

# **Nebraska Public Employees Retirement Systems**

## **PUBLIC EMPLOYEES RETIREMENT BOARD POLICIES**

August 2018

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**PUBLIC EMPLOYEES RETIREMENT BOARD  
BOARD POLICIES**

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**POLICY 1 – BOARD DUTIES AND GOVERNANCE**

- 1. Duties** - The Public Employees Retirement Board is created by and shall comply with Neb. Rev. Stat. §§ 84-1501 to 84-1513, et seq. The Board’s duties include, but are not limited to the following:
  - (a) To administer the County Employees, Judges, Nebraska State Patrol, School Employees, and State Employees Retirement Acts and the voluntary Deferred Compensation Plan authorized in § 84-1504.
  - (b) To appoint a Director to whom responsibility for the daily operations of the systems is delegated, within limitations established by the Board, and governed by statute.
  - (c) To provide oversight of the Director and the operation of the Retirement Systems agency.
  - (d) To approve and adopt Rules and Regulations for the governance of the Retirement Systems agency, as governed by statute.
  - (e) To establish policies for Board governance and duties.
  - (f) To determine actuarial and other financial assumptions used to predict future assets and liabilities of the various Retirement Systems as provided by statute, and which will inform and assist the Nebraska Investment Council in managing the assets of the Retirement Systems.
  - (g) To approve the agency budget and allocation of expenses.
  - (h) To hire an attorney to advise the Board in legal matters as they relate to the administration of the retirement systems.
  - (i) To hire an internal auditor to perform internal auditing functions and to advise the Board in those matters as they relate to the administration of the retirement systems.
  - (j) To prepare an annual written plan of action regarding agency achievements and priorities to be presented to the Nebraska Retirement Systems Committee of the Legislature at a public hearing by March 31st of each year.
  - (k) To obtain, by competitive bid, actuarial services on behalf of the State of Nebraska as necessary for administration of the retirement systems.
  - (l) To obtain, by competitive bid, auditing services for a separate compliance audit by December 31, 2012, and at least every ten years thereafter.
  - (m) To administer all Retirement Systems in a manner, which will maintain each plan’s status as a qualified plan pursuant to the Internal Revenue Code.

- (n) To review and approve all member disability claims.
- (o) To review and approve all hardship withdrawals from the Deferred Compensation Plan.
- (p) To consider all member appeals according to the Administrative Procedure Act and the Retirement System Rule and Regulation Chapter 12.

## **2. Governance**

(a) Conduct of Meetings – meetings of the Public Employees Retirement Board shall be held in accordance with open meetings provisions set forth in Neb. Rev. Stat. § 84-1408 to § 84-1414, Board statutes set forth in Neb. Rev. Stat. § 84-1501 to § 84-1513, and Retirement Systems Rule and Regulation, 303 NAC Chapter 1 – Board Management.

(i) Regular Meetings – regular meetings of the Board shall be held once each month. Meetings will be held at a location determined by the Board. Meeting dates can be changed by consensus of the Board. A tentative schedule of meetings will be adopted in December of each year for the following year.

(ii) Special Meetings – special meetings of the board may be held whenever called by the Chairperson or by not less than three Board members. The Secretary shall give notice to each Board member of such special meeting by mail, by facsimile transmission or by other electronic means at least three days before the meeting, with reasonable advance public notice given outlining the reason for the meeting and availability of the agenda.

(iii) Emergency Meetings – when it is necessary to hold an emergency meeting of the Board without reasonable advance public notice, care shall be taken to comply fully with open meetings statutes.

(b) Agenda – The agenda for each meeting shall be prepared by the Director. Items shall be placed on the agenda at the discretion of the Director or the Chairperson, subject to the following:

(i) Except for items of an emergency nature, the agenda shall not be altered later than 24 hours before the scheduled commencement of the meeting. Items of an emergency nature shall be added to the agenda only at a public meeting and only after a finding by the Board that the matter is one which requires immediate action by the Board which cannot be delayed until the next public meeting.

(ii) Items may be placed on the agenda at the request of individual members subject to approval by the Chairperson or Director.

(iii) The agenda shall be kept continually current and shall be readily available for public inspection at the office of the Retirement Systems during normal business hours.

(c) Officers – each year, in January, the Board shall elect a Chairperson, a Vice Chair and a Secretary. The terms of such officers shall be from the date elected until a successor is elected.

(i) Eligibility – a board member must have served at least one full year as a member of the Board to be eligible for election to the position of Chair or Vice-Chair. The ex-officio, non-voting member of the Board shall not be eligible to serve as an officer.

(ii) Procedure – nominations may be made by any voting member of the Board. If requested, a secret ballot may be taken for the vote. The winner must receive a majority of the votes of those present to win.

