The passage of LB415 made multiple changes to the plan that could have an impact on reporting agents duties. The sections most likely to affect your duties involve further clarification of the definitions for service credit & compensation, new termination procedures, remittance for eligible periods of military service, and restrictions on purchases of service.

Service Credit

Further defines service credit in the School Plan. **For employees hired on or after July 1, 2018** the statutory definition of service credit:

“For employees hired on or after July 1, 2018, creditable service includes working days, used accrued sick days, used accrued vacation days, federal and state holidays, and jury duty leave for which the member is paid full compensation by the employer. Creditable service does not include lump-sum payments to the employee upon termination or retirement in lieu of accrued benefits for such days, eligibility and vesting credit, service years for which member contributions are withdrawn and not repaid by the member, service rendered for which the retirement board determines that the member was paid less in compensation than the minimum wage as provided in the Wage and Hour Act, service which the board determines was rendered with the intent to defraud the retirement system, or any other type of leave not expressly included in this subdivision;”

The primary change is the restriction limiting service credit to the statutory definitions for employees hired on or after July 1, 2018. The bill adds language that includes jury duty leave as service credit if the member is paid full compensation by the employer. 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 would not be eligible for service credit.

Compensation

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

Termination Procedures/ Certification of Separation From Service

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.

NPERS is in the process of developing paperwork and procedures for this requirement. School reporting agents will receive notification advising when they should implement these new procedures.

Military Service

The employer is now responsible for funding military service benefits including both the member and employer contributions for individuals who are qualify for military service credit. 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).

Purchases of Service

Removed 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.

This article only covers the provisions impacting your duties as a school reporting agent and is not a comprehensive description of the full contents of the bill. The September Retirement News will provide more information regarding LB415. In addition, a summary of the bill and a link to the Nebraska Legislature is available on the Legislation page of our website.
Clarification of FAQ Fall 2014 Retirement Report

Q. What if an employee who is participating plan member at our school terminates employment and then returns to work for us at a later date?

A. If they did not take a refund or begin drawing a retirement benefit then you would resume taking contributions as they have previously established membership at your school district.

While correct, this would NOT apply to an individual who has returned ONLY to provide service as a “true substitute.” If this individual provides any amount of regular service, then they would return to plan participation and you would resume contributions on all service(s) provided including substitute hours.

Misuse of Non-Contributing School Member Forms

Please make sure you are submitting Non-Contributing Member Forms correctly. This form should be utilized when there is a termination of employment such as (but not limited to) a retirement, resignation, disability, or death. You should not submit a Non-Contributing form at the end of the school year when the member will be returning to employment in any full or part-time capacity the following year. A reduction in hours will not discontinue participation in the plan. Please note this does not include an employee returning as a true substitute.

Improper Enrollment/Excess Contributions/Adjustments

Contributions received for employees who have not met the eligibility requirements are considered excess contributions. Adjustments for excess contributions are not to exceed one year from the date the contribution was received. We encourage school reporting agents to review their contributing employees to ensure they have met the eligibility requirements to participate in the School Employees Retirement Plan.

Reference – Title 303, NAC, Chapter 18

003.01 If NPERS determines that a retirement system has received an excess employee contribution, then NPERS shall either provide a refund or credit the excess employer contribution against future employer contributions. Adjustments due to excess employer contributions shall be made within one year of the date the excess contribution was received by NPERS. If more than one year has passed since the date the contribution was received, the excess contribution shall not be adjusted.

003.02 If NPERS determines that a retirement system has received an excess employer contribution, then NPERS shall either provide a refund or credit the excess employer contribution against future employer contributions. Adjustments due to excess employer contributions shall be made within one year of the date the excess contribution was received by NPERS. If more than one year has passed since the date the contribution was received, the excess contribution shall not be adjusted. Notwithstanding the foregoing, NPERS will only provide a refund or credit to the extent allowed under the Internal Revenue Code and any related guidance thereunder, including, but not limited to, a mistake of fact as permitted under Revenue Ruling 91-4 or other applicable Internal Revenue Service guidance.

FYE16 Audit Award

The 2017 Audit Award goes to O’Neill and Randolph Public Schools! Our auditing staff found no errors or issues for these two districts for the 2015/2016 fiscal year. NPERS would like to commend the reporting agents and staff of these two schools. Your efforts in ensuring compliance with the state statutes that govern the School Employees Retirement Plan are sincerely appreciated.

