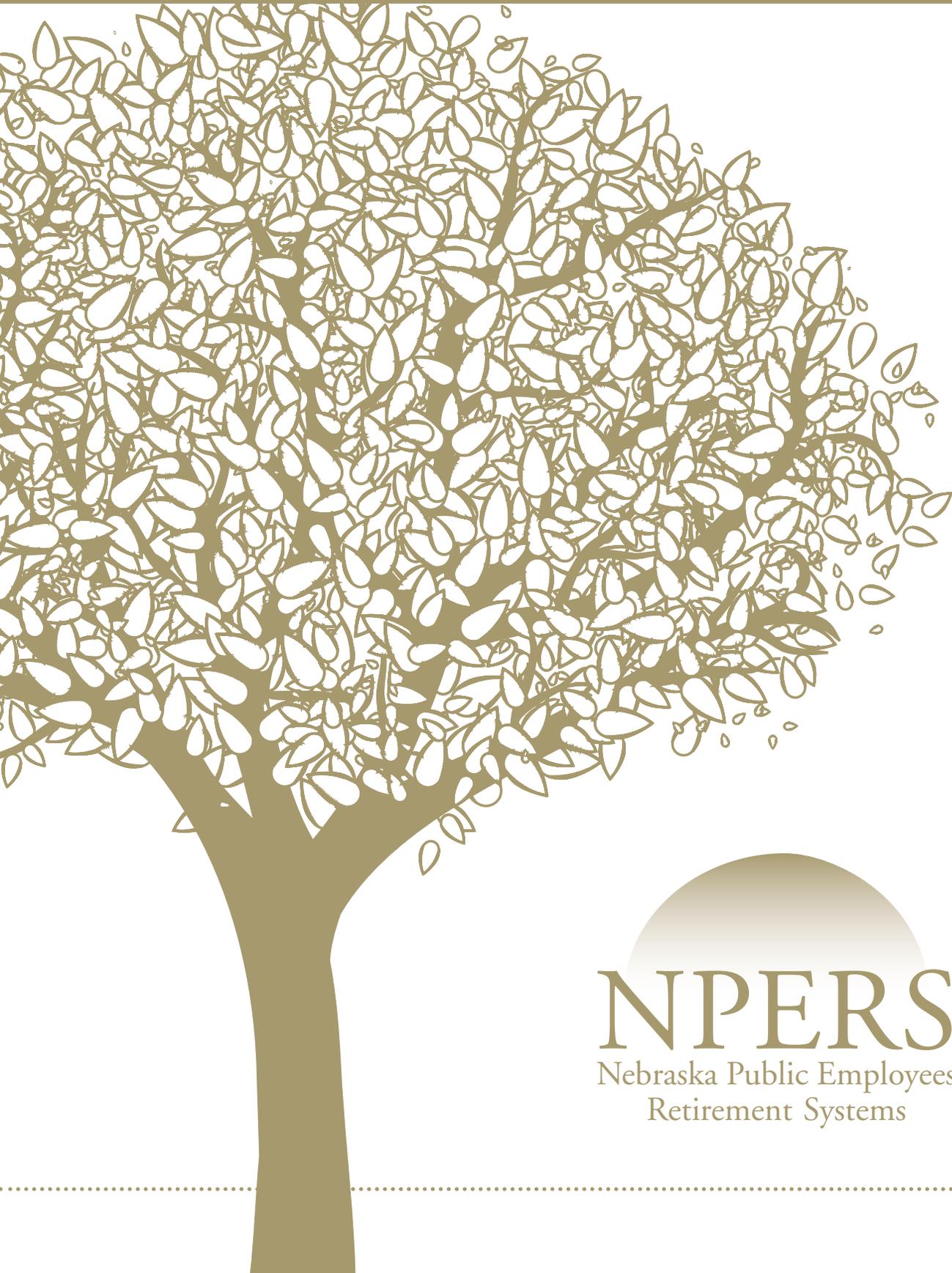


# 2011 ANNUAL REPORT

TO THE LEGISLATIVE RETIREMENT COMMITTEE



**NPERS**

Nebraska Public Employees  
Retirement Systems





# 2011 Annual Report to the Legislative Retirement Committee

Authority: Nebraska State Statutes section 84-1503(3)

---

## Public Employees Retirement Board:

---



**Front (L-R):** Randall L. Rehmeier, Phyllis G. Chambers, Don Pederson, Elaine Stuhr, Janis Elliott, Jeffrey States  
**Back (L-R):** Mark Shepard, Denis Blank, Richard Wassinger  
**Not Pictured:** Glenn Elwell

**Denis Blank, Chair**  
State Member

**Glenn Elwell, Vice Chair**  
Patrol Member

**Janis Elliott**  
School Member

**Mark Shepard**  
School Member

**Randall L. Rehmeier**  
Judge Member

**Richard Wassinger**  
County Member

**Don Pederson**  
Member-At-Large

**Elaine Stuhr**  
Member-At-Large

**Jeffrey States**  
Ex-Officio Member

## Nebraska Public Employees Retirement Systems:

---

**Phyllis G. Chambers**  
Executive Director

**Randy Gerke**  
Deputy Director

1221 "N" Street, Suite 325  
P.O. Box 94816  
Lincoln, NE 68509

**Phone:** 402-471-2053  
**Toll Free:** 800-245-5712

[npers.ne.gov](http://npers.ne.gov)

---



# Letter From the Executive Director

Nebraska Public Employees Retirement Systems

---



March 15, 2011

Senator Jeremy Nordquist, Chairman  
Nebraska Retirement Systems Committee  
Nebraska State Legislature  
Lincoln, NE 68509

Dear Senator Nordquist and Committee Members:

I am pleased to present the 2011 Annual Report to the Legislature. Last year was a challenging year for the State of Nebraska and these challenges filtered down to all state agencies. The state's budget deficit overshadowed the improved financial markets and economic recovery. To meet the challenge, NPERS maintained our focus on excellence in retirement administration and member services while reducing costs.

In 2010, our pension assets grew from \$7.2 billion to \$8.2 billion. The number of our member accounts grew to a record 112,827. We paid over \$474 million in benefits to members in all six plans providing financial security to thousands of Nebraska retirees. NPERS examined ways to improve funding of the defined benefit plans and changes that other state retirement systems are making. This report highlights our 2010 accomplishments, 2011 action plan, the funded status of our plans, and summaries of our plan assets and membership.

I wish to thank Ameritas, Buck Consultants, and the Office of the CIO for their contributions to NPERS success. I would like to acknowledge the Public Employees Retirement Board and the Nebraska Investment Council who perform their fiduciary duties with the highest level of commitment. Finally, I wish to express my appreciation to the Retirement Committee for its continued dedication and support of the Nebraska Public Employee Retirement Systems.

Sincerely,

Phyllis G. Chambers  
Executive Director

---



# Table of Contents

---

<b>Agency Overview .....</b>	<b>1</b>
Mission Statement.....	1
Vision .....	1
Agency Goals .....	2
Agency Statutory Authority.....	2
Staffing.....	3
Organizational Structure .....	3
<b>Agency Activity .....</b>	<b>4</b>
2010 Accomplishments.....	4
2011 Action Plan.....	6
Legislation .....	7
<b>Plan Status .....</b>	<b>10</b>
Funded Status of Pensions .....	10
Retirement Funding .....	13
Retirement Plan Assets.....	14
Plan Membership Summary .....	15
Operating Budget Summary.....	16
Education Services .....	17
Additional Services.....	19
<b>Auditing .....</b>	<b>20</b>
Internal Control .....	20
Economic Value and Annual Plan Audits .....	21
<b>Appendices.....</b>	<b>23</b>
Appendix A: DC, DCP & CB Status .....	24
Appendix B: DB Pensions Summary .....	26
Appendix C: Retirement Plan Summary.....	31
Appendix D: PERB Policies.....	34

---



## **Mission Statement**

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

## **Vision**

To administer the Nebraska Retirement Systems in an efficient, accurate and trustworthy manner, while providing timely service to our plan members.

# Agency Goals

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

# Agency Statutory Authority

The Public Employees Retirement Board (PERB) is entrusted with the administration of the Nebraska Public Employees Retirement Systems (NPERS), per Chapter 84-1501 to 84-1513.