(iii) Duties of Chairperson – the duty of the Chair is to see that the Board operates consistent with its own rules and those legitimately imposed on it from outside the Retirement Systems by State or Federal Law. The Chair will ensure the following:

A. Meeting discussion content will be related to the published agenda;

B. Deliberation will be timely, fair, orderly and thorough; but also efficient, limited in time and kept to the point.

(iv) Authority of Chair – the authority of the Chair consists only of making decisions on behalf of the Board that fall within and are consistent with Board policies. This includes:

A. The Chair is empowered to chair Board meetings with all the commonly accepted power of that position (e.g., ruling, recognizing, etc.)

B. The Chair has no authority to make decisions beyond policies created by the Board and specifically within the Director’s Duties & Limitations of Authority (Policy #3).

C. The Chair may represent the Board to outside parties either in simply announcing Board-stated positions or in stating Chair decisions and interpretations within the area delegated to him or her.

D. The Chair may also: convene meetings of the Board, per statute; certify actions of the Board; name Retirement Board members to committees; and perform other duties requested from time to time that are deemed necessary and appropriate for the Board to fulfill its duties and responsibilities by statute.

(v) Duties of the Vice Chair – the Vice Chair is to act as temporary chair in the absence of the regular chair and may perform those duties imposed on the Chair.

(d) Committees – The Board establishes committees in order to help carry out its responsibilities. When subcommittees are used, the Chair shall appoint Board members to committees. The committees, per Rule and Regulation, 303 NAC Chapter 1, shall be composed of not more than three members. No subcommittee meeting shall have so many Board members present that it would constitute a meeting of a public body for purposes of Chapter 84, Article 14 of the Nebraska Revised Statutes. The Chair may also appoint the chairperson of each subcommittee. Subcommittees may not take formal action on behalf of the Board, nor represent the Board without prior approval of the full Board. All subcommittee findings and recommendations require formal action of the Board to be binding upon the Board. Subcommittees may include, but are not limited to the following:

(i) Regulation and Policy Review Committee – shall review current Board policies, proposed rules and regulations and recommend revisions, additions and deletions to the Board and assist with establishing a long-range plan in the areas of benefits, funding, technology, member services, education and communication. This includes overview of the agency’s annual report to the Legislature.

(ii) Legislative Committee – shall review all pending legislation, be available to attend public hearings and advise the Board of trends that may affect the Systems.

(iii) Budget and Personnel Committee – shall review the budget and monthly expenses, assist with the review of service contracts at the time of renewal or rebidding, and make recommendations to the full Board. The committee shall also establish a schedule for the performance evaluation of the Director; collect and summarize individual evaluations to be reported to the full Board and recommend appropriate action. The committee shall also review the performance evaluation report conducted by the Director on the agency Legal Counsel and Internal Auditor and submit a recommendation to the full Board.

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

(v) Audit Committee – shall review annual plan audits by the Auditor of Public Accounts, periodically review internal audit plans and procedures; and make recommendations to the Board as needed.

(vi) Any other ad hoc committee as necessary.

**Revision Date:** June 2011



**POLICY 2 – BOARD CODE OF CONDUCT**

1. The Public Employees Retirement Board expects of itself and its members ethical and businesslike conduct.
2. Board members will comply with their fiduciary duties and standard(s) as stated in Neb. Rev. Stat. § 84-1503.02. (<https://nebraskalegislature.gov/laws/statutes.php?statute=84-1503.02>)
3. Board members are responsible for preparing themselves for Board work.
4. Board members must avoid any conflict, 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. (<https://nebraskalegislature.gov/laws/statutes.php?statute=49-1499.02>)
  - (b) There must be no self-dealing or any conduct of private business or personal services between any Board member and the Retirement Systems.
  - (c) Board members must not use their positions to obtain employment within the Retirement System for themselves, family members, or close associates.
  - (d) A former Board members may not be considered for employment with the Retirement System 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. ([https://nebraskalegislature.gov/laws/display\\_html.php?begin\\_section=49-1401&end\\_section=49-14,142](https://nebraskalegislature.gov/laws/display_html.php?begin_section=49-1401&end_section=49-14,142))
6. Board members may not exercise individual authority over the Retirement System except as explicitly set forth in Board policies.
7. The Chairperson of the Board 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. (<https://nebraskalegislature.gov/laws/statutes.php?statute=84-1503.02>)

**Revision Date:** August 20, 2018

**Reviewed Date:** \_\_\_\_\_

### **POLICY 3 – DIRECTOR’S DUTIES AND LIMITATION OF AUTHORITY**

The Board shall appoint a director to administer the retirement systems under the direction of the Board. The Board shall be responsible for oversight of the director and the operation of the Retirement Systems agency. The appointment shall be subject to the approval of the Governor and a majority of the Legislature. The director shall be qualified by training and have at least five years of experience in the administration of a qualified public or private employee retirement plan. The Director shall not be a member of the Board. The salary of the Director shall be set by the Board. The Director shall serve without term and may be removed by the Board. Neb. Rev. Stat. § 84-1503(1)(b).

