice-Chairperson.

(b) ***Conduct of Meetings*** – Board meetings are held in accordance with the Open Meetings Act and the Board's enabling legislation. (Neb. Rev. Stat. §§ 84-1408 to 84-1414 and Neb. Rev. Stat. §§ 84-1501 to 84-1514, respectively.)

(i) Regular Meetings – The Board holds regular meetings each January, July, and at such other dates, times, and locations, as deemed appropriate by the Board. The Board will develop and adopt a tentative meeting schedule for the next calendar year during or before each December. Meetings may be cancelled by the Board in response to such things as natural disasters, pandemics, other emergency situations that jeopardize the health and safety of the Board members or public, or lack of quorum. This list is illustrative in nature and is not an all-inclusive list.

(ii) Special Meetings – The Board may hold special meetings when called by the Chairperson or at least three (3) Board members. The Secretary will notify every Board member by telephone, electronic mail, and/or text message, of such special meetings at least three (3) days in advance of such special meetings' start time(s).

(iii) Emergency Meetings – The Board may hold emergency meetings without reasonable advance public notice. The Secretary will endeavor to provide reasonable advance notice to all Board members by telephone, electronic mail, and/or text message.

(iv) Quorum – Five (5) members of the Board constitutes a quorum. The non-voting, ex officio member of the Board may be counted as a member for purposes of constituting a quorum. A quorum must be present for the Board to hold a meeting and conduct business.

(v) Meeting Attendance – All Board members must attend all Board meetings. A majority of the voting members present at a Board meeting may excuse a Board member's absence from such meeting. In the event a Board member has more than three (3) consecutive unexcused absences from regular Board meetings, the Chairperson shall notify the Governor of such absences, and make recommendations on whether the Governor should remove the absent Board member pursuant to Neb. Rev. Stat. § 84-1501.

(vi) Motions – All motions before the Board will pass only upon the affirmative vote of a majority of the voting members present at the Board meeting, unless otherwise required by law, rules and regulations, or Board policy. Roll call vote elections are required unless otherwise authorized by law, rules and regulations, or Board policy. Before using an alternative voting method, a majority of the voting Board members present must approve a motion to utilize the alternative voting method via roll call vote.

(vii) Meeting Agenda(s) – The Secretary, in consultation with the Chairperson, shall prepare the agenda for each Board meeting.

(A) The Secretary will publish a preliminary agenda at least seven (7) days before each regular Board meeting.

(B) The Secretary will publish a final agenda at least twenty-four (24) hours before each regular or special Board meeting, and as soon as reasonably possible after an emergency Board meeting is called.

(C) The Secretary will keep the agenda continually current and available for public inspection at the NPERS' offices during normal business hours. The Secretary, in consultation with the Chairperson, will place items on the agenda, subject to the following:

(I) A Board member requests that an item be added to the agenda, and the Chairperson or Secretary approves the request; and

(II) The agenda will not be altered within twenty-four (24) hours of a regular or special Board meeting start time, except for items of an emergency nature. For purposes of this section, an item is of an "emergency nature" only if a majority of the voting Board members present approves a motion that states the matter is of an emergency nature, it requires immediate Board action, and action on the matter cannot be delayed until the next regular or special Board meeting.

(c) ***Meeting Notice*** – The Board will provide adequate public notice of its meetings.

(i) Notice of the date, time, and place of the Board's regular meetings will be published on the Nebraska Calendar and NPERS websites at least five (5) days in advance of each meeting.

(ii) The Secretary will maintain a list of news media and members of the public ("Stakeholders") who request notification of the Board's meetings. The Secretary will take reasonable steps to notify such Stakeholders in advance of all Board meetings. The notice must include the date, time, and location of the meeting, the reason for the meeting, and an agenda, except where not practicable, such as for an emergency meeting. Such notice may be delivered via phone call, electronic mail, and/or posting information on the NPERS website.

(d) ***Subcommittees (a.k.a. Committees)*** – The Board uses subcommittees to efficiently carry out its duties. The Chairperson appoints subcommittee members, including the Chairperson of each subcommittee. No subcommittee shall include more than three (3) Board members. No subcommittee meeting may include more than four (4) Board members because this would constitute a quorum of the Board. Subcommittees cannot take action for, or represent, the full Board. All subcommittee proposals, findings, recommendations, and reports must be submitted to the Board for formal action. Board subcommittees include, but are not limited to the following:

(i) Regulation and Policy Review Committee – This subcommittee reviews current Board policies, proposed rules and regulations, and recommends revisions, additions, and deletions, to the Board to assist with long-range planning in the benefits, funding, technology, member services, education, and communication areas. This subcommittee also has oversight of the annual report to the Legislature.

(ii) Legislative Committee – This subcommittee reviews all pending legislation and advises the Board of trends that may affect the Board, NPERS, and the plans. Members of this subcommittee must be available to attend public hearings when called upon by the Board.

(iii) Budget and Personnel Committee – This subcommittee reviews the budget and monthly expenses, assists with service contract reviews at the initial contracting stage, renewal, or rebidding, and makes recommendations to the Board. The subcommittee must also establish a schedule for the Director's performance evaluations, collect and summarize individual Board member evaluations, makes a report to the Board, and recommends appropriate action. The subcommittee will also review the performance evaluation report of the Legal Counsel and Internal Auditor prepared by the Director and submit a recommendation to the Board.

(iv) Education and Retreat Committee – This subcommittee is responsible for the promotion of Board education, recommends topics and appropriate speakers for educational portion of Board meetings, and outlines the objectives for Board's annual retreat.