## The laws governing each retirement plan are as follows:

---

County Employees Retirement Act	23-2301 to 23-2332
Judges Retirement Act	24-701 to 24-714
School Employees Retirement Act	79-901 to 79-977.03
Nebraska State Patrol Retirement Act	81-2014 to 81-2040
State Employees Retirement Act	84-1301 to 84-1331
State Deferred Compensation Fund	84-1504 to 84-1513

## Others:

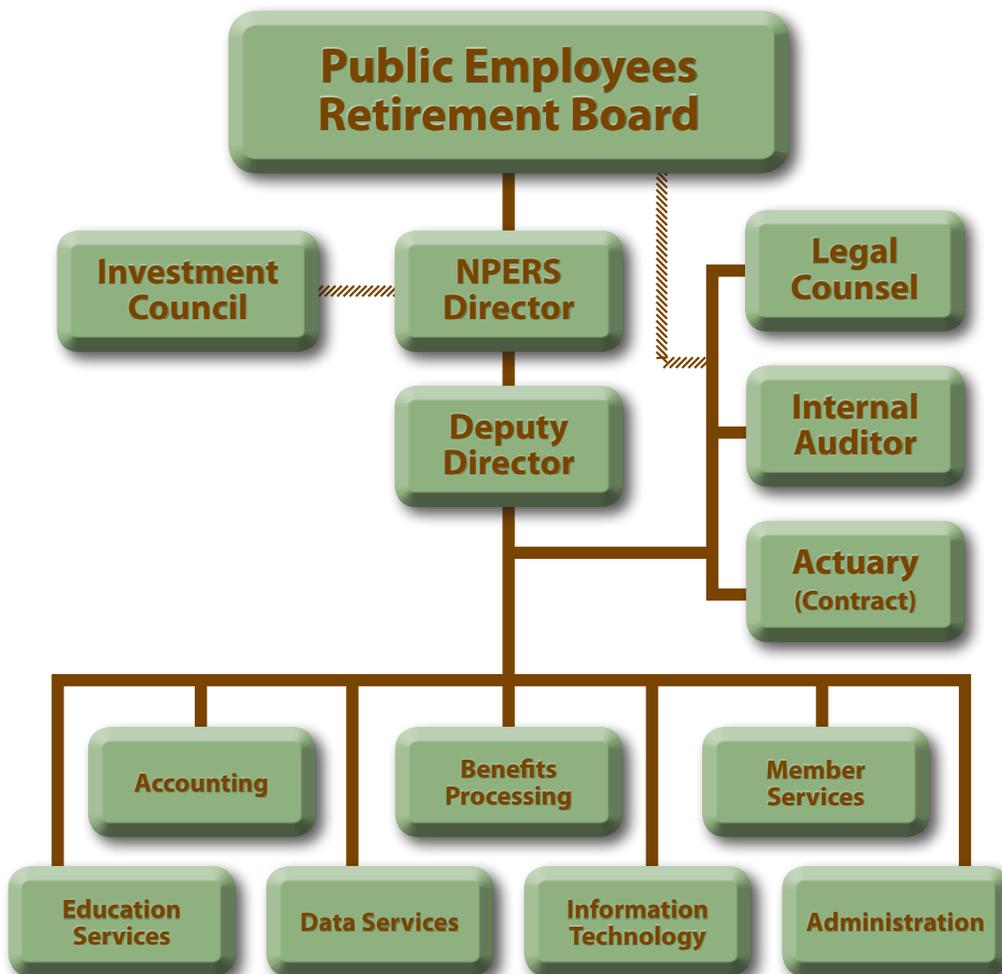
---

Spousal Pension Rights Act	42-1101 to 42-1113
Nebraska Investment Council	72-1237 to 72-1269

# Staffing

We currently have a total of 48 employees on staff. Of these employees, the key management staff are the Director, Deputy Director, Legal Counsel, Internal Auditor, and five managers.

# Organizational Structure



# 2010 Accomplishments

1. This year our total number of member accounts in the School, Judges, Patrol, State, County and Deferred Compensation plans grew to a record 112,827. The total assets of the plans increased from \$7.2 billion to \$8.2 billion as investment performance continued to improve and the market stabilized.
2. The Call Center answered approximately 36,000 phone calls and met with over 2,300 members who visited our office for retirement information and counseling. The Benefits Department processed 1,387 school retirements, 445 estimates for purchase of service, 214 actual purchases of services, 50 Qualified Domestic Relations Orders (QDROs) and 31 disability retirements.
3. NPERS distributed over \$474 million in benefits to plan members in all six plans. The benefits were in the form of monthly annuity payments, refunds, rollovers, systematic withdrawals and required minimum distributions.
4. NPERS transitioned the NPRIS technology system development and infrastructure support to the Office of the Chief Information Officer (OCIO) from the vendor HPSL (Hewlett Packard State and Local, formerly Saber Corporation). The HPSL development and support contract concluded on December 31, 2010.
5. NPERS relocated our backup servers to an alternate site for the purposes of disaster recovery and continuous operations. We established a secondary offsite storage procedure and location for NPRIS backup tapes.
6. The agency continued to work with our actuary, Buck Consultants, to provide the Legislature with funding projections for the defined benefit and cash balance plans. The actuary also provided an analysis of the School exemption costs.
7. Our Finance and Accounting Department exercised careful control of agency expenditures and financial reporting. The agency operated under a 2.5% budget cut in the first half of the year and a 5% budget cut for the second half of the year. NPERS labor contract employees took two involuntary furlough days.
8. NPERS prepared the 2011-2013 Biennium Budget request and submitted it to AS Budget Division. NPERS participated in the LR 542 committee hearing process.
9. NPERS recordkeeper, Ameritas, credited State, County and Deferred Compensation account members with a \$1 fee offset for a 9-month period, due to a 2006 reconciliation of the respective plans.
10. Ameritas improved employer reporting technology to allow Counties to submit contributions via ACH and employment data through their website.

11. The State Auditor audited the State and County plans in the spring and the School, Judges and Patrol plans in the fall. We continue to make progress on resolving prior audit findings.
12. The PERB approved revisions to the Three-Year Internal Audit Plan prepared by the Internal Auditor. The Internal Audit department completed 39 School employer audits and 18 County employer audits.
13. Our Education Services staff traveled Nebraska providing seminars and training for over 2,500 individuals. NPERS held 40 "Retirement Planning" seminars, five "Financial Planning" seminars, seven employer workshops and seven special presentations for agencies and organizations. The number of individuals attending the "Retirement Planning" seminars increased by 8 percent in 2010.
14. The Public Employees Retirement Board (PERB) met monthly throughout the year and participated in an educational retreat in July. Retreat topics included the State Budget Process; Proposed GASB Changes; Public Pension Challenges and How States Are Meeting the Challenges; Fiduciary Responsibility and Board Governance; Investment Market Update and Performance Review.
15. The PERB and Nebraska Investment Council (NIC) met jointly in November for the presentations of the defined benefit actuarial reports by the actuary and the capital market assumptions by the investment consultants.
16. The Benefits Department finished testing the Purchase of Service functionality in the NPRIS system and found it to be an excellent tool for estimating and implementing refunded service and purchases.
17. Data Services processed over 35,000 pieces of incoming mail; 195,000 pieces of outgoing mail; and scanned 380,000 documents. We destroyed 469 boxes of stored documents per the document retention schedule. NPERS continued efforts to correct addresses and social security numbers in the system and to reduce return mail.
18. Data Services entered 5,600 old member beneficiary records into the system. NPERS verified service credit for 707 active members in addition to current daily processing duties.
19. NPERS renewed our office lease with Tier One Bank for two years. The lease was assumed by FDIC.
20. Education Services reduced postage and printing costs by distributing NPERS newsletters to members and employers via the internet and by posting them on our website.

