

PUBLIC EMPLOYEES RETIREMENT BOARD POLICIES

November 15, 2021

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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 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 advise 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

Reviewed Date: _____

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.

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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

Reviewed Date: _____

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.

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Reviewed Date: _____

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.

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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:
 - 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
 - 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:
 - Statutory contribution rates, and
 - 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:
 - Funded ratio assuming only the current statutory contribution rates apply in all future years and all actuarial assumptions are met.
 - 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.

- 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.
- 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 or 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 or 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

Reviewed Date: _____

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

Reviewed Date: _____

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.

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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

Reviewed Date: _____

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.

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