#### **1. Director Duties and Responsibilities**

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

(b) Responsibilities, in addition to the internal operation, include liaison with member groups, the Legislature, the Board, agency attorney, internal auditor, and the consulting actuary for the Board. The director serves as an ex-officio member of the Nebraska Investment Council. Work is performed with considerable latitude under the general direction of the Board. Examples of duties and responsibilities are:

(i) Coordination, training and supervision of staff for six pension plans, involving complex details and procedures.

(ii) Interpretation and execution of statutes and Board policies.

(iii) Development and implementation of sound fiscal and accounting procedures and records.

(iv) Consult with and make recommendations to the Governor and the Legislature on major pension benefit issues, as directed by the Board.

#### **2. Required Knowledge, Skills and Abilities**

The director must have: strong management and communication skills; knowledge of state and federal pension laws as applied to public plans; knowledge of general financial and management characteristics of financial institutions and strategic planning skills to set short and long-term goals for the agency and the various pension systems.

#### **3. Specific Duties**

(a) Supervises and coordinates several statewide benefit programs involving complex procedural details, a high volume of transactions, and diverse statutory basis.

- (b) Analyzes proposed legislation, makes and drafts recommendations on proposed legislation, appears before Legislative Committees during regular sessions and interim study periods. Prepares fiscal notes on proposed legislation.
- (c) Recommends all necessary rules and regulations relating to the administration, interpretation, and construction of the Retirement Laws.
- (d) Insures compliance with Federal and State laws in the management and operation of the systems.
- (e) Coordinates with the consulting actuary regarding all actuarial duties required by law.
- (f) Establishes 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) Performs public contact work in gathering information, resolving problems, engendering support, and providing information required by the Board and Legislature.
- (h) Prepares recommendations and justification for changes in procedures, budget requests, personnel, and office activities.
- (i) Directs the preparation and conduct of research required in support of the Board's mandates and Legislative matters.
- (j) Collects, interprets, analyzes, and summarizes information to be utilized as the basis for recommendations to the Board and Legislature.
- (k) Directs, manages, and supervises an efficient internal operation of the Retirement System staff to achieve the primary objectives of the fund in accordance with procedures established by the Retirement Board.
- (l) Hires the Retirement staff in accordance with the budget prescribed by the Board and Legislature.
- (m) Authorizes expenditures and pays salaries and claims against the Retirement System in accordance with the budget proposed by the Retirement Board and approved by the Legislature.
- (n) Constantly appraises the Retirement Board of any development that would in any way affect the Retirement Board and its operation.
- (o) Makes the initial decision on behalf of the Board on any matter in which an appeal to the Board is authorized by statute, unless otherwise limited by this policy, or rule or regulation. Thereafter, upon appeal by the member, to appoint a Hearing Officer and to refer such Officer's findings to the Board for action.

(p) Recommends action on disability claims and hardship withdrawals from the State Deferred Compensation Plan for Board consideration.

#### **4. 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 for adoption.

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

(e) Approve agency budget.

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

(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.

#### **5. Reimbursement for Director Expenses**

(a) In accordance with proper accounting procedures, the Public Employees Retirement Board ('Board') recognizes the need for expenses to be regularly monitored and approved by a second individual, once such expenses are incurred by the Director of the Nebraska Public Employees Retirement Systems ('Agency'). In order to facilitate these expense reimbursement transactions, the Board adopts the following monitoring and approval policy for reimbursement of Director's expenses:

(b) Expenses incurred by the Director in the course of his or her official duties that are \$100 or greater in value will require signature approval by the Chair of the Board.

(c) Expenses incurred by the Director in the course of his or her official duties that are less than \$100 in value do not require approval by the Chair of the Board. There are checks and balances within the Agency's internal accounting process to provide for monitoring of Director's expenses.

**Revision Date:** February 2011

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**POLICY 4 – LEGAL COUNSEL AND INTERNAL AUDITOR**

**1. Legal Counsel** - The Public Employees Retirement Board shall hire an attorney, admitted to the Nebraska State Bar Association, to advise the Board in the administration of the retirement systems under its statutory authority, Neb. Rev. Stat. § 84-1503(1)(e).