(v) Audit Committee – This subcommittee reviews the annual plan audits by the Auditor of Public Accounts, periodically reviews the internal audit plans and procedures, and makes recommendations to the Board as needed.

(vi) Any other ad hoc committee as necessary.

Revision Date: August 2021

POLICY 2 – BOARD CODE OF CONDUCT

1. The Board expects ethical and business-like conduct of its individual members and the Board as a whole.

2. Board members will comply with their fiduciary duties and standard(s) as stated in Neb. Rev. Stat. § 84-1503.02.

3. Board members are responsible for preparing for Board work.

4. Board members must avoid any actual or perceived conflict of interest with respect to their fiduciary responsibility.

   (a) Board members must file a "Potential Conflict of Interest Statement" with the Nebraska Accountability and Disclosure Commission whenever a potential conflict arises. A potential conflict of interest exists when a board member, in the discharge of his or her official duties, would be required to take an action or make any decision that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated which is distinguishable from the effects of such action on the public generally, or a broad segment of the public. (Neb. Rev. Stat. § 49-1499.02.)

   (b) There must be no self-dealing or any conduct of private business or personal services between any Board member and NPERS.

   (c) Board members must not use their positions to obtain employment within NPERS for themselves, family members, or close associates.

   (d) Former Board members are not eligible for employment with NPERS unless at least ninety (90) calendar days have passed since the former Board member left the Board.

5. "Statements of Financial Interests," shall be filed by each Board Member on or before March 1st of each year for the prior calendar year, and within thirty (30) days after leaving the Board as required by the Nebraska Accountability and Disclosure Act, Neb. Rev. Stat. §§ 49-1401 to 49-14,142.

6. Board members may not exercise individual authority over NPERS except as explicitly set forth in Board policies.

7. The Chairperson shall be the ex-officio spokesperson of the Board on routine matters and when the circumstances prohibit the Board from convening and approving a policy or statement. The Board may designate a member or members of the Board to communicate a Board-approved policy or statement.

8. Per Neb. Rev. Stat. § 84-1503.02, the Board will not advocate for benefit improvements for any of the retirement systems that it administers. The Board may comment and provide guidance on any proposed changes to the retirement systems it administers.

Revision Date: August 2021

POLICY 3 – DIRECTOR'S DUTIES AND LIMITATION OF AUTHORITY

The Board shall select, and set the salary for, a Director to administer NPERS. The appointment shall comply with Neb. Rev. Stat. § 84-1503(1)(b).

The Board shall be responsible for oversight of the Director and the operation of the NPERS at a strategic level. The Director is responsible for the day-to-day operations and decisions of NPERS.

1. **Director Duties and Responsibilities**

    (a) The Director is the chief administrative officer of NPERS, and is responsible for the overall planning, organization, development, supervision, directing, and coordination of the on-going operations of NPERS.

    (b) The Director must liaison with member groups, the Legislature, the Board, the attorney, the internal auditor, and the consulting actuary for the Board, and performs his or her duties with considerable latitude. The Director serves as an ex-officio member of the Nebraska Investment Council.

2. **Director's Specific Duties**

    The Director shall:

    (a) Supervise and coordinate the statewide benefit programs under the administration of the Board involving complex procedural details, a high volume of transactions, and diverse statutory basis;

    (b) Oversee the analysis and drafting of proposed legislation, and the accompanying fiscal notes, and provide guidance and instruction on NPERS' appearance before legislative committees during regular sessions and interim study periods;

    (c) Recommend all necessary rules and regulations relating to the administration, interpretation, and construction of the retirement laws;

    (d) Ensure compliance with Federal and State laws in the management and operation of the systems;

    (e) Coordinate with the consulting actuary regarding all required actuarial duties;

    (f) Establish the agenda and matters for consideration by the Board, and oversees the preparation and maintenance of the minutes of the meetings of the Board;

    (g) Perform public contact work in gathering information, resolving problems, engendering support, and providing information required by the Board and Legislature;

    (h) Prepare recommendations and justifications for changes in procedures, budget requests, personnel, and office activities;

    (i) Direct the preparation and conduct of research required in support of the Board's mandates and Legislative matters;

(j) Collect, interpret, analyze, and summarize information used as the basis for recommendations to the Board and Legislature;

(k) Direct, manage, and supervise the internal operations of NPERS staff to achieve the primary objectives of the fund in accordance with procedures established by the Board;

(l) Hire NPERS staff in accordance with the budget prescribed by the Board and Legislature;

(m) Authorize expenditures, pay salaries, and address claims against NPERS in accordance with the budget proposed by the Board and approved by the Legislature;

(n) Inform the Board of any development that may affect the Board and its operation; and

(o) Recommend action on disability claims from all retirement plans, and hardship withdrawals from the State Deferred Compensation Plan.

3. **Limitations of Authority**

The Board shall:

(a) Approve all disability claims;

(b) Approve all hardship withdrawals from the State Deferred Compensation Plan;

(c) Approve Rules and Regulations;

(d) Determine the funding policy for the plans as provided by statute;

(e) Approve the agency budget;

(f) At its discretion, authorize the Director to execute such contracts as have been approved by the Board; and

(g) At its discretion, authorize the Director to amend existing contractual service contracts with providers when additional services are required of that provider to implement board or legislative initiatives. The cost of the additional services requested of the provider by the Director cannot exceed those dollar limits set forth by the Department of Administrative Services requiring a competitive bidding process.

4. **Reimbursement for Director Expenses**

The Chairperson must review, and approve payment of, any expense in excess of $100 incurred by the Director in the course of the Director's official duties.