# 2011 Action Plan

1. Establish and implement a process improvement/quality assurance function to address changes in the technology system and agency operations.
2. Implement SharePoint technology to replace NPERS current intranet function.
3. Complete NPERS Disaster Recovery Plan, obtain an alternate disaster recovery site, and execute a disaster recovery exercise.
4. Work with AS Building Division to plan space requirements for NPERS' move to the Assurity Building.
5. Issue a Request for Proposal (RFP) for a 2012 Compliance Audit of NPERS plans and select a provider.
6. Review and revise the agency Rules and Regulations.
7. Audit 36 School employers and 28 County employers to ensure contributions are accurate and employees are correctly contributing to the plans. Continue resolving prior audit findings.
8. Continue the data purification projects that include correcting addresses, verifying service credit, updating member account information and entering beneficiaries into the system.
9. Continue the semi-annual death audit queries and review the reports to ensure the accuracy of the member death records and beneficiary payments.
10. Develop a plan for paying out small retirement account balances or escheat them to Unclaimed Property at the State Treasurer's Office.
11. Participate in legislative hearings and implement retirement legislation enacted by the 2011 Legislature.
12. Work with the Actuary and the Legislative Retirement Committee to develop a 30-year projection model for the defined benefit plans.

# Legislation

## 2010

- **LB 950** Specified in the County, State and School retirement plans that a disability must have occurred while the member was a participant in the plan. In the County Employees Retirement Plan it clarified that disabled employees are not required to receive medical examinations after age 55.

Provisions related to the passage of LB 403 in 2009 are amended into the County, Judges, State Patrol, School, State and the Deferred Compensation retirement plans. LB 403 prohibited participation by non-citizens or those not lawfully in the United States within the retirement plans.

Clarified the definitions in the School plan for temporary, regular and substitute employees.

Clarified that retired, certificated School plan members hired by the Department of Education within 180 days of termination from their school employer will participate in the State plan.

Language is stricken in several sections of the County and State Employees Retirement Acts prohibiting use of forfeiture funds to pay administrative costs for the defined contribution and cash balance plans.

Modified the sunset on a state contribution to the School, Patrol, and Judges' plans, which was set to occur after the 2010/2011 fiscal year, and extended them to the end of the 2012/2013 fiscal year.

## 2009

- **LB 121** Transferred certain state property tax duties back to the county for which the services are provided. State employees were transferred to county employment and their state retirement accounts were transferred to the County plan.
- **LB 187** Changed the contribution rate for School plan members from 7.28% to 8.28% after September 1, 2009. This rate continues for five years (through August 31, 2014). On September 1, 2014, the rate will return to 7.28%.
- **LB 188** Increased the period during which County and State plan members are apply for vesting credit after they are hired from 30 days to 180 days.

Clarified that County and State plan members who terminate employment and then return to employment more than 120 days later will participate in the Cash Balance benefit.

Allowed a "holiday" from Required Minimum Distributions for the 2009 plan year for County and State plan members participating in the Defined Contribution benefit.

Increased the period during which the spousal beneficiary of a deceased County or State plan member may elect to receive benefits as an annuity from 120 days to 180 days.

Provided an exception to the public records requirements for all plans for information obtained from employers and used in administering the retirement plans.

Allowed State plan members to rollover all or part of their Cash Balance account to their DCP account at retirement. Any remaining balance must either be paid as an annuity or otherwise distributed.

Increased the contribution rate for members of the State Patrol plan beginning July 1, 2009, from 13% to 15% of monthly compensation. On July 1, 2010, both member and employer rates were increased to 16% of compensation.

- **LB 403** Provided that as of October 1, 2009, persons unlawfully present in the state are not eligible to receive certain public benefits.
- **LB 414** Increased salaries for judges; increased member contribution rates for judges by 1% for the five years beginning July 1, 2009; and increased the court fee for judges' retirement by \$1 (to \$6) for the same time period.
- **LB 449** Allowed School plan members who have retired under disability to work up to 15 hours per week for a School plan employer and still continue to receive retirement benefits.

### 2008

---

- **LB 1147** Provided investment authority to beneficiaries of deceased State and County Defined Contribution members. Made technical changes to COLA calculations in the School, Judges and Patrol plans. Provided Judges an early retirement benefit based on a 9% actuarial reduction at age 62; 6% at 63; and 3% at 64. Clarified state service annuity language for members before 1996. Made other technical changes in the State, County, School, Judges and Patrol plans.

### 2007

---

- **LB 324** Continued the State Patrol contribution rates at 13% of monthly compensation by the member, 15% of monthly compensation by the employer and added a Deferred Retirement Option Plan (DROP).
- **LB 328** Created the County Employees Cash Balance Expense Fund and the State Employees Cash Balance Expense Fund and removed the 60-day period during which to re-enroll County and State plan members who return to permanent, full-time employment.
- **LB 370** Required NPERS to conduct a survey of all law enforcement retirement systems in the state and file a report with the Legislature.
- **LB 508** Changed period for surviving spouses of members in Judges plan and School plan to make application for death benefits to twelve months.
- **LB 596** Provided a one-time cost-of-living adjustment of 85% to the annuities of School and Class V School plan members.
- **LB 665** Allowed a new election period in which County plan and State plan members may join the Cash Balance option.

### 2006

---

- **LB 366** Provided that full-time, permanent State and County employees begin participation immediately upon employment; provided that State plan members contribute 4.8% of compensation.
- **LB 1019** Changed annuity end dates, terms of Investment Council members, amortization periods for unfunded accrued actuarial liabilities from 25 to 30 years, definition of compensation in School plan, and fiduciary duties of PERB members; allowed PERB to credit State and County Cash Balance dividends.

**2005**

- **LB 503** Implemented a 7% School Compensation Cap; employer testing; PERB per diems; added State/County investment options; increased contribution rates for School and Patrol plans.
- **LB 144** Changed School statement mailings.
- **LB 364** Made changes to fees for late reporting by employers, PERB active or retired members.
- **LB 348** Modified certain court filings to include retirement fees; included Judges salary increase.

**2004**

- **LB 1097** Increased Judges' benefits and contribution rates. Expanded State and County Defined Contribution employer investment options.
- **LB 960** Added one new PERB member (Patrol) and changed a public position to a school administrator position on the PERB.
- **LB 961** Eliminated the "certified mailing" requirement for School Annual Statements.
- **LB 514** Raised Patrol contribution rates for one year.

**2003**

- **LB 451** Agency technical clarification bill.
- **LB 320** Judges contribution rate increase.
- **LB 760** Increased court fees for Judges plan.

**2002**

- **LB 407** Various plan terms updated and changed actuarial funding methods.
- **LB 687** Cash Balance benefit for State/County.

**2001**

- **LB 408** Purchase of Service changes.
- **LB 711** COLA changes and 2% formula for School plan.