(a) The attorney or legal counsel to the Board shall provide legal services for the agency and the Board under the supervision of the Director. The job duties shall include the following:

(i) Draft and revise the agency Rules and Regulations, keeping them current with state statutes and federal laws;

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

(iii) Research and interpret state statutes and federal regulations;

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

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

(vi) Review and draft agency policies, procedural statements and legal documents for the agency;

(vii) Respond to legal questions from the State Auditor and other state agencies;

(viii) Work with the Legislature and member groups on draft legislation;

(ix) Advise the Board and the 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 legal counsel to the Board shall act in the best interest of the Board and at least once per year report to the Board any matters that in his/her professional judgment impact the Board's role and duties. The Legal Counsel shall have direct access to the Board or a committee of the Board.

(c) At least annually, a performance evaluation of the legal counsel shall be conducted and reported to the Board by the Director. The legal counsel shall at that time also provide a report to the Board of his/her activities for the previous year.

**2. Internal Auditor** - The Public Employees Retirement Board shall hire an internal auditor meeting the minimum standards as described in Neb. Rev. Stat. § 84-304.03 to perform the duties described in Neb. Rev. Stat. § 84-1503.04. Neb. Rev. Stat. § 84-1503(1)(f). The internal auditor shall work for the agency under the supervision of the Director.

(a) The role of “internal auditor” is to assure that applicable laws, regulations, policies and procedures are being followed. The duties and responsibilities of the internal auditor are to 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 retirement systems and recommend improvements to the Board;

(iii) Ensure that Nebraska Public Employees Retirement Systems’ 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; verify compliance with established plans, policies, procedures, and control systems, and assure compliance with regulatory and statutory conditions and adherence to generally accepted accounting and auditing principles and report inconsistencies to the Board;

(v) Perform internal auditing functions, including review of contributions received and creditable service granted; review benefit payments for completeness of information, appropriateness, accuracy, and timeliness; verify accuracy of data and financial information reported to the system’s actuary for all applicable plans; and verify 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 state plans included in subdivision (1)(a) of Neb. Rev. Stat. § 84-1503.

(b) The internal auditor shall act in the best interest of the Board and at least annually shall report to the Board any matters that in his/her professional judgment impact on the Board’s role and duties. The internal auditor shall have direct and immediate access to the Board or a committee of the Board.



(c) 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:** December 2012

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**POLICY 5 – REVIEWING DISABILITY RETIREMENT APPLICATIONS**

1. The Board will review and approve disability retirement applications in a manner consistent with the governing law.
2. The Director will ensure a medical examination is conducted on any member of the State, County, Patrol, or School plans, or any clerk magistrates who are members of the Judges plan, that applies for disability retirement benefits, except when the medical examination may be waived under the law. When ordering an examination by a disinterested physician, the Director shall choose a physician that specializes in the area of medicine relating to the reason or source of an applications disability whenever practicable. After the examination and receipt of the physician’s confidential report, the Director shall present the results of the examination and a recommendation to the Board for consideration.
3. The Director will ensure a copy of the Commission on Judicial Qualifications’ report on the disability status of a member of the Judges plan is provided to the Board.
4. All disability retirement applications approved by the Board may be re-evaluated one year from the effective date of retirement. If a member’s disability retirement application is reexamined and continually approved for at least three years, the Board may determine when the next reevaluation shall occur.
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, and all information submitted and discussed shall be kept confidential by the Board, the Director and their agents.

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**Review Date:** \_\_\_\_\_

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## **POLICY 6 – CONTRACTUAL SERVICES**

In all cases, selection of contractual services is subject to and shall comply with the statutory provisions of State Contract for Services, Neb. Rev. Stat. §§73-501, et seq.

### **1. Selection and Renewal for Contracts \$50,000 or more**

(a) If there is an existing contract to provide services of \$50,000 or more, then the Director shall provide the Board a report of the performance of the contract service providers not less than ninety (90) days prior to the expiration of the contract. If performance under the contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract. The Board may request the existing contract service provider to submit a renewal and cost proposal to the Board for consideration, unless state law provides otherwise.

(b) If a contract is not renewed, then not less than sixty (60) days prior to the expiration of a service contract, the Director will draft a request for proposal (RFP). Upon the Board's approval, the Director shall, with the assistance of the Department of Administrative Services, Materiel Division, publish the RFP and follow the required procedures for the bidding process.

(c) Following receipt of RFP responses, the Director shall, with the assistance of the legal counsel and other management staff as needed, review all bids that qualify under the stated RFP requirements.

(d) As soon as is reasonably possible, the Director shall provide a summary of the returned proposals to the Board and a tentative finalist interview schedule. The Board or a committee of the Board will review the finalist bid proposals in advance of any scheduled interviews.