Revision Date: August 2021

POLICY 4 – LEGAL COUNSEL AND INTERNAL AUDITOR

1. **Legal Counsel -** The Board shall hire an attorney in accordance with, Neb. Rev. Stat. § 84-1503(1)(e).

    (a) The attorney shall provide legal services for the Board and NPERS under the supervision of the Board and in consultation with the Director. The attorney's job duties include the following:

        (i) Draft, revise, and ensure the compliance of the rules and regulations promulgated by the Board;

        (ii) Review and make recommendations to the Board, Director, and NPERS staff on retirement issues, including qualified domestic relations orders, member benefits, powers of attorney, beneficiaries, and employer reporting issues;

        (iii) Research and interpret applicable laws, regulations, policies, procedures, and other guidance documents;

        (iv) Work with outside legal counsel on the application of Internal Revenue Code to the retirement plans;

        (v) Represent NPERS in administrative hearings and in matters involving the Attorney General's office;

        (vi) Review and draft the Board's and NPERS' policies, procedural statements, and legal documents;

        (vii) Respond to legal questions from outside entities;

        (viii) Work with the Legislature, Governor's Office, and member groups on legislation;

        (ix) Advise the Board and Director on legal matters as they relate to the administration of the retirement systems, litigation, potential conflicts, and any other legal issue of interest.

    (b) The attorney shall act in the best interest of the Board. The attorney shall have direct access to the Board or any subcommittee thereof.

    (c) At least once per year, the attorney report to the Board any matters that in his/her professional judgment affects the Board's role and duties.

    (d) At least annually, the Director will provide the Board an evaluation of the attorney's performance. At that time, the attorney shall provide the Board a report of his/her activities for the period commensurate with the evaluation period.

2. **Internal Auditor** - The Board shall hire an internal auditor in accordance with Neb. Rev. Stat. §§ 84-304.03, 84-1503.04, and 84-1503(1)(f). The internal auditor shall work for the Board and in consultation with the Director.

(a) The Internal Auditor's role is to ensure NPERS employees are acting in accordance with the governing laws, rules, regulations, policies, and procedures. The Internal Auditor's duties and responsibilities must be consistent with the suggested standards for the professional practice of internal auditing as adopted by the Institute of Internal Auditors, and include the following:

(i) Prepare a formal written three-year audit plan and work schedule each year and present them to the Board;

(ii) Conduct ongoing reviews of the internal procedures of the NPERS and recommend improvements to the Board;

(iii) Ensure that NPERS' internal accounting and operational controls are appropriate and operating correctly, and report inconsistencies to the Board;

(iv) Examine and evaluate system records and operating procedures to verify compliance with established plans, policies, procedures, control systems, rules, regulations, laws and the generally accepted accounting and auditing principles and report inconsistencies to the Board;

(v) Perform internal auditing functions, including:

(A) Reviewing contributions received and creditable service granted;

(B) Reviewing benefit payments for completeness of information, appropriateness, accuracy, and timeliness;

(C) Verifying the accuracy of data and financial information reported to the system's actuary for all applicable plans; and

(D) Verifying the accuracy of data and financial information reported to the system's record keeper for all applicable plans; and

(vi) Develop standards to be used by independent auditors in their review of the practices and procedures used by various employers to provide for employee participation in the respective retirement plans included Neb. Rev. Stat. § 84-1503(1)(a).

(b) The Internal Auditor shall act in the best interest of the Board. The Internal Auditor shall have direct and immediate access to the Board or any subcommittee thereof.

(c) At least annually, the Internal Auditor shall report to the Board on any matters that, in his/her professional judgment, affect the Board's role and duties.

(d) The Internal Auditor shall provide a quarterly report to the Board of his/her activities. At least annually, a performance evaluation of the Internal Auditor shall be conducted and reported to the Board by the Director.

Revision Date: August 2021

POLICY 5 – REVIEWING DISABILITY RETIREMENT APPLICATIONS

1. The Board will review disability retirement applications in a manner consistent with the governing law.

2. The Director will ensure a disinterested physician conducts a medical examination on any member of the State, County, Patrol, or School plans, or any clerk magistrate participating in the Judges plan, that applies for disability retirement benefits, except when the medical examination may be waived under the law. When ordering an examination, the Director must choose a physician that specializes in the area of medicine relating to the reason or source of an applicant's disability, whenever practicable. The Director shall present the physician's confidential report and accompanying documentation, and a recommendation on whether to approve the disability retirement application, to the Board.

3. The Director will provide the Board a copy of the Commission on Judicial Qualifications' report on the disability status of a member of the Judges plan.

4. The Board may reevaluate any approved disability retirement application once per year from the disability retirement effective date.

5. Information provided in disability retirement applications includes medical records and other personal and sensitive information that if released may do significant harm to an applicant's interests or needless harm to an applicant's reputation. Therefore, all reviews of members' disability applications shall take place in Executive Session. All information reviewed by the Board or the Board's agents shall be kept confidential.

Revision Date: August 2019
Reviewed Date: July 2021

POLICY 6 – CONTRACTUAL SERVICES

1. The Board will contract for services in accordance with the governing law, rules and regulations, policies, practices, and delegation authorities granted by the Department of Administrative Services (DAS). Where required, the Board, or its designee(s), will coordinate with DAS on all contract matters.

Revision Date: August 2020
Reviewed Date: July 2021

POLICY 7 – CONFERENCE ATTENDANCE AND EXPENSE REIMBURSEMENT

The administration of the retirement plans is a complex matter. Board members must be educated in matters relating to the plans they administer. Board members are encouraged to attend at least one (1) educational conference per year.