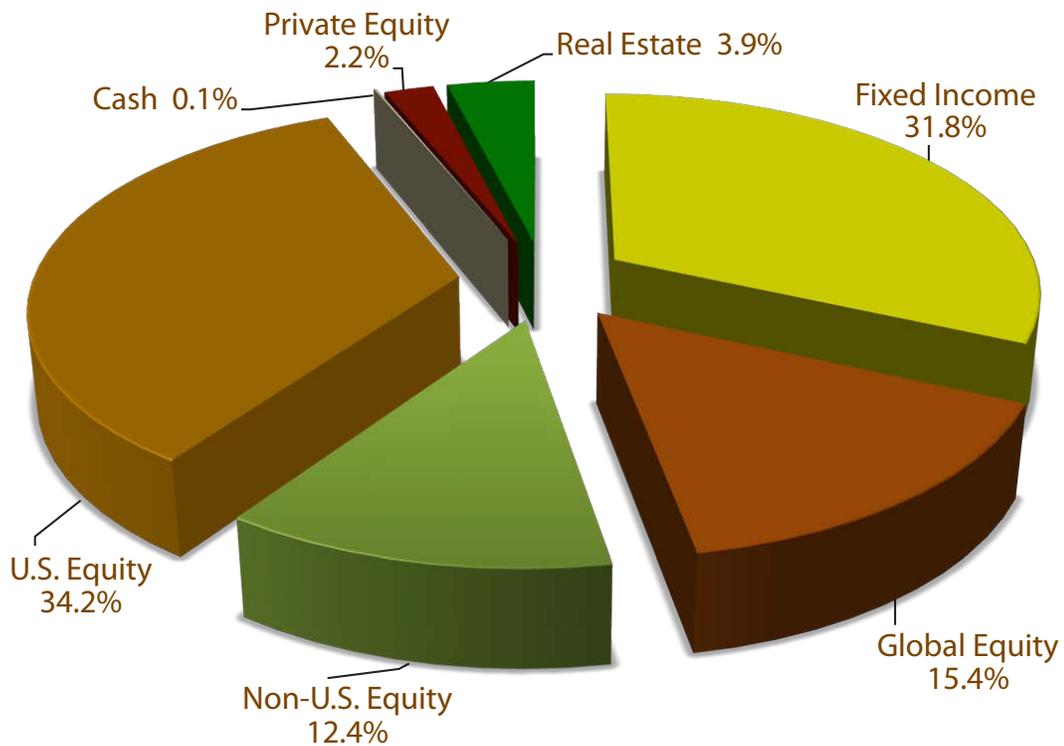
# Funded Status of Pensions

Annually, our actuary performs an actuarial valuation of the Defined Benefit and Cash Balance plans. The Cash Balance plans are on a calendar year basis with the actuarial report issued in the spring of the year. The Defined Benefit plans are on a fiscal year basis with the actuarial report issued in the fall. In our Defined Benefit plans, we smooth our market returns over a 5-year period. The severe financial crisis of 2008 had little effect on the Defined Benefit plans in 2008, but had an increased impact on the funded status in 2009 and 2010, and will continue to do so over the next few years.

## Investment Return for Defined Benefit Plan

FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	FYE 2010
9.8%	10.1%	17.7%	-5.8%	-19.1%	14.2%

This compares to our actuarial assumed rate of 8% based on historical averages.



## Asset Allocation

The asset allocation for the Defined Benefit plans as of June 30, 2010, was 34.2% U.S. Equity; 12.4% Non-U.S. Equity; 15.4% Global Equity; 31.8% Fixed Income; 3.9% Real Estate; 0.1% Cash and 2.2% Private Equity.

---

## Judges Plan

---

In March 2009, LB 414 increased court fees for the Judges plan by \$1 and increased contribution rates for judges by 1% for a period of five years beginning July 1, 2009. The results of the actuarial valuation show no additional contributions are needed for the current year.

As of June 30, 2010, the Judges plan was 100.1% funded (GASB 25). This means that if it were necessary, we could pay every plan member, regardless of age, the benefit owed to them for the remainder of their lives. There is no current unfunded liability. We are over-funded by \$96,781.

---

## School Employees Plan

---

The annual contributions to the School plan by members, school districts and the State are not sufficient to cover the annual "normal" cost (cost of the benefits earned during the year). There is an additional payment needed July 1, 2011, toward the current liability of \$18,871,705.

The School plan has an unfunded liability this year of nearly \$1.5 billion due to investment losses as compared to the plan's assumed rate of return of 8% per year. This means the actuarial accrued liabilities of \$8.54 billion are greater than the actuarial value of the assets of \$7.04 billion.

As of June 30, 2010, the School plan was 82.4% funded (GASB 25).

---

## State Patrol Plan

---

The State Patrol plan needs an additional contribution of \$2,770,262 for the plan year beginning July 1, 2011. LB 188 in 2009 increased employee contributions from 13% to 15%. Beginning July 1, 2010, both the member and employer contributions were 16%.

It is important to note that the "normal cost" (annual cost of a member's accruing benefit) in the Patrol plan is 27.78% of salary at the present time. The State Patrol plan has an unfunded liability of \$48.6 million and is 84.9% funded as of June 30, 2010.

### Summary

---

All three of these Defined Benefit pension plans were in strong financial condition at the end of fiscal year 2010. Currently, there are sufficient assets to pay benefits for years to come. This can be demonstrated by comparing the annual distributions to the asset value. The annual benefit distributions from the plans as a percent of the actuarial value of assets on June 30, 2010, were 4.55% for the School plan; 5.03% for State Patrol and 4.59% for the Judges. The Defined Benefit plan distributions for the 2010 fiscal year were \$320,509,700 for the School plan; \$13,756,761 for the Patrol plan; and \$5,576,749 for the Judges.

**Note:** Copies of our Annual Actuarial Valuation Reports have been provided separately.

### Cash Balance Benefits (State/County)

---

The Cash Balance benefit has been offered to State and County employees who elected to participate and for all new employees enrolled since January 1, 2003. The actuarial valuation for these benefits is performed annually. The annual credited rate for 2007 was 6.12%. A dividend of 5.18% was paid in September 2008, to members with a balance on December 31, 2007, for State and 5.34% for County. The interest credit and dividend combined produced a total return of 10.2% and 10.4% respectively in 2007. The annual credited rate for 2008 was 5.02%. The annual credited rate for 2009 and 2010 was 5%. There were no dividends generated by the PERB in 2009 for the 2008 plan year or in 2010 for the 2009 plan year. For the historical crediting rates and dividends, see Appendix A.

State and County plan members were given another opportunity to transfer from the Defined Contribution to the Cash Balance plan as provided by LB 665 in 2007. There were 1,574 members who elected to transfer to the Cash Balance plan effective January 1, 2008.

### Defined Contribution Benefits (State/County)

---

We are in the process of finalizing our Annual Investment Report for those State and County members who participate in the Defined Contribution portion of these plans, as well as for members of the voluntary Deferred Compensation Plan (DCP).

# Retirement Funding

## Program 515

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

### Specifically, the ongoing appropriations include:

1. A contribution totaling \$6.9 million split between the three Defined Benefit plans and Omaha to supplement COLA benefits granted to retirees.
2. A contribution of 7/10 of 1% of total salaries is contributed to the School Employees Plan and the Omaha Public School Plan. The Legislature increased this appropriation to 1% of the total salaries contributed beginning July 1, 2009.
3. The State is obligated to fund the State Service Annuity portion of the School Employees Retirement Plan and the Omaha Public Schools Retirement Plan, the amounts of which are determined each year by the annual actuarial valuation.

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

2008-09	2009-10	2010-2011	2011-2012	2012-2013
\$19,468,215	\$25,589,490	\$27,420,010	\$48,822,782*	\$79,765,580*

\*Budget request.

# Retirement Plan Assets

## Market Value

SYSTEM	2007	2008	2009	2010
School Employees*	\$7,024,856,413	\$6,578,300,402	\$5,265,649,708	\$5,940,401,645
Judges*	\$121,215,683	\$113,254,039	\$90,306,300	\$101,951,911
State Patrol*	\$279,618,100	\$259,479,803	\$204,927,593	\$229,574,640
State Employees (DC)	\$824,569,183	\$528,524,670	\$633,927,249	\$705,553,922
State Employees (CB)	\$470,871,851	\$467,425,098	\$592,363,564	\$687,018,022
County Employees (DC)	\$191,617,726	\$131,193,097	\$158,891,241	\$178,859,756
County Employees (CB)	\$140,000,355	\$129,233,772	\$165,559,553	\$200,290,863
Deferred Compensation (NPERS)	\$109,566,840	\$83,337,861	\$105,355,446	\$119,821,189
Deferred Compensation (Hartford)	\$51,631,906	\$31,305,975	\$38,240,141	\$40,502,964
<b>Total All Plans</b>	<b>\$9,213,948,057</b>	<b>\$8,322,054,717</b>	<b>\$7,255,220,795</b>	<b>\$8,203,974,912</b>

\*Defined Benefit Plans thru 6/30/10  
State, County, DCP thru 12/31/10

# Plan Membership Summary

## 2010 Membership Status

SYSTEM	ACTIVE	INACTIVE	RETIRED	TOTALS
School Employees*	39,764	19,762	16,912	76,438
Judges*	153	8	154	315
State Patrol*	444	13	390	847
State Employees (DC)	5,224	1,606	---	6,830
State Employees (CB)	11,238	2,707	594	14,539
County Employees (DC)	1,982	756	---	2,738
County Employees (CB)	5,637	1,076	251	6,964
Deferred Compensation (NPERS)	3,081	138	---	3,219
Deferred Compensation (Hartford)	----	937	---	937
<b>Total All Plans</b>	<b>67,523</b>	<b>27,003</b>	<b>18,301</b>	<b>112,827</b>

\*Thru 6/30/2010

## 2010 Activity Summary

SYSTEM	ENROLLMENTS	REFUNDS	RETIREMENTS
School Employees	3,386	1,838	1,387
Judges	2	0	3
State Patrol	0	4	8
State Employees (DC)	0	298	206
State Employees (CB)	1,481	1,005	617
County Employees (DC)	0	118	33
County Employees (CB)	808	359	262
Deferred Compensation*	166	84	120
<b>Total All Plans</b>	<b>5,841</b>	<b>3,706</b>	<b>2,636</b>

\*Excludes Hartford Plan Members

# Operating Budget Summary

## Program 041 and 042

2007-08	2008-09	2009-10	2010-11	2011-12
\$11,828,838*	\$8,965,310	\$8,528,314**	\$5,062,805	\$5,247,520***

\*Includes amounts appropriated in "A" bills and deficit requests.