(e) If determined necessary, the Board or a committee of the Board and the Director shall interview all RFP finalists. The award of the contract will be subject to a majority vote of the Board during a regular or special session of the Board.

### **2. Selection and Renewal Option for Contracts less than \$50,000**

(a) If there is an existing contract to provide services for less than \$50,000, then the Director shall provide the Board a report of the performance of the contract service provider. If performance under the contract is determined to be satisfactory, the Board or Director may renew the contract for an additional term if permitted under the terms of the existing contract. The Board or Director may request the contract service provider to submit a renewal and cost proposal for consideration, unless state law provides otherwise.

(b) If a contract for services is not renewed, then the Director will conduct a state agency level request for proposal (RFP). The Director shall contact service providers and obtain at least two comparable bids for review. Following receipt of the bids, the Director shall,

with the assistance of legal counsel and other management staff as needed, review the bids that qualify under the state agency level RFP requirements.

(c) As soon as is reasonably possible, the Director shall provide a report of the comparable bids received to the Board for consideration and approval. If time is of the essence to secure a service provider, then the Director shall inform and receive approval from the Board Chair prior to executing the service contract. Thereafter, the Director shall provide a report to the Board at the next occurring Board meeting.

**3. Selection Process for Deferred Compensation Plan Annuity Provider**

(a) The Director shall provide the Board a review of the performance of the Deferred Compensation Plan Annuity Provider prior to the expiration of the contract. If performance under the existing contract is determined to be satisfactory, the Board may consider renewing the contract for an additional term if permitted under the terms of the existing contract.

(b) If the existing contract is not renewed under paragraph 3(a), then the selection process for the annual contract to provide Deferred Compensation Plan annuities will be conducted at the agency level by the Director and agency staff.

(c) The Board or a committee of the Board will review a draft request for proposal (RFP). The final agency level RFP will be published. Upon receipt, proposals will be considered during the meeting of the Board, with a beginning contract date of July 1<sup>st</sup>, or as soon as is reasonably practicable thereafter.

**4. The following is a schedule of existing contracts with renewal dates:**

Contract	Term	Completed	Due
Compliance Audit	4 – 10 years	2002	2012
Actuarial Services	3 – year	2010	2013
Actuarial Audit	10 years	2009	2019
Experience Study	4 – 5 years	2007	2012
Recordkeeping Services	3 – 5 years	2011	2016
Information System	1 – 2 years	2011	2012

**Revision Date:** February 29, 2012

## **POLICY 7 – CONFERENCE ATTENDANCE AND EXPENSE REIMBURSEMENT**

The administration of the retirement plans is a complex matter, and education in employee benefit matters is necessary. Board members must be educated in matters relating to the plans they administer. Board members are encouraged to attend one or more educational conference per year.

1. Whenever possible, Board members shall make travel requests to the Board at least 30 days in advance of the conference. Each request will include a business-related reason for the travel and/or conference attendance, and an estimate of the cost. 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 is required to approve a travel and/or conference attendance request before the requesting Board member will be authorized reimbursement for the travel, conference, and related expenses.
2. Any Board member who attends a conference or seminar will present a report to the Board at the next Board meeting the member attends.
3. Board members will be paid per diems at the rate allowed by law and in accordance with Board policies.
4. Board members attending the Board's annual retreat shall be reimbursed for actual business-related expenses incurred in the performance of their duties at the annual retreat at the rate allowed by law and regulation. (See paragraph 5 for links to the governing laws, Department of Administrative Services policies, and GSA per diem rates.)
5. 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 as established by the Department of Administrative Services. ([https://nebraskalegislature.gov/laws/display\\_html.php?begin\\_section=81-1174&end\\_section=81-1182.01](https://nebraskalegislature.gov/laws/display_html.php?begin_section=81-1174&end_section=81-1182.01); [http://das.nebraska.gov/accounting/manual/manual\\_grouped.html](http://das.nebraska.gov/accounting/manual/manual_grouped.html), with emphasis on <http://das.nebraska.gov/accounting/manual/erd.html>.) Board members must obtain and submit receipts for all conference fees, lodging, and meal expenses in excess of \$5.00. GSA rate information may be found on the GSA website at <https://www.gsa.gov/travel/plan-book/per-diem-rates>.
6. 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 \$10 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 Department of Administrative Services policies. (See paragraph 5 for links to the governing laws, Department of Administrative Services policies, and GSA per diem rates.)

7. 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 the Department of Administrative Services.
8. No reimbursement is allowed for alcoholic beverages.