1. In order to promote education and adequately train new Board members, each new Board member is strongly encouraged to attend an educational session to learn the basics of the administration of retirement plans within the first twelve (12) months of becoming a Board member.

2. Due to the ongoing fiduciary responsibilities of all Board members, each Board member is encouraged to attend at least one educational session, such as the Board's annual retreat or a conference, per year to stay current with statutory, regulatory, and administrative issues related to retirement plan administration.

3. Whenever possible, Board members and the Director shall make travel requests to the Board at least thirty (30) days before the conference or travel commences. Each request will include a business-related reason for the travel and/or conference attendance, and a cost estimate. The Board will review and vote on whether to approve each travel and/or conference attendance request. A majority of the voting Board members present at the meeting must approve the a travel and/or conference attendance request before the requesting Board member will be authorized reimbursement for the travel, conference, and related expenses.

4. Any Board member who attends a conference or seminar will present a report to the Board at the next Board meeting the member attends.

5. Board members will be paid per diems at the rate allowed by law and in accordance with Board policies while attending conferences.

6. Board members attending the Board's annual retreat will be reimbursed for business-related expenses incurred while they are performing their duties at the rate allowed by law and regulation. (See paragraph 7 for links to the governing laws, Department of Administrative Services (DAS) policies, and GSA per diem rates.)

7. Board members will be reimbursed for the actual cost of conference fees, lodging, meals, etc., in accordance with the Neb. Rev. Stat. §§ 81-1174 to 81-1182.01, and the policies and manuals as established by DAS, such as the DAS Website: Accounting Manual. Board members must obtain and submit receipts for all conference fees, lodging, and meal expenses in excess of five dollars ($5.00). GSA rate information may be found on the GSA website at https://www.gsa.gov/travel/plan-book/per-diem-rates.

8. In order to receive reimbursement, a Board member must complete an expense reimbursement document, and attach actual receipts for all travel expenses, except meals and immaterial travel expenses. Immaterial items are parking, tolls, intercity bus fares, baggage handling, tips, and taxi fare charges under ten dollars ($10.00) per occurrence. Board members will be reimbursed for the use of their personal vehicles for official Board business in accordance with the governing laws and DAS policies. (See paragraph 5 for links to the governing laws, DAS policies, and GSA per diem rates.)

9. Board members will be reimbursed for one long distance call per day to their home while in travel status in accordance with the approved agency policy on file with DAS.

10. No reimbursement is allowed for alcoholic beverages.

Revision Date: August 2021

POLICY 8 – BOARD FUNDING

1. **Introduction and Background**

The Nebraska Public Employees Retirement System (NPERS) administers five pre-funded defined benefit pension plans (i.e., School, State Patrol, Judges, State, and County). The School, State Patrol and Judges plans are traditional defined benefit plans with benefits based on the employee's final average compensation. The State and County plans are cash balance plans, which are considered hybrid defined benefit plans. The plans are funded based on legislatively determined contributions for employers (or court fees for Judges), employee contributions, and state contributions to the School plan. Additionally, the Nebraska Legislature is expected to appropriate additional funds for years when the contributions set in statute are insufficient to meet the actuarially determined contribution requirements.

The purposes of this funding policy are to state the overall funding goals, identify the benchmarks that will be used to measure progress in achieving those goals, and disclose the actuarial methods and assumptions that will be employed to develop the benchmarks. In addition, this Policy will provide annual actuarial metrics to guide the Nebraska Public Employees Retirement Board (Board) when considering items such as dividends for the cash balance plans or discretionary COLAs, as well as whether to pursue or support proposed contribution and benefit legislation. Finally, the policy will include a brief list of governance responsibilities regarding the commissioning, collection, and review of actuarial information.

It is the intention of the Board that this funding policy be considered a working document, reviewed periodically and, as necessary, altered in the future through formal action of the Board.

2. **Funding Goals**

The objective of pre-funding the plans is to accumulate sufficient assets during a member's employment from employer and employee contributions and, as necessary, contributions from the State of Nebraska, to fully finance the benefits the member receives throughout retirement.

Achievement of the pre-funding objective is dependent on the following rules:

- Maintaining an increasing ratio of assets to actuarial liabilities and **reaching a funded ratio of at least 100 percent.**
- **Preserving the defined benefit plan structure** of providing lifetime benefits to the employees of NPERS-affiliated employers.
- Demonstrating **transparency and accountability** through the continued maintenance of a defined benefit pension plan funding policy for the stakeholders of NPERS.
- Dedication to the balance between:
    - **Contribution rate stability**—keeping contributions relatively stable over time, and
    - **Intergenerational equity—**allocating costs over the employees' period of active service.
- Recognition that within a multiple-employer cost-sharing defined benefit plan, such as School and County, there are **beneficial elements of pooled risk**, both in the accrual of plan liabilities, recognizing actuarial gains and losses by plan, rather than by employer; and in the accumulation of plan assets through the engagement of an appropriate level of asset risk management.

3. **Annual Actuarial Metrics**

Below is a list of actuarial metrics to be assessed on an **annual basis as of the actuarial valuation date**. The Board recognizes that a single year's results may not be indicative of long-term trends and projected results, but collectively, the annual metrics will build trends and help the Board achieve their objectives.