\*\*Includes 2009 Special Session budget cuts.

\*\*\*Operating budget request only. Final budget not approved as of press time.

Operating expenses paid by each plan during 2009-10 fiscal year:		
School	\$4,072,440	63%
Patrol	297,793	5%
Judges	222,573	3%
State	1,168,713	18%
County	630,305	10%
DCP	77,441	1%

Our budget for FY10-11 represents expenses of approximately .06% (6BP) of our combined assets of \$8.2 billion. For FY11-12, it is 0.06% (6BP) of our combined assets.

## The Master Lease Purchase Program

This program was used to finance a majority of our technology expenses and at a low interest rate, which allowed us to keep a larger portion of our pension assets fully invested.

Beginning in 2000, we issued certificates when funding was needed. In 2002 we refinanced the first lease certificate issued in December 2000 for \$1.3 million, with an additional \$4 million for a combined \$5.3 million at an interest rate of 3.129%. This portion was paid off in October 2008. The second lease issued in November 2001 for \$1.9 million was paid off in November 2009, and the third lease in 2003 was issued for \$5.4 million and was paid off in April 2010. In February of 2004 we issued our final master lease certificate in the amount of \$3.7 million at an interest rate of 2.53%. NPERS' entire master lease purchase program has now been paid in full.

# Education Services

## Seminars, Workshops, and Training

### Retirement Planning Seminars

Retirement Planning Seminars are conducted for members of all five plans. By law, members must be at least age 50 or within five years of qualifying for retirement or early retirement to attend. The seminars include basic planning aspects related to pension benefits, finances, insurance, estate planning, social security benefits and emotional preparation. Members may attend twice with a spouse or other guest, with paid leave, prior to retirement.

Number of Seminars (9 LOCATIONS)	Total Attendees in 2010	Average Attendance
40	1,791	45

### Financial Planning Seminars

Members of the State and County plans under age 50 have the option to attend our Financial Planning Seminars, which include a discussion on our pension benefits and investment options, financial planning and estate planning. This program provides members a better understanding of their retirement plan and the need for personal financial planning long before retirement occurs. With over a third of our State and County members in the Defined Contribution portion of these plans, investment education is vital. Prior to age 50, members may attend twice, with a spouse or other guest, with paid leave.

Number of Seminars (4 LOCATIONS)	Total Attendees in 2010	Average Attendance
5	134	27

### Special Meetings/Training Sessions

Upon the request of members or employers, NPERS staff will speak to groups about the various plan provisions or about changes that occur through legislation.

#### 2010 Venues

- School employee in-service meetings
- "Retirement 101" sessions for State employees
- Information booths at employee benefit fairs
- Nebraska Association of County Officials Annual Conference
- A "Retirement 101" webinar for Judges

Number of Sessions	Total Attendees in 2010
7	334

### Employer Education Programs

NPERS recognizes the key role the State Agency, County and School Employers provide for enrollment and information to members. NPERS provides informational materials to these employers for distribution to members. To ensure all employees are enrolled when eligible, NPERS also provides the employers with plan procedure manuals, notices and regular employer training statewide. We have designated one individual on staff to oversee and coordinate the preparation of materials, manuals, and training for the employers.

#### 2010 Venues

■ School Employer Contact training workshops

■ NACO Annual Convention

#### Number of Meetings

7

#### Total Attendees in 2010

260

## Publications and Online Resources

### Plan Member Handbooks

Each member is provided a plan handbook at the time he/she joins the plan. Handbooks contain a summary of plan benefits and are updated periodically.

### Newsletters

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

### Annual Investment Report

State and the County Defined Contribution members and employees enrolled in our voluntary Deferred Compensation Plan have 13 investment options available to them. Each year we prepare an Annual Investment Report which includes annual investment returns and details on each investment fund. The report also includes year-end information on the Cash Balance benefit. This report is available on our website and announced in the State and County *Retirement News* newsletter. We mail a paper copy of the report to those who request it.

### Videos

Educational videos are taped, edited and hosted on the NPERS website. Members without internet access may request a copy in DVD format. In 2010, the Retirement 101 and Investment Education videos were updated.

### Agency Website

The agency website, [npers.ne.gov](http://npers.ne.gov), was created in 1998 and is continually updated. Members and employers may access the site for basic plan information, forms, seminar schedules and registration brochures, training, videos, benefit calculators, legislative updates, newsletters, annual reports, other publications and employer manuals.

In 2010, NPERS has begun using the Flash format for videos hosted on the site. The Flash format is a smaller file size for easier downloads and provides better quality than the Windows media format previously employed.

# Additional Services

## Service Delivery Results

In 2011, the PERB revised the "Service Delivery Policy." The policy primarily addresses the processing of large numbers of School retirement applications in the summer and early fall.

The revised PERB policy requires benefit payment to be processed and paid within 90 calendar days after the effective date of retirement. If payments cannot be processed within this time frame, the PERB allows staff to issue provisional checks at 95% of the expected benefit. Out of 1,229 retirements processed during 2010, the results are as follows:

<b>11%</b>	Payments began within 30 days.
<b>26%</b>	Payments processed between 31-60 days.
<b>52%</b>	Payments processed between 61-90 days.
<b>11%</b>	Payments processed after 90 days.

47% of 2010 School plan retirees received an exemption above the 7% salary cap, which increased the processing time for benefits.

## Person-to-Person Contact

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

## Recordkeeper Services

State and County members participating in the Defined Contribution benefit as well as DCP members may access daily account values provided by NPERS' recordkeeper, Ameritas Life Insurance Company. Plan members may make investment changes via the Ameritas website at: <https://secure.unifocompanies.com/service/login.asp>.

## Statements of Account

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

Our recordkeeper recently expanded and improved the statement format for the State, County and Deferred Compensation Plan members.

## 2010 Services Summary

	2007	2008	2009	2010
<b>Incoming Phone Calls Answered</b>				
	41,202	32,898	34,194	<b>36,269</b>
<b>Office Visitors</b>				
	700	1,378	2,102	<b>2,356</b>
<b>Incoming Mail</b>				
	49,551	43,065	34,548	<b>35,157</b>
<b>Outgoing Mail</b>				
	385,119	499,923	281,924	<b>195,376</b>
<b>Data Purification Project</b>				
	556	7,687	3,607	<b>4,346</b>
<b>Scanned Documents (DOCUMENT IMAGING PROJECT)</b>				
	429,215	497,445	276,212	<b>380,671</b>
<b>Converted Documents Completed</b>				
	11,372	509	461	<b>425</b>

# Internal Control

## Purpose

To ensure the proper implementation and ongoing compliance with federal and state legislation governing the pension plans under the administration of the PERB.

## Compliance Process

NPERS has established compliance to federal and state laws as a separate function. This function centralizes implementation and ongoing review of federal and state statutes governing plans under the PERB. The purpose of this function is to coordinate all duties and responsibilities across all lines of authority in NPERS, utilizing all resources to ensure NPERS is in compliance. The responsibility of this function is assigned to key NPERS staff members.

## Responsibilities

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

The Accounting and Finance Manager prepares the fiscal notes for legislation affecting the retirement system.

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

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

## Implementation Procedures

**A.** Have plan of action in place for new legislation passed by the State Legislature or Congress within 30 to 45 days after notification is received on the change, but at least 30 days prior to the effective date.

**B.** Ensure proper training of staff prior to the effective date of the law changes.

**C.** Communicate proposed and actual plan law changes to the PERB, staff, employers and all affected members with updates on the final law changes prior to the effective date of the change.