**Revision Date:** August 20, 2018

**Review Date:** \_\_\_\_\_



## 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 with 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 Board agrees.
    - 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.
- (c) 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.
- (d) 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:** September 2017

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**POLICY 9 – BOARD PER DIEM**

1. Pursuant to the provisions of subsection 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 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 20, 2018

**Review Date:** \_\_\_\_\_

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## **POLICY 10 – CONTINUITY PLAN**

### **1. Annual Training**

(a) New Board Members – In order to promote education and to adequately train new Public Employees’ Retirement 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 months of becoming a Board member.

(b) Existing Board Members – Due to the ongoing fiduciary responsibilities of all Board members, each member will be encouraged to attend at least one educational session, such as the Board’s annual retreat, or conference per year to stay current with regulatory and administrative issues.

### **2. 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) Agency 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.

### **3. Annual Retreat**

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 and/or updates on their fiduciary duties as Board members or developments in public pension administration. 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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**Revision Date:** \_\_\_\_\_

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**POLICY 11 – SERVICE DELIVERY**

1. To accurately calculate a retirement benefit, the Nebraska Public Employees Retirement Systems ('NPERS') needs all retirement contributions and salary to post to a member's account prior to such calculation. This interim period can take several months and can delay benefit payments.
2. In order to provide a timely retirement benefit for retirees, NPERS will calculate a preliminary benefit during the interim period. The member will be paid a preliminary benefit equal to ninety-five percent (95%) of the benefit calculated based on the total service and salary information available at the time of the preliminary calculation. A preliminary benefit will not be calculated until the member's most recent posted retirement contribution and salary is within one or two months of the member's final pay date. The preliminary benefit should be calculated within ninety days (90) of the effective date of the member's retirement. The member's preliminary benefit will be recalculated and changed to a final monthly benefit approximately five (5) months after the effective date of retirement.
3. Under certain circumstances such as a salary dispute, untimely paperwork filed by a member, or an extended contract negotiation, it may be more than ninety days (90) since the effective date of the member's retirement before the calculation of the preliminary benefit occurs, and it may be more than five (5) months before the final recalculation occurs. This calculation and recalculation will be retroactive to the member's effective date of retirement and will include all salary and contributions received from the member's employer.
4. 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.
5. 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.
6. 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:** January 2011

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## **POLICY 12 – ELECTRONIC DISBURSEMENT**

### **1. General Provision**

Electronic disbursements through direct deposit or a deposit (load) to a prepaid debit card shall be the Nebraska Public Employees Retirement Systems’ required method for issuing annuity benefit payments to retired members.

Beginning May 1, 2011, all new retired members must provide written authorization for either a direct deposit or a load to a prepaid debit card using NPERS’ Electronic Disbursement Authorization Form. The electronic disbursement will remain in effect until changed or canceled by the retired member in writing. The member must choose one disbursement method only.

### **2. Reason for Policy**

The purpose of this policy is to promote safe, confidential, economical, convenient and fast annuity benefit payments to retired members.

### **3. Policy and Procedures**

Direct Deposit is the electronic deposit of funds directly into a bank account as a form of payment. NPERS offers direct deposit for a retired member’s annuity benefit payment. Electronic deposit of funds can be made to any financial institution in the United States. Direct deposit assures that a retired member’s annuity benefit payment is deposited in their bank account(s) on the day of payment. All retired members receiving retirement annuity benefits from NPERS are eligible for direct deposit.

To authorize or change their direct deposit, a retired member must complete and sign a new Electronic Disbursement Authorization Form and attach a voided check for checking account deposit and a deposit slip for savings account deposit.

In the alternative, a member may select a deposit (load) to be made to a prepaid debit card. A prepaid debit card has the same functionality as a regular checking account, but the member withdraws funds with the use of a debit card rather than the use of checks. The State of Nebraska contracts with a prepaid debit card financial institution vendor to provide this service to members who do not want their annuity benefit payment made by direct deposit into a regular bank account.

Once the authorization is received by NPERS, it may take up to one annuity benefit payment cycle to become active. Any changes affecting the direct deposit or prepaid card **MUST** be received by NPERS two weeks prior to the date scheduled for the annuity benefit payment for which the change is to occur.

In order for this policy to be effective, it is essential that NPERS be provided with current and accurate information regarding the address and account number and demographic information for

each retiree receiving a benefit by electronic means. In addition, the fact that a member is not receiving written communication from NPERS may indicate that payments are being misdirected or the member has undergone a change of address, bank account or status.

Therefore, in order to help assure all benefit payments are delivered only to their intended recipients; NPERS may suspend the delivery of benefit payments to any member who cannot be contacted for a period of 60 days at the address on file for such member in NPERS database. Mail that is returned undelivered by the United States Postal Service or other recognized delivery service shall be deemed as evidence of the inability to contact a member. Any such suspension of benefit payments will continue until such time as direct contact is made between NPERS and the related member (or the member's legally designated representative). Upon confirmation of such member's address and status, payments will resume and any payments suspended shall be made to the member as soon as administratively possible.