- **Funded ratios**: Calculate and review by plan:
    - o The actuarial funded ratio based on the actuarial value of plan assets divided by the defined benefit pension plan's actuarial accrued liability (AAL), and
    - o The market value funded ratio based on the market value of plan assets divided by the defined benefit pension plan's AAL.
- **Contribution rate comparison:** Calculate and review by plan:
    - o Statutory contribution rates, and
    - o Actuarially determined contribution (ADC) rates.
- **Actuarial Projections (5 year and 30 year):** Given that some of the plans have multiple benefit tiers that create different ongoing costs, there is value in anticipating longer term trends, particularly for the traditional DB plans. Therefore, a 30-year projection model will be prepared annually for the School, State Patrol and Judges plans and, at the Board's request for the State and County plans (the funded status and funding/benefit interaction make projections less valuable). The analysis, using the models, will include, but not be limited to, the following:
    - o Funded ratio assuming only the current statutory contribution rates apply in all future years and all actuarial assumptions are met.
    - o Additional State contributions necessary to meet the actuarially required contribution in each future year (both rates of pay and dollars), assuming all actuarial assumptions are met.

4. **Funding Valuation Elements**

Annually, the Board's actuary will perform an actuarial valuation for funding purposes and calculate the Actuarial Determined Contribution (ADC) rates against which to compare the contribution rates mandated under State statute. The ADC will be the sum of a payment based on normal cost and a payment on the UAAL which are determined by the following three major components of a funding valuation. All of these items are specified in statute rather than set by the Board:

- **Actuarial Cost Method:** This component determines the attribution method upon which the cost/ liability of the retirement benefits are allocated to a given period, defining the normal cost or the annual cost associated with the projected benefits.
    - o The Entry Age Normal Cost Method (EAN), as is used for NPERS' annual actuarial valuation purposes, is to be used for the determination of the normal cost rate and the actuarial accrued liability for purposes of calculating the ADC.
    - o Under the EAN method, normal cost is calculated using benefits based on projected service and salary at retirement and is allocated over an individual's career as a level percent of payroll. Because EAN normal cost rates are level for each participant, the normal cost pattern for the entire plan under EAN is more stable in the face of demographic shifts in the workforce. It is this normal cost stability that makes the EAN method the preferred funding method for the majority of public defined benefit pension plans.

- **Asset Valuation Method:** This component dictates the method by which the asset value, used in the determination of the UAAL, is determined, which could be a market value or a smoothed actuarial value of assets.
  - Because investment markets are volatile and defined benefit pension plans typically have long investment horizons, application of an asset-smoothing technique can be an effective tool to manage contribution volatility and provide a more consistent measure of a pension plan's funding over time. Asset-smoothing methods reduce the effect of short-term market volatility on contributions, while still tracking the overall movement of the market value of plan assets, by recognizing the effects of investment gains and losses over a period of years.
  - The asset valuation method to be used shall be a five-year *smoothed* market value of assets which recognizes the dollar amount of the difference between actual market investment returns and the assumed investment return equally over a five-year period.

- **Amortization Method:** This component prescribes, in terms of duration and pattern, the systematic manner in which the difference between the actuarial accrued liability and the actuarial value of assets is reduced.
  - The "layered" amortization method is used to determine the payment schedule to be used to finance the unfunded actuarial accrued liability. Unexpected changes in the UAAL as identified in the annual actuarial valuation process, whether positive or negative, are amortized over a period beginning on that valuation date.
  - Once established for any component of the UAAL, the amortization period for that component will be closed and will decrease by one year annually.
  - The amortization payment will be determined on a level percentage-of-payroll basis for the traditional defined benefit (DB) plans and as a level dollar amount for the cash balance plans.
  - The length of the amortization periods will be as follows:
    A. Traditional defined benefit plans – 30 years from the date of the valuation.
    B. Cash balance plans – 25 years from the date of the valuation.
  - As the funded status of the traditional defined benefit plans improves over time, the Board may wish to evaluate moving to a 25 year amortization period on new components of UAAL, as is used for the cash balance plans.
  - If any future annual actuarial valuation indicates a plan has a negative UAAL (surplus), all existing amortization bases are eliminated and a new base with a 30-year amortization period is created.

In conjunction with the three major funding components discussed above, a number of actuarial assumptions are used to develop the annual actuarial metrics, as well as the ADC rates, and are described in detail in each of the annual actuarial valuation reports. The actuarial assumptions are derived and proposed by the Board's actuary, in conformity with the *Actuarial Standards of Practice* issued by the Actuarial Standards Board. The Board will review the actuarial assumptions used to determine funding needs, on a regular basis, but change those assumptions only on the basis of a recent experience study or if the actuary recommends a review due to a significant change in the factors used to determine the assumptions. By statute, an experience study will be conducted every four years. The assumptions represent the Board's best estimate of anticipated experience under the benefit provisions of NPERS and are intended to be long-term in nature. In the development of actuarial assumptions, the Board considers not only past experience but also trends, external economic forces, and future demographic and economic expectations.

- **Actuarial Assumptions—**Actuarial assumptions are generally grouped into two major categories:
  - **Demographic assumptions**, which include rates of termination, retirement, disability, mortality, etc., and
  - **Economic assumptions**, which include investment return, salary increase, payroll growth, and inflation, cost-of-living, etc.

  Actuarial assumptions do not impact the total cost of the plan (actual benefit payments and expenses), but rather the timing of prescribed contributions. To the extent that actuarial experience deviates from the assumptions, and actual contributions deviate from projected, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) the projected future contributions necessary to achieve or sustain a certain actuarial standard. It is in this vein that the ADC rates may help indicate if the statutory contribution rates are adequate to meet the future cost requirements of the plan, although the ADC calculated in the valuation results has limitations due to the expected change to the ongoing costs over time due to different benefit tiers.