**D.** Begin implementation on the effective date of the law change. If rules and regulations governing the administration of the law are not complete or are in the approval process, use the proposed rules and regulations as policy so as not to delay implementation.

**E.** Compliance monitoring should begin immediately with all processes checked for accuracy by designated staff. Formal review of the guidelines with staff is to begin within three to six months after the effective date.

**F.** NPERS Internal Audit function will periodically review the design and effectiveness of the control structure to ensure compliance with laws and regulations.

**G.** Continuously review long-standing statutes to make remedial changes or updates, if necessary.

**H.** Review audit issues to determine policy or procedure changes, as needed.

---

# Economic Value and Annual Plan Audits

## Economic Value of Defined Benefit Systems to Members and to the State

---

Members receive pension benefits at retirement that will provide both economic security for themselves and their families, while proving to be a major boost to the state economy. Members also have added protection for survivors as well as protection in the event the member becomes disabled.

Last year, nearly 18,000 retirees received monthly payments from the three Defined Benefit plans totalling more than \$350 million in pension income. About 90% of that money stays in Nebraska, and is spent by the retirees residing in every county. The economic value of the pension income is multiplied several times as the money is circulated throughout the state. See Appendix B for a chart of the monthly Defined Benefit pension payouts by county and by state.

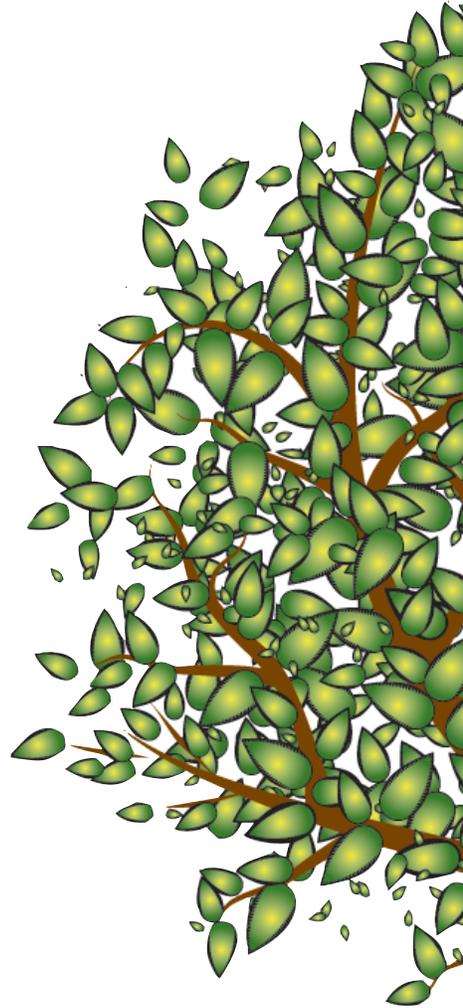
## Annual Plan Audits

---

Each year the State Auditor's office conducts an audit of each of the five retirement plans under our administration. The State and County plans are audited in the spring and summer. The School, Judges and State Patrol plans are audited in the fall and winter. The Deferred Compensation Plan is audited every three years. There has not been a recent audit conducted that reported a material problem with the financial statements of our pension plans.

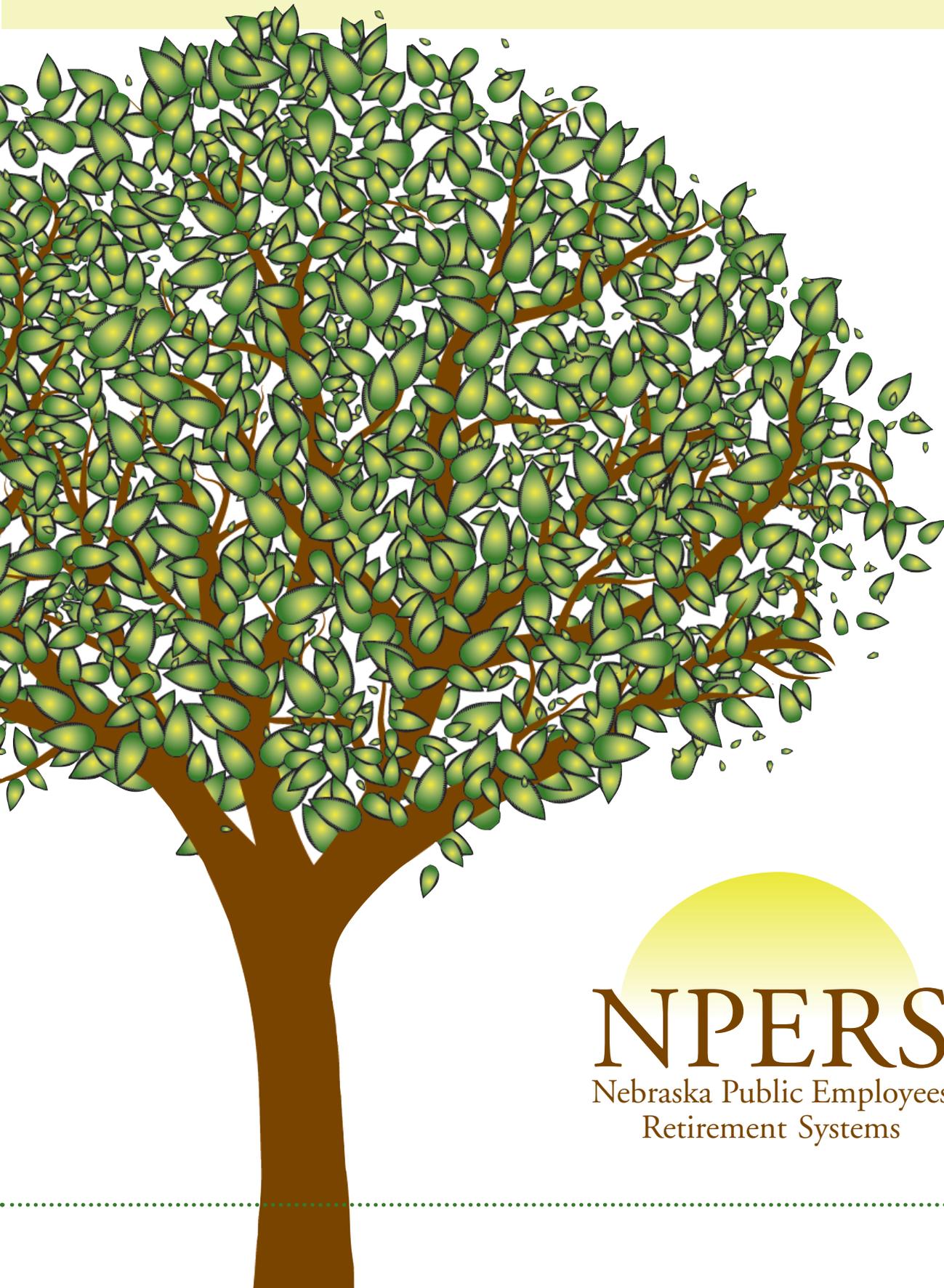
In 2002 we received the results of a formal compliance audit conducted by two outside firms with expertise in retirement plans. The firms were hired, per statute, to conduct a review of our compliance with both federal and state laws governing public pension plans. The results of this compliance audit were very positive and demonstrated to the PERB and agency management that we were following the statutes governing our plans.