FY2016 Top Three Audit Issues:

1. School Employer could not provide documentation to support the employment position to include how many hours an employee worked each month.

2. Employee was enrolled in the retirement plan, but did not meet the eligibility guidelines to participate.

3. Employee met the eligibility guidelines to participate, but was not properly enrolled in the plan on time.
Internal Audit Process

NPERS would like to thank the many Nebraska School Districts who have been selected for an audit and who have graciously provided the documentation required to complete an audit. We know Reporting Agents are extremely busy and we make every effort in completing our audit as efficiently as possible.

If you are selected for an audit, please be aware of the internal audit process and requirements. The following is an example of the information that will be required or our audit. NPERS Internal Audit will send to you a School Employer Questionnaire along with a letter requesting that the questionnaire be completed and returned with the following information:

- Please provide a copy of your November 2016 Payroll Register Detail (all employees). Include payroll summary information/reports.
- A copy of your school districts 2016-2017 Master or Negotiated Agreement to include salary scale information.
- The following employees have been selected for payroll testing:

For those employees please provide the following:
1. Social security number
2. Address information
3. Date of birth
4. Date of hire
5. Employment position

For the employees who were selected for payroll testing (identified above) please also provide:
1. Copy of their 2016-2017 Employment Agreement to include hourly wage or annual salary amounts.
2. If the employee is an hourly employee, you will need to provide documentation to support how many hours they worked (October 2016) that is applicable to the wages that were paid on the November 2016 payroll detail.
3. If the employee is not an hourly employee, you will need to explain how you determined the amount of hours that were reported to NPERS for the November 2016 reporting period (be specific).

4. For those selected employees, you will need to review their November 2016 payroll detail to determine if additional documentation is required. If gross wages paid include compensation in addition to their monthly wage; you must provide documentation to support the compensation that was paid. All gross wages must be accounted for. Please also confirm whether or not there were any benefits paid.

For all employees on the November 2016 Payroll Register Detail who did not contribute to retirement, provide a copy of their payroll register detail for each month July 2016-June 2017. You will also need to provide documentation to support why the employee is not enrolled in the retirement plan. Each month should be accounted for. If the employee did not work at all during a reporting period, you must indicate zero hours worked. Required documentation is as follows:

1. For non-contributing employees who are not true substitutes: If your payroll register detail identifies units as actual hours worked, we will accept your payroll register detail as documentation. For non-contributing Bus Drivers, please confirm that units represents actual hours worked and not the total amount of routes.

   - If your payroll register detail does not identify hours worked, we will need an hours or payroll report that indicates how many hours the employee worked each month.

   - If you are not able to provide documentation as described above, we will need a copy of employee timecards that identify how many hours the employee worked that payroll period (timecards should include the total hour’s amount).

2. For non-contributing employee who are substitutes: If your payroll register detail identifies wages paid as Sub pay, we will accept your payroll register detail as documentation.

   - If your payroll register detail does not identify the type of compen-

*Please note information that is handwritten or provided in a spreadsheet without the documentation described above, is not acceptable documentation for auditing purposes.

*It is recommended that the information is provided by employee. For example; July 2016-June 2017 hours for employee A is separated from the July 2016 – June 2017 hours for employee B, etc.

For the employees listed below, please confirm their date of hire:

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OUR PURPOSE

The School Employees Retirement Plan is governed by Nebraska State Statutes §79-901 – 79-977.03. In administering the schools retirement plan, the Board is directed by Neb. Rev. Stat. §84-1503(1)(g) to “adopt and implement procedures in order to verify the accuracy of such information.” Regarding the School Plan, Neb. Rev. Stat. §79-906(1) provides, “The director shall, from time to time, carry out testing procedures pursuant to section 84-1512 to verify the accuracy of such information.” The NPERS Director has asked the NPERS Internal Audit Team to perform such testing.

This newsletter is intended to identify areas often found in non-compliance with state statutes and provide information on how to be “audit point free.” We will also inform you of our internal audit process and what NPERS will require if you are selected for an audit.

INTERNAL AUDIT STAFF

If you have any questions, need clarification, or would like to be selected for an internal audit, please contact a member of the Internal Audit Team.

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