5. **Board Funding Criteria and Discretionary Benefit Applications**

Traditional Defined Benefit Plans. The Public Employees Retirement Board administers the three traditional defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

(a) The School Employees' Retirement Plan, which covers all school employees, teachers and administrators in Nebraska, with the exception of the separate Omaha Public Schools plan, shall be funded each year in accordance with the actuary's recommendation. The primary source of funding, as outlined by Section 79-958, shall be the monthly employee and employer contribution rates and the required annual contribution outlined by Sections 79-966 and 79-966.01 for the State of Nebraska.

(b) The State Judges' Retirement Plan, which covers all state judges and certain clerk magistrates, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee contributions and court fees and any required annual contribution by the State of Nebraska outlined in Section 24-703.

(c) The State Patrol Retirement Plan, which covers all uniformed or certified patrol officers, shall be funded each year in accordance with the actuary's recommendation. The plan is primarily funded by employee and employer contributions and annual contributions by the State of Nebraska as outlined in Section 81-2017.

(d) It is recognized that in all three of these traditional defined benefit plans the investment return on the assets is a vital part of the funding for the plans. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.

Cash Balance Benefit. The Public Employees Retirement Board administers the two hybrid defined benefit plans authorized by State Statute. In order to protect the benefits provided by the plans the Board endorses the statutory funding requirements, as follows:

(a) The State Employees and the County Employees Retirement Plans include a Cash Balance benefit that must be actuarially sound. These plans cover state and county employees and are primarily funded by employee and employer contributions as well as any required contribution by the employers (the State of Nebraska or participating employers in the County Plan).

(b) It is recognized that the investment return on the assets is a vital part of the funding for the benefits. In addition, the annual actuarial valuation is the source each year for determining any additional contributions needed for a given year.

(c) Each year after the annual actuarial valuations results are received, the Board will determine, based on the recommendation of the actuary, if a benefit improvement can be made, such as a dividend payment to individual Cash Balance member accounts, after allowing for the required ten percent funding reserve within the plan. If it is determined that the benefit improvement should be a dividend and that sufficient reserves exist, the dividend will be granted as follows:

(i) The Board will determine if any dividend can be granted at the earliest possible date following the annual actuarial valuation, but in all cases the dividend will be retroactive to January 1st of that year.

(ii) The long-term goal for the cash balance retirement plans is to provide long-term growth for member accounts equal to the long-term growth rate for the invested funds. However, in the short run, some of the excess earnings may be held in reserve to serve as a buffer for short-term fluctuations in market return.

(iii) Any dividend that is granted should conform to the following guidelines:

(A) The plan must maintain the 90% Benefit Threshold Rate after granting any dividend.

(B) There must be a minimum 100% Funded Ratio on both the Funded Basis and the Current Value Basis, both before and after the dividend is granted.

(C) The dividend plus the annual interest credit during the year cannot exceed the assumed rate of return unless a majority of the full Board agrees via roll call vote.

(D) No dividend will be granted for a year where the annual interest credit rate exceeds the actuarial assumed rate of return.

(iv) The account balance used to determine the amount credited will be the balance as of December 31st of the previous year.

(v) All accounts with an account balance as of December 31st of the previous year will be credited with the dividend amount, except that no dividend shall be paid to any account with a final account valuation made prior to December 31st of the year for which the dividend is granted.

(vi) If a dividend is granted, the value of the dividend will be credited with interest between January 1st and the dividend distribution date, using the interest credit rate earned on regular contributions for the same period.

(d) The Board recognizes that granting dividends impacts the benefits of members and thus do not wish to be overly conservative or aggressive in granting dividends. Generally, the Board will seek to grant the largest dividend possible that is consistent with the specified policies and that is consistent with meeting the funding needs of the plans.

(e) The Board may also weigh the administrative complexities and costs versus the amount of dividend that may be granted in evaluating whether to grant the dividend.

State Patrol and Judges Tier 2 Supplemental Payment. Under certain statutory conditions, the Board is able to grant a one-time supplemental payment of up to 1.5% to certain retirees in the State Patrol and Judges defined benefit plans.

(a) Under statute, the plan must remain fully funded after the payment is granted.

(b) The Board generally will grant the maximum amount when possible. If only a lesser amount is possible, the Board may weigh the administrative complexities and costs versus the amount of benefit to determine if a payment will be granted.

Statutory Reference for Cash Balance Plan Enhancements

Section 23-2317(4)(c) and section 84-1319(4)(c) – if the unfunded accrued actuarial liability under the entry age actuarial cost method is less than zero on an actuarial valuation date, and on the basis of all data in the possession of the retirement board, including such mortality and other tables as are recommended by the actuary engaged by the retirement board and adopted by the retirement board, the retirement board may elect to pay a dividend to all members participating in the cash balance option in an amount that would not increase the actuarial contribution rate above ninety percent of the actual contribution rate. Dividends shall be credited to the employee cash balance account and the employer cash balance account based on the account balances on the actuarial valuation date. In the event a dividend is granted and paid after the actuarial valuation date, interest for the period from the actuarial valuation date until the dividend is actually paid shall be paid on the dividend amount. The interest rate shall be the interest credit rate earned on regular contributions.

Statutory reference for State Patrol and Judges Plan Enhancements

Judges

Section 24-710.15 (1) applies for Judges who become members on or after July 1, 2015. If the annual valuation made by the actuary indicates that the retirement system is fully funded and has sufficient actuarial surplus to provide for a supplemental, lump-sum cost-of-living payment, the Board may, in its discretion, elect to pay up to a maximum one and one-half percent supplemental lump-sum cost-of-living payment to each retirement member of beneficiary based on the retired member's or beneficiary's total monthly benefit through June 30 of the year for which the supplemental lump-sum cost-of-living payment is being calculated. In no event shall the Board declare a supplemental lump-sum cost-of-living payment if such payment would cause the plan to be less than fully funded.