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



# APPENDICES

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS



**NPERs**

Nebraska Public Employees  
Retirement Systems



### Time-Weighted Rates of Return

Updated December 31, 2010

	Money Market Fund	Stable Value Fund	Bond Market Index Fund	S & P Stock Index Fund	Large Company Growth Stock Index Fund	Large Company Value Stock Index Fund
<b>Quarter</b>	0.06%	0.79%	-1.28%	10.74%	11.87%	10.52%
<b>YTD</b>	0.22	3.39	6.63	15.22	16.83	15.65
<b>2009</b>	0.49	3.81	5.95	26.85	37.48	20.08
<b>2008</b>	2.44	4.50	5.36	-36.89	-38.21	-36.81
<b>2007</b>	5.16	4.73	7.06	5.59	11.78	-0.01
<b>2006</b>	5.18	4.52	4.36	15.90	9.14	22.22
<b>2005</b>	2.99	4.25	2.44	4.96	5.15	7.16
<b>1-Year</b>	0.22%	3.39%	6.63%	15.22%	16.83%	15.65%
<b>3-Year</b>	1.05	3.90	5.98	-2.65	-0.25	-4.27
<b>5-Year</b>	2.68	4.19	5.87	2.45	3.90	1.41
<b>10-Year</b>	2.48	4.63	5.90	1.50	0.09	3.34

	Small Company Stock Fund	International Stock Index Fund	AGE-BASED FUND			Investor Select Fund
			Conservative Premixed Funds	Moderate Premixed Funds	Aggressive Premixed Fund	
<b>Quarter</b>	17.14%	7.18%	2.27%	5.06%	8.81%	6.93%
<b>YTD</b>	30.70	11.24	8.47	12.13	14.71	13.54
<b>2009</b>	36.34	39.82	11.85	19.65	25.99	25.92
<b>2008</b>	-36.01	-43.87	-6.78	-17.84	-28.74	-25.79
<b>2007</b>	-3.06	16.15	6.60	6.89	6.53	5.65
<b>2006</b>	16.60	26.79	8.52	11.46	15.18	14.97
<b>2005</b>	6.07	16.46	4.05	4.97	6.04	N/A
<b>1-Year</b>	30.70%	11.24%	8.47%	12.13%	14.71%	13.54%
<b>3-Year</b>	4.47	-4.43	4.19	3.30	0.98	1.99
<b>5-Year</b>	5.21	5.15	5.52	5.60	4.79	5.20
<b>10-Year</b>	8.32	N/A	4.74	4.85	4.12	N/A

MAJOR INDICES:	S & P 500 (Large Co. Stock)	Russell 2000 (Small Co. Stock)	MSCI ACWI-EX US (Int'l. Stock)	Barclays Aggregate (Bonds)	90-Day Treasury Bill	CPI (Inflation)
<b>Quarter</b>	10.76%	16.25%	7.20%	-1.30%	0.05%	0.34%
<b>YTD</b>	15.06	26.86	11.15	6.54	0.15	1.50
<b>2009</b>	26.46	27.17	41.45	5.93	0.23	2.72
<b>1-Year</b>	15.06%	26.86%	11.15%	6.54%	0.15%	1.5
<b>3-Year</b>	-2.86	2.22	-5.03	5.90	0.87	1.43
<b>5-Year</b>	2.29	4.47	4.82	5.80	2.50	2.18
<b>10-Year</b>	1.41	6.33	5.54	5.84	2.42	2.34

Rates of return are for the investment vehicle currently used.

**Following are the dates of NE fund inception:**

- Stable Value Fund - 1996;
- Bond Market Index Fund, S & P 500 Stock Index Fund, Money Market Fund - 1997;
- Large Company Growth Stock Index Fund, Large Company Value Stock Index Fund, Conservative Premixed Fund, Moderate Premixed Fund, Aggressive Premixed Fund - 1999;
- Small Company Stock Fund - 2000;
- International Stock Index Fund and Investor Select Fund - 2005.

1. Returns are net of investment management fees.
2. The 1, 3, 5, and 10-year rates of return are annualized rates of return of the funds through December 31, 2010
3. Past performance is not indicative of future performance.
4. Members who selected the Age-Based Fund option should check performance in the following manner: Members through age 39 use the Aggressive Premixed Fund; Members at age 40 through 59 use the Moderate Premixed Fund; and Members at age 60 and over should use the Conservative Premixed Fund.

## Cash Balance Credit Rate

	Q1	Q2	Q3	Q4	ANNUAL RATE
<b>2003</b>	5.00%	5.00%	5.00%	5.15%	5.04%
<b>2004</b>	5.02%	5.00%	5.61%	5.12%	5.19%
<b>2005</b>	5.26%	5.59%	5.36%	5.58%	5.45%
<b>2006</b>	5.98%	6.22%	6.55%	6.32%	6.27%
<b>2007</b>	6.08%	6.11%	6.45%	5.85%	6.12%
<b>2008</b>	5.08%	5.00%	5.00%	5.00%	5.02%
<b>2009</b>	5.00%	5.00%	5.00%	5.00%	5.00%
<b>2010</b>	5.00%	5.00%	5.00%	5.00%	5.00%

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

## Cash Balance Dividend

	RATE	BALANCE AS OF:	EMPLOYED ON:	PAID ON:	AMOUNT PAID
<b>2003</b>	n/a	n/a	n/a	n/a	n/a
<b>2004</b>	3.088%	12/31/03	9/30/04	9/30/04	\$6,801,286.65
<b>2005</b>	2.800%	12/31/04	4/18/05	6/30/05	\$6,845,702.09
<b>2006 State</b>	13.500%	12/31/05	12/31/05	10/27/06	\$41,505,456.02
<b>2006 County</b>	16.400%	12/31/05	12/31/05	10/27/06	\$14,801,902.56
<b>2007</b>	2.730%	12/31/06	12/31/06	9/27/07	\$13,531,875.14
<b>2008 State</b>	5.180%	12/31/07	12/31/07	10/3/08	\$21,630,438.25
<b>2008 County</b>	5.340%	12/31/07	12/31/07	10/3/08	\$6,943,643.11
<b>2009</b>	0.000%	n/a	n/a	n/a	\$0.00
<b>2010</b>	0.000%	n/a	n/a	n/a	\$0.00

Public Employees Retirement Board has granted dividends in 2004, 2005, 2006 and 2007 to members with the Cash Balance Option. The dividends were calculated based upon the account balances on the last day of the prior year. There were no dividends granted in 2009 or 2010 for either State or County plans.

# Appendix B

## DEFINED BENEFIT PENSIONS SUMMARY

### Monthly Defined Benefit Pension Benefits Paid

Distribution By Nebraska County – December 2010

COUNTY	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
ADAMS	587,507.89	360	\$1,632	3,208.24	1	\$3,208	590,716.13	361	\$1,636
ANTELOPE	147,864.17	107	\$1,382				147,864.17	107	\$1,382
ARTHUR	11,137.27	9	\$1,237				11,137.27	9	\$1,237
BANNER	5,411.88	5	\$1,082				5,411.88	5	\$1,082
BLAINE	17,074.27	12	\$1,423				17,074.27	12	\$1,423
BOONE	92,650.66	92	\$1,007	346.72	1	\$347	92,997.38	93	\$1,000
BOX BUTTE	216,039.09	125	\$1,728				216,039.09	125	\$1,728
BOYD	40,329.05	32	\$1,260				40,329.05	32	\$1,260
BROWN	66,694.58	44	\$1,516	3,653.04	1	\$3,653	70,347.62	45	\$1,563
BUFFALO	910,636.52	531	\$1,715	1,627.47	1	\$1,627	912,263.99	532	\$1,715
BURT	216,008.49	128	\$1,688	8,509.49	4	\$2,127	224,517.98	132	\$1,701
BUTLER	125,605.04	77	\$1,631				125,605.04	77	\$1,631
CASS	471,450.85	290	\$1,626	67,574.07	36	\$1,877	539,024.92	326	\$1,653
CEDAR	135,701.03	99	\$1,371				135,701.03	99	\$1,371
CHASE	79,514.44	59	\$1,348				79,514.44	59	\$1,348
CHERRY	70,504.02	59	\$1,195				70,504.02	59	\$1,195
CHEYENNE	179,786.25	112	\$1,605				179,786.25	112	\$1,605
CLAY	137,604.10	91	\$1,512	948.30	1	\$948	138,552.40	92	\$1,506
COLFAX	120,634.37	87	\$1,387	5,365.48	3	\$1,788	125,999.85	90	\$1,400
CUMING	108,107.43	90	\$1,201	7.96	1	\$8	108,115.39	91	\$1,188
CUSTER	228,662.53	149	\$1,535				228,662.53	149	\$1,535
DAKOTA	177,544.91	136	\$1,305				177,544.91	136	\$1,305
DAWES	142,958.39	100	\$1,430				142,958.39	100	\$1,430
DAWSON	371,902.37	247	\$1,506	3,772.76	2	\$1,886	375,675.13	249	\$1,509
DEUEL	49,844.62	30	\$1,661				49,844.62	30	\$1,661
DIXON	94,327.47	73	\$1,292	1,497.40	1	\$1,497	95,824.87	74	\$1,295
DODGE	913,575.46	531	\$1,720	9,750.16	8	\$1,219	923,325.62	539	\$1,713
DOUGLAS	3,812,854.44	1959	\$1,946	5,079,107.52	2549	\$1,993	8,891,961.96	4,508	\$1,972
DUNDY	28,465.33	19	\$1,498	4,608.27	1	\$4,608	33,073.60	20	\$1,654
FILLMORE	105,895.53	69	\$1,535				105,895.53	69	\$1,535
FRANKLIN	55,506.48	40	\$1,388				55,506.48	40	\$1,388
FRONTIER	57,139.91	42	\$1,360				57,139.91	42	\$1,360
FURNAS	137,058.98	90	\$1,523				137,058.98	90	\$1,523

