

# INTERNAL AUDITING

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | JUNE 2025

## IN THIS ISSUE

- Pg. 1 - Internal Audit Update:  
Why Consistency Matters
- Pg. 4 - New Contribution Rates
- Pg. 5 - Employer Reporting Workshops

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## INTERNAL AUDIT UPDATE: Why Consistency Matters

Did you know the School Retirement Plan serves **265** different employers? As a multiple-employer defined benefit plan, retirement rules **must** be applied consistently by all 265 employers—based on the plan documents and NPERS guidance, not individual interpretations.

### WHY IS THIS SO IMPORTANT?

- To ensure a *definitely determinable benefit*—required by the IRS—based on the plan formula, not discretion.
- To avoid *plan disqualification* from inconsistent application of eligibility and enrollment rules.

Given that our team of auditors oversees hundreds of employers, full audits may occur several years apart. These long intervals can create risks—particularly related to member eligibility. To help address this, our Internal Audit team has implemented a **new annual review process** to bridge the gap between audits.

### WHAT'S CHANGED?

In fiscal year 2023–2024: NPERS Internal Audit launched a New Member Eligibility Review to annually evaluate **all new members across all School Plan employers**. This review is separate from full audits and helps ensure proper enrollment based on actual eligibility, not assumptions.

### WHY THIS HELPS:

- Focus on current, high-risk areas like eligibility and tracking hours.
- Applies current laws and guidance uniformly across employers.
- Allows for timely corrections and reduces long-term compliance issues.

### WHAT WE REVIEWED:

We started by checking hours reported for **all new members**:

- If 1,000 or more hours were reported: No further review—typically supports eligibility.
- For all other new members, we reviewed:
  - Hire date (was enrollment timely?)
  - Lawful presence documentation (if required)
  - Supporting documentation – for eligibility based on hours and employment classification

Continued on page 2...



## COMMON ISSUES FOUND:

The review highlighted five common issues related to new hires that fall outside the two situations outlined in our initial review. These issues included:

### 1. Failure to track actual hours worked

**Eligibility is determined by actual hours worked—not estimates.** If a new hire is expected to work **fewer than 20 hours per week**, or if their schedule is unclear, all hours must be tracked to determine eligibility. Required documentation must be retained according to the Secretary of State's Record Retention Rules.

State statute currently states, *"An employee hired... to provide service for less than twenty hours per week but who provides service for an average of twenty hours per week in each calendar month of any three calendar months of a plan year shall, beginning with the next full payroll period, commence contributions and shall be deemed a regular employee for all future employment with the same employer."*

While statutes can be open to interpretation, NPERS is responsible for issuing consistent, authoritative guidance to ensure uniform application across all 265 School Plan employers. The formula used to determine average hours is based directly on state statute.

- **Because estimates do not reflect actual hours worked**, they are not sufficient to determine eligibility.
- If a new hire is intended to work fewer than 20 hours per week—or if the schedule is unknown—the employee does not meet mandatory enrollment requirements at the time of hire. In such cases, all hours must be tracked to determine whether **the employee averages 20 or more hours per week during any three calendar months of the plan year (July–June)**. If so, enrollment becomes mandatory, and contributions must begin with the next full payroll period following the third eligible month.
- **Tracking hours across all positions:** If a regular employee works in multiple roles, all hours—including substitute or temporary service—must be combined when determining eligibility. If the employee is already contributing, all hours worked across positions must continue to be tracked and reported.

### 2. Failure to use the correct formula when calculating whether an employee averages 20 hours per week for mandatory enrollment purposes.

TO DETERMINE THE AVERAGE HOURS WORKED IN A CALENDAR MONTH				
TOTAL HOURS WORKED IN A MONTH	÷	TOTAL NUMBER OF DAYS IN THE CALENDAR MONTH	X	7 (DAYS IN A WEEK)

📌 This formula can be found on our website in the:

[School Employer Manual](#) | [School Member Handbook](#) | [Calculator Tool](#) (.xlsx file download)

*This formula will be written into law through LB 295, effective September 7, 2025.*

### 3. Missing or inadequate records showing the employee's minimum weekly hours.

Employers must determine whether an employee meets the hours requirement for mandatory enrollment at the time of hire. Citing an intended range of hours that starts **below 20 per week** does not support eligibility. If a regular employee is hired with the intention to work 20 hours or more per week, they must be enrolled—provided all other eligibility requirements are also met.

- When a work agreement indicates that a regular employee will work 3-5 hours a day for 5 days a week, it does not support eligibility. In this example, the work agreement would indicate that the employee was hired to work 15-25 hours per week, which **does not support the minimum of 20 or more hours requirement** for mandatory enrollment upon hire.

Continued on page 3...



- **Action Required: Track and clearly document** actual work hours to determine if the new hire becomes eligible based on working an average of 20 or more hours a week in any three calendar months of the plan year.

- Using a maximum of hours to be worked without defining the minimum number of hours, does **NOT** support eligibility.
  - Work agreements that indicate an employee “will not work more than 25 hours a week,” fail to provide the minimum number of hours to be worked. As such, the employee could work as few as zero hours a week and **up to** 25 hours per week. This agreement does not support the 20 hours per week eligibility requirement.
  - **Action Required: Track and clearly document** actual work hours to determine if the new hire becomes eligible based on working an average of 20 or more hours a week in any three calendar months of the plan year.