State Patrol

Section 81-2027.10 (1) applies for officers who became members on or after July 1, 2016. If the annual valuation made by the actuary indicates that the retirement system is fully funded and has sufficient actuarial surplus to provide for a supplemental, lump-sum cost-of-living payment, the Board may, in its discretion, elect to pay up to a maximum one and one-half percent supplemental lump-sum cost-of-living payment to each retirement member of beneficiary based on the retired member's or beneficiary's total monthly benefit through June 30 of the year for which the supplemental lump-sum cost-of-living payment is being calculated. In no event shall the Board declare a supplemental lump-sum cost-of-living payment if such payment would cause the plan to be less than fully funded.

6. **Governance Policy/Processes**

Below is a list of specific actuarial and/or funding-related studies, the frequency at which they should be commissioned/requested by the Board, and additional responsibilities relating to the studies:

- **Actuarial Valuation** (performed annually) — The Board is responsible for reviewing the annual actuarial valuation reports. In addition, the Board, in consultation with the retained actuary, will provide recommendations to the Nebraska Retirement Systems Committee regarding any necessary adjustments to the statutory employer and member contribution rates.
- **Actuarial Projections** (performed annually in conjunction with the funding valuation) – The funded status of each Plan will be monitored on an annual basis on a projected basis as well as a snapshot basis. These projections will indicate the expected future progress toward the overall funding goals of NPERS and provide an indication of any additional State contributions that might be required for each Plan.

- **Experience Analysis** (performed at least every four years) — The Board is responsible for ensuring that an experience analysis is performed as prescribed in statute (every four years), for reviewing the results of that study, and for approving the actuarial assumptions and methodologies to be used for all actuarial purposes relating to the five defined benefit pension plans.
- **Actuarial Audit** (performed periodically) — The Board is responsible for ensuring that an actuarial audit of the funding valuations, to be conducted by an independent actuary, is performed periodically. The purpose of such a review is to provide a critique of the reasonableness of the actuarial methods and assumptions in use and to verify the resulting actuarial liabilities and contribution rates. The Board shall review the results of the audit and ensure that any suggested improvements the Board deems of value are implemented in a timely fashion.
- **Benefit Adequacy Study** (performed periodically) — The Board will perform a benefit adequacy study to evaluate each Plan's ability to provide the retirement income needed to maintain an employee's pre-retirement standard of living at and throughout retirement, provide retirement benefits at a level competitive with other regional statewide retirement systems and local employers, and provide the best retirement benefit possible given a fixed contribution level and investment risk tolerance.
- Review of the **Defined Benefit Pension Plan Funding Policy** (performed periodically)—The Board is responsible for the periodic review of the defined benefit pension plan funding policy, as is deemed necessary. The Board believes it is reasonable to review the Funding Policy in conjunction with the Experience Analysis, every four years, or more frequently if deemed necessary.

7. **Glossary of Funding Policy Terms**

- **Actuarial Accrued Liability (AAL):** The AAL is the value at a particular point in time of all past normal costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions, and participant data had always been in effect, contributions equal to the normal cost had been made, and all actuarial assumptions had been met.
- **Actuarial Cost Method:** The actuarial cost method allocates a portion of the total cost (present value of benefits) to each year of service, both past service and future service.
- **Active Member:** a member currently making employee contributions to the plan.
- **Asset Values**: For each of the NPERS defined benefit plans, two values are determined:
  - **Actuarial Value of Assets (AVA):** The AVA is the market value of assets less the deferred investment gains or losses not yet recognized by the asset smoothing method.
  - **Market Value of Assets (MVA):** The MVA is the fair value of assets of the plan as reported in the plan's financial statements.
- **Defined Benefit Plan:** Monthly benefits payable from a traditional defined benefit plan, such as the School, Patrol or Judges Plans, are based on a benefit multiplier, years of service, and the member's final average salary. Cash Balance Plans, such as the State and County Plans, accrue benefits in a different manner. A hypothetical account balance is maintained while the member is working and employee and employer contributions, along with an interest credit, is posted to the account each year. Once the member is inactive, only the interest credit increases the account balance. At retirement, the account balance is converted to an equivalent monthly benefit unless the member elects to receive a lump sum distribution.
- **Entry Age Normal Actuarial Cost Method (EAN):** The EAN actuarial cost method is a funding method that calculates the normal cost as a level percentage of pay or level dollar amount over the working lifetime of the plan's members.
- **Funded Ratio:** The funded ratio is the ratio of the plan assets to the plan's actuarial accrued liabilities.

  - **Actuarial Value Funded Ratio:** Is the ratio of the AVA to the AAL.
  - **Market Value Funded Ratio:** Is the ratio of the MVA to the AAL.

- **Inactive Member:** a member no longer employed and contributing to the plan, but not yet receiving benefits.
- **Normal Cost**: The normal cost is the cost allocated under the actuarial cost method to each year of active member service.
- **Present Value of Benefits (PVB) or total cost:** The PVB is the value at a particular point in time of all projected future benefit payments for current plan members. The future benefit payments and the value of those payments are determined using actuarial assumptions regarding future events. Examples of these assumptions are estimates of retirement and termination patterns, salary increases, investment returns, etc.
- **Retired Member:** A member or their beneficiary who is currently receiving monthly benefits from the plan.
- **Surplus:** A surplus refers to the positive difference, if any, between the AVA and the AAL.
- **Unfunded Actuarial Accrued Liability (UAAL):** The UAAL is the portion of the AAL that is not currently covered by the AVA. It is the positive difference between the AAL and the AVA.
- **Valuation Date:** The valuation date is the annual date upon which an actuarial valuation is performed; meaning that the trust assets and liabilities of the plan are valued as of that date.