NPERS staff shall develop such internal procedures as are necessary to implement this policy.

**Revision Date:** July 2014

## **POLICY 13 - CASH BALANCE BENEFIT ELECTION**

### **001 Scope of the Policy**

The provisions of this policy apply to active members participating in the defined contribution benefit in the Retirement System for Nebraska Counties (County Plan) and the State Employees Retirement System (State Plan). This policy contains the procedures for conducting a cash balance benefit election and conversion thereby permitting State and County Plan active members who have a defined contribution benefit to make a onetime election and conversion into the cash balance benefit in accordance with the provisions found in Neb. Rev. Stat. §§ 23-2308.01 and 84-1309.02.

### **002 Definitions**

**002.01** Definitions provided in Nebraska statutory law for each plan shall apply to the provisions herein as they relate to the plan. In addition to those definitions, the following definitions shall apply:

**002.02** Agency means the Nebraska Public Employees Retirement Agency.

**002.03** Cash Balance Benefit Election Period means the statutory calendar period beginning September 1, 2012, through October 31, 2012.

**002.04** Electing Member means a state or county defined contribution benefit active member who makes an election during the Cash Balance Benefit Election Period.

### **003 General Provisions**

**003.01** A state or county defined contribution benefit active member shall make a onetime election into the cash balance benefit beginning: September 1, 2012, through October 31, 2012, in order to participate in the cash balance benefit. Once an election is made, the decision by the member is irrevocable.

**003.02** If no such election is made, the member shall be treated as though he or she elected to continue participating in the defined contribution benefit as provided in the act prior to January 1, 2003.

**003.03** Members who elect to participate in the Cash Balance Benefit Election Period, shall commence participation in the cash balance benefit on January 2, 2013.

**003.04** Any member who made the election prior to April 7, 2012 and/or who is currently a member of the cash balance benefit does not have to make another election during the Cash Balance Benefit Election Period.

**003.05** For a member employed and participating in the retirement system, who elects to convert his or her employee and employer accounts to the cash balance benefit, the employee and employer cash balance benefit accounts shall initially be equal to the employee and employer account balances, transferred from the member's defined contribution plan employee and employer accounts.

**003.06** If an active member has multiple defined contribution plan accounts (i.e. an active member having State Plan defined contribution accounts, who also is an inactive member having County Plan defined contribution accounts, or vice versa) then the member will only be able to make an election in the plan under which he or she is currently an active member during the Cash Balance Benefit Election Period.

#### **004 Election Period and Eligibility Requirements**

**004.01** The Cash Balance Benefit Election Period begins on September 1, 2012, and continues through October 31, 2012. A onetime election may only be made during this election period.

**004.02** The defined contribution benefit member must remain an active employee member through October 31, 2012 in order to make an election during the election period. A termination, as defined by Neb. Rev. Stat. §§ 23-2301(33) and 84-1301(33), or a temporary break in service during the Cash Balance Benefit Election Period will result in an invalid election.

**004.03** An alternate payee, as defined by Neb. Rev. Stat. § 42-1102(1), with a defined contribution account is unable to make an election into the cash balance benefit.

#### **005 Election Materials and Distribution**

**005.01** Beginning on September 1, 2012, cash balance benefit election materials will be mailed to confirmed state and county active members who have employee and employer accounts in the defined contribution benefit. A downloadable copy of election materials will be placed on the Agency website on September 1, 2012.

**005.02** A cash balance benefit election can only be made upon official forms provided by the Agency, or as provided in subsection 005.03. The form must be signed by the active member making the election, and can be received only by postal mail or hand delivery to the Agency. A form sent via facsimile machine will not be accepted. If the cash balance benefit election form is mailed during the Cash Balance Benefit Election Period, then the mailed envelope must be postmarked on or before October 31, 2012.

**005.03** A cash balance benefit election may be made by a member submitting an online electronic form found on a website administered by either the Agency or a contractor of the Agency. The Agency is not responsible for a member failing to make a valid cash balance benefit election due to either a website server failure or a member using incompatible web browser software to access the server. If a member believes that he or

she may have incompatible software or the website server is offline prior to the cash balance benefit election deadline, then the member should allow sufficient time to submit his or her cash balance benefit election form in the manner provided in subsection 005.02.

**005.04** No cash balance benefit election forms will be recognized by the Agency as having been received until September 1, 2012. Applications delivered to the Agency prior to September 1, 2012 will be held and not officially received for the purpose of the cash balance benefit election until September 1, 2012.