#### **4. Enrolling employees based on positions and not intention of hours to be worked.**

An example of this is enrolling coaches when the intention of hours to be worked is either less than 20 per week or the amount of intended hours to be worked is unknown/unclear.

- Unless there is clear documentation to support the coach will work at least 20 hours a week, hours should be tracked for all service rendered and only enrolled upon meeting the hours threshold for working an average of 20 hours a week in any 3 calendar months of the plan year.
- **Action Required: Track and clearly document** actual work hours to determine if the new hire becomes eligible based on working an average of 20 or more hours a week in any three calendar months of the plan year.
  - **Note: ALL** employees that are not contributing to the plan while employed at your school / ESU must have **all** hours tracked to determine eligibility.

#### **5. Early enrollment prior to meeting the hours threshold for mandatory enrollment**

- The statute clearly defines the enrollment date for those that do not meet mandatory enrollment upon hire but end up working an average of 20 or more hours a week in any 3 calendar months of the plan year as the next full payroll period after meeting eligibility.
- This means that **after** an employee works an average of 20 or more hours a week in any 3 calendar months of the fiscal year (July – June), then the **next** full payroll period should have contributions reported.

### **YOU PLAY AN IMPORTANT ROLE:**

The School Plan has complex rules surrounding eligibility and it is up to you to make sure each employee has been reviewed for eligibility. There are a couple of things you must know about each employee that change the “new hire” eligibility rules.

Using the [School Plan Eligibility Checklist](#) provides the best way to ensure current applicable laws are being used. When determining eligibility on former contributing members of **your** school district/ESU, it is important that **you as the employer** determine:

1. Have they taken a distribution from their NPERS School Plan account?
2. Are they returning to employment within 180 days of terminating all of their regular service at **any** school plan employer after applying for or receiving a distribution?

If either of these things are true, different rules apply. Please see the [School Plan Eligibility Checklist](#) for further information.

# NEW CONTRIBUTION RATES

With the recent passage of LB 645, contribution rates for members, employers, and the State of Nebraska will now be determined by the Plan’s funded status, as determined by the independent, third-party actuarial valuation report.

NPERS provided guidance on LB 645 in a notification emailed to all School Plan employers on May 19, 2025. This information is also available on our [website](#).

## ACTION REQUIRED:

When submitting your NPERS Wage and Contribution Report for the period July 1 – July 31, 2025, **please ensure the report reflects an 8% employee contribution rate**. Reports that do not reflect this updated rate will generate an error and will not be accepted.



**PLEASE NOTE:** Contribution rates may change annually. It is the employer’s responsibility to stay informed of the current rate each year and update reporting accordingly.

As of the most recent actuarial valuation report presented to the Board on November 18, 2024, the funded status of the Plan was 99.91%. Therefore, on July 1, 2025, the new contribution rate for employees will be 8.00% and the employer contribution rate will be 8.08%.

Funded Status	Employee	Employer	State
100% or above	7.25%	7.32%	0.0%
Between 98% and less than 100%	8.00%	8.08%	0.7%
Between 96% and less than 98%	8.75%	8.84%	0.7%
Less than 96%	9.75%	9.85%	2.0%



# SCHOOL EMPLOYER REPORTING WORKSHOPS

Believe it or not, the school year has already come to a close—which means it's time once again for the NPERS Employer Reporting Workshops!

These workshops cover important topics such as recent changes in laws, updates to forms and procedures, and reporting through the Nebraska Public Retirement Information System (NPRIS).

This year, we're offering both in-person workshops

and an online webinar option. We're also excited to welcome representatives from our Accounting and Internal Audit teams.

**There is no fee to attend, but pre-registration is required.**

In-person events are filled on a first-come, first-served basis, so we encourage you to register now!

To register for an upcoming workshop, [click here](#).

**Note:** Registration link issues may occur if your device does not have a default email program set up, or if you access email through a web browser that does not support opening email links. If this happens, please email [npers.seminars@nebraska.gov](mailto:npers.seminars@nebraska.gov) with the location you wish to attend, and NPERS will respond with instructions.

**JULY 9<sup>TH</sup>**  
**KEARNEY**

**ESU #10**  
**76 Plaza Blvd.**  
Time: 12:45 PM – 3:45 PM

**JULY 10<sup>TH</sup>**  
**NORFOLK**

The Norfolk workshop is FULL,  
and registration is CLOSED.

**JULY 15<sup>TH</sup>**  
**LAVISTA**

**ESU #3**  
**6949 S. 110th St.**  
Time: 1:00 PM – 4:00 PM

**JULY 17<sup>TH</sup>**  
**LINCOLN**

**Isles Reception Hall**  
**6232 Havelock Ave**  
Time: 1:00 PM – 4:00 PM

**Online**  
**Webinar**

**Friday, July 18, 2025**  
**9:00 AM - 12:00 PM**



Webinar Registration

**Register Now**