Revision Date: August 2021

POLICY 9 – BOARD PER DIEM

1. Pursuant to the provisions of Neb. Rev. Stat. § 84-1502(3), Board members may be paid a per diem when the Board member:

    (a) Attends a monthly Board meeting;
    (b) Attends a special or emergency Board meeting;
    (c) Participates in a Board committee meeting, whether by phone or in person;
    (d) Attends a Board-approved seminar or conference; or
    (e) Participates in other such activities as approved by the Board.

2. Board members must complete a Request for Per Diem Compensation form and submit it to the Board's Secretary for any per diem claim, except for monthly Board meetings.

3. A Board member may, in lieu of submitting Requests for Per Diem Compensation, submit in writing a statement indicating that the member does not wish to receive per diem compensation.

Revision Date: August 2021

POLICY 10 – CONTINUITY PLAN

1. **Continuity Plan**

    (a) Board Members – New Board members will be paired with an existing Board member who will assist that new Board member during the first six months of his/her term.

    (b) Director – The Director shall designate a manager-level employee of NPERS to act as the Interim NPERS Director if the Director will be absent for an extended period of time. However, if the Director has appointed a Deputy Director, the Deputy Director will act as the Interim Director. The Director's appointment of an Interim Director is subject to the Board's review, and the Board may appoint an alternate Interim Director.

2. **Education and Policy Review at the Annual Retreat**

    (a) Each year the Board will set aside time at the regular monthly Board meeting in July to review policies, set goals, and receive additional training, education, and/or updates on their fiduciary duties as Board members or developments in public pension administration.

    (b) Nothing in this paragraph limits the Board's ability or authority to review policies, set goals, and receive additional training and/or updates on their fiduciary duties as Board members or developments in public pension administration at any other time.

Revision Date: August 2019
Reviewed Date: July 2021

POLICY 11 – SERVICE DELIVERY

1. To accurately calculate a retirement benefit, NPERS needs all retirement compensation, contributions, and service credit to post to a member's account prior to calculating the member's final retirement benefit. It can take several months for the required information to post to a member's account.

2. In order to provide a timely retirement benefit for retirees, NPERS may calculate a preliminary benefit in accordance with the guidance provided below.

   (a) A member's preliminary benefit will be equal to ninety-five percent (95%) of the anticipated retirement benefit calculated based on the total service and compensation information available at the time of the preliminary benefit calculation.

   (b) NPERS will, generally, calculate the preliminary benefit within three (3) calendar months of the member's anticipated final pay date.

3. NPERS will recalculate the member's preliminary benefit as a final monthly benefit approximately six (6) calendar months after the member's retirement effective date. If the member's compensation, contributions, and service do not post to the member's account in a timely manner, NPERS will delay calculating the final benefit until the information posts to the member's account. NPERS will ensure the member's final retirement benefit is applied retroactively to the member's retirement effective date.

   (a) If the member's final calculated monthly benefit is within thirty dollars ($30) or two percent (2%) of the member's one hundred percent (100%) preliminary benefit, then the recalculation is performed automatically by NPRIS and does not require a manual calculation by NPERS staff.

   (b) If the member's final calculated monthly benefit is greater than thirty dollars ($30) or two percent (2%) of the member's one hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.

   (c) If the member's final calculated monthly benefit is less than the member's one hundred percent (100%) preliminary benefit, then the final benefit is recalculated manually by NPERS staff.

Revision Date: November 15, 2021

POLICY 12 – ASSESSING EMPLOYER OBLIGATIONS FOR WITHDRAWING EMPLOYEE GROUPS

1. Neb. Rev. Stat. §§ 23-2306 and 79-915 grant the Board authority to adopt a methodology for assessing employer obligations for withdrawing employee groups.

2. Prior to adopting a methodology, the Board considered a number of factors, including, but not limited to efficiency, cost, immediate liability changes, reduction in covered payroll, protection of plan assets, reducing transfer of financial liability to other employers, plan members, or the State, and risk of negative actual experience relative to the actuarial assumptions.

3. When an employer is contemplating, or makes, a business decision/transaction that results in such entity no longer qualifying, in whole or in part, under section 414(d) of the Internal Revenue Code, the actuary will use the following methodology when calculating the funding obligation created by the business decision/transaction:

   (a) The calculation of the withdrawing liability will be performed using the census data and asset information contained in the most recent actuarial valuation report approved by the PERB.

   (b) For purposes of this calculation, the assets allocated to the withdrawing employer are equal to the funded ratio of the County Plan or School Plan, as applicable, on a market value basis, times the actuarial liability of the active employees involved on an ongoing basis, based on the Entry Age Normal Actuarial Accrued Liability.

   (c) The liability required to be funded by the employer is the excess of 115% of the actuarial liability for the affected members now valued as inactive vested members, over the allocated assets.

4. Based on the actuary's recommendation, the Board will review this policy at least annually for the first three (3) years following adoption to ensure the application of the policy to the actual situations in which it is utilized is consistent with the PERB's intent. After this period of time, the Board will consider whether to implement a formal rule and regulation to codify the practice.

Revision Date: August 2021

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