**005.05** Once a cash balance benefit election form has been received by the Agency during the Cash Balance Benefit Election Period on or after September 1, 2012, a confirmation of receipt will be sent to the member. The confirmation will be mailed to the member's current address of record within ten (10) business days following the Agency's official receipt of the member's cash balance benefit election form. If a member does not receive a confirmation of receipt within this time period, he or she should immediately contact the Agency to verify that his or her election form has been properly received by the Agency. If a member makes an election online as described in subsection 005.03, then a confirmation of receipt will be obtained online by the member in lieu of a mailed confirmation.

**005.06** If a member does not receive a timely confirmation of receipt described in subsection 005.05 and also fails to notify the Agency that he or she did not receive a timely confirmation, then such inaction by the member may result in the member not making a valid cash balance benefit election. The Agency is not responsible for a cash balance benefit election form either lost or delayed while in the custody of the U.S. Postal Service or other shipping delivery service.

## **006 Procedures following the Election Period**

**006.01** A proper and valid election shall only occur if an election to the cash balance benefit is made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

**006.02** Electing Members shall commence participation in the cash balance benefit on January 2, 2013. Electing Members' defined contribution benefit assets and accounts will be converted to cash balance benefit assets and accounts on January 2, 2013.

**006.03** Once an election is made during the election plan period, no partial or full distributions shall occur from the point of time an election is made until January 3, 2013.

**006.04** An Electing Member may continue to make trades in his or her accounts and transfer assets between defined contribution fund options until December 31, 2012, subject to current trading restrictions including, but not limited to rules on excessive trading and trading stable value fund assets. The Electing Member's account balances will not be frozen by the Agency once a cash balance benefit election is made. The Electing Member's

account values will continue to be subject to market gains and losses during this time period based on the Electing Member's investment decisions.

**006.05** The final value of defined contribution fund assets transferred into cash balance benefit fund assets will be the end of the market day price on January 2, 2013. The defined contribution account balance will be subject to market fluctuations (gains and losses) prior to the completion of the asset transfer on January 2, 2013, which may result in a reduction of the Electing Member's employee and employer account asset value following the day of the transfer. Following the completion of the asset transfer on January 2, 2013, the Agency or a contractor of the Agency will send the Electing Member a confirmation of election.

**006.06** An Electing Member has until February 1, 2013, to notify the Agency if there was a possible error. If the Electing Member does not receive a confirmation of election described in subsection 006.05 or believes that his or her account assets were not properly transferred from the defined contribution benefit plan to the cash balance benefit plan, as described in subsection 006.05, then notification under this subsection must be made. If no such notification occurs prior to February 1, 2013, then the Agency will conclude the following:

- (a) the Electing Member's assets have been properly transferred from the defined contribution benefit plan to the cash balance benefit plan, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors; or,
- (b) the member's assets have properly remained in the defined contribution benefit plan as intended by the member, and the Agency will not be responsible for making a subsequent transfer of assets in order to correct any possible errors.

## **007 Determination of an Invalid Election**

**007.01** An election may be determined invalid by the Agency if any of the following findings are made:

- (c) The member was an inactive member on October 31, 2012 and therefore was ineligible to make an election.
- (d) The member was not in the defined contribution benefit during the election period.
- (e) A fraudulent election form was received by or transmitted to the Agency.
- (f) There is evidence of fraud involved in the member's election or conversion of assets.
- (g) The member experienced a termination or a temporary break in service (lasting less than 120 days) during the Cash Balance Benefit Election Period and the member was not an active member on October 31, 2012.
- (h) The election to the cash balance benefit was not made in accordance with applicable state laws, agency rules and regulations, and other provisions listed herein.

**007.02** Once a determination is made by the Agency that an invalid election occurred, written notice will be sent immediately to the member. The notice will be mailed to the member's current address of record.

**007.03** If a determination is made following the account conversion on January 2, 2013, then the improperly converted defined contribution benefit assets will be removed from the cash balance benefit fund within ten (10) business days and placed in the defined contribution benefit money market fund described in Neb. Rev. Stat. §§ 23-2309.01(g) and 84-1310.01(g). The amount of the removed assets will equal the amount of assets initially transferred into the member's cash balance benefit accounts on January 2, 2013.

**007.04** Any interest credited to the member's cash balance benefit employee or employer accounts will be forfeited prior to the assets being removed from the cash balance benefit fund due to an invalid election, as described in subsection 007.03. The Agency will not be responsible for any market gains or losses that may have resulted had the member's assets originally remained in his or her defined contribution benefit accounts.

**Revision Date:** May 21, 2012

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