COUNTY	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
GAGE	461,174.20	289	\$1,596	6,988.22	2	\$3,494	468,162.42	291	\$1,609
GARDEN	72,167.51	42	\$1,718				72,167.51	42	\$1,718
GARFIELD	61,095.05	39	\$1,567	3,996.79	2	\$1,998	65,091.84	41	\$1,588
GOSPER	90,655.42	53	\$1,710				90,655.42	53	\$1,710
GRANT	17,524.07	8	\$2,191				17,524.07	8	\$2,191
GREELEY	56,313.34	33	\$1,706				56,313.34	33	\$1,706
HALL	1,155,869.19	609	\$1,898	3,906.75	3	\$1,302	1,159,775.94	612	\$1,895
HAMILTON	201,508.91	114	\$1,768				201,508.91	114	\$1,768
HARLAN	98,745.78	52	\$1,899				98,745.78	52	\$1,899
HAYES	25,799.41	20	\$1,290				25,799.41	20	\$1,290
HITCHCOCK	73,385.32	46	\$1,595				73,385.32	46	\$1,595
HOLT	175,873.00	137	\$1,284				175,873.00	137	\$1,284
HOOKER	29,814.68	22	\$1,355				29,814.68	22	\$1,355
HOWARD	118,992.54	86	\$1,384				118,992.54	86	\$1,384
JEFFERSON	143,977.52	109	\$1,321				143,977.52	109	\$1,321
JOHNSON	75,807.07	61	\$1,243				75,807.07	61	\$1,243
KEARNEY	108,571.45	80	\$1,357				108,571.45	80	\$1,357
KEITH	175,075.95	113	\$1,549				175,075.95	113	\$1,549
KEYA PAHA	14,987.38	8	\$1,873				14,987.38	8	\$1,873
KIMBALL	119,522.27	69	\$1,732				119,522.27	69	\$1,732
KNOX	196,370.38	154	\$1,275	1,510.58	1	\$1,511	197,880.96	155	\$1,277
LANCASTER	5,019,447.59	2660	\$1,887	35,949.29	27	\$1,331	5,055,396.88	2,687	\$1,881
LINCOLN	720,668.17	402	\$1,793	1,875.41	3	\$625	722,543.58	405	\$1,784
LOGAN	27,303.17	21	\$1,300				27,303.17	21	\$1,300
LOUP	16,844.99	11	\$1,531				16,844.99	11	\$1,531
MADISON	613,494.02	374	\$1,640	1,282.14	1	\$1,282	614,776.16	375	\$1,639
MCPHERSON	2,966.79	5	\$593				2,966.79	5	\$593
MERRICK	148,774.11	104	\$1,431	1,796.61	2	\$898	150,570.72	106	\$1,420
MORRILL	126,236.31	73	\$1,729				126,236.31	73	\$1,729
NANCE	89,093.39	57	\$1,563	373.15	1	\$373	89,466.54	58	\$1,543
NEMAHA	143,310.41	99	\$1,448				143,310.41	99	\$1,448
NUCKOLLS	72,929.84	62	\$1,176				72,929.84	62	\$1,176
OTOE	335,118.73	199	\$1,684	10,215.80	6	\$1,703	345,334.53	205	\$1,685

# Appendix B

## DEFINED BENEFIT PENSIONS SUMMARY

COUNTY	School/Patrol/Judge (GROSS AMOUNTS)			Omaha Schools (GROSS AMOUNTS)			Statewide Totals		
	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT	BENEFIT PAYMENT	MEMBERS	AVERAGE PAYMENT
PAWNEE	69,974.25	47	\$1,489	6,139.68	3	\$2,047	76,113.93	50	\$1,522
PERKINS	59,215.73	49	\$1,208				59,215.73	49	\$1,208
PHELPS	253,684.99	156	\$1,626	938.31	1	\$938	254,623.30	157	\$1,622
PIERCE	120,302.78	84	\$1,432				120,302.78	84	\$1,432
PLATTE	499,043.71	302	\$1,652	705.04	1	\$705	499,748.75	303	\$1,649
POLK	138,075.19	94	\$1,469				138,075.19	94	\$1,469
RED WILLOW	264,268.90	176	\$1,502	2,721.95	1	\$2,722	266,990.85	177	\$1,508
RICHARDSON	157,690.79	122	\$1,293	720.56	1	\$721	158,411.35	123	\$1,288
ROCK	23,450.72	19	\$1,234				23,450.72	19	\$1,234
SALINE	247,615.14	157	\$1,577				247,615.14	157	\$1,577
SARPY	1,616,982.15	840	\$1,925	542,680.38	309	\$1,756	2,159,662.53	1,149	\$1,880
SAUNDERS	339,513.50	199	\$1,706	16,474.36	10	\$1,647	355,987.86	209	\$1,703
SCOTTS BLUFF	837,058.94	460	\$1,820	528.66	1	\$529	837,587.60	461	\$1,817
SEWARD	349,101.32	196	\$1,781				349,101.32	196	\$1,781
SHERIDAN	105,797.94	69	\$1,533				105,797.94	69	\$1,533
SHERMAN	101,978.21	60	\$1,700				101,978.21	60	\$1,700
SIoux	7,560.62	7	\$1,080				7,560.62	7	\$1,080
STANTON	60,380.78	45	\$1,342				60,380.78	45	\$1,342
THAYER	130,039.04	92	\$1,413				130,039.04	92	\$1,413
THOMAS	17,581.37	13	\$1,352				17,581.37	13	\$1,352
THURSTON	67,196.84	52	\$1,292				67,196.84	52	\$1,292
VALLEY	88,723.24	59	\$1,504	773.87	1	\$774	89,497.11	60	\$1,492
WASHINGTON	293,557.87	177	\$1,659	69,987.71	36	\$1,944	363,545.58	213	\$1,707
WAYNE	199,081.33	127	\$1,568	248.10	1	\$248	199,329.43	128	\$1,557
WEBSTER	69,939.25	54	\$1,295	1,532.73	1	\$1,533	71,471.98	55	\$1,299
WHEELER	7,990.47	6	\$1,332				7,990.47	6	\$1,332
YORK	273,228.77	189	\$1,446	5,730.95	3	\$1,910	278,959.72	192	\$1,453
<b>TOTALS</b>	<b>27,104,449.62</b>	<b>15,956</b>		<b>5,907,053.92</b>	<b>3,027</b>		<b>\$33,011,503.54</b>	<b>18,983</b>	

Total Gross Benefit Paid Per Month to  
Nebraska County Residents For All Four Systems = **\$33,011,503**

## Monthly Defined Benefit Pension Benefits Paid

Distribution By State – December 2010

STATE	School/Patrol/Judge (GROSS AMOUNTS)		Omaha Schools (GROSS AMOUNTS)		Statewide Totals	
	GROSS PENSION	% OF TOTAL	GROSS PENSION	% OF TOTAL	TOTAL PENSION	% OF TOTAL
AK	9,128.41	0.03%			9,128.41	0.02%
AL	7,719.85	0.03%	10,690.38	0.16%	18,410.23	0.05%
AR	86,752.86	0.29%	29,894.70	0.43%	116,647.56	0.32%
AZ	350,683.10	1.17%	87,707.76	1.27%	438,390.86	1.19%
CA	65,992.42	0.22%	43,642.90	0.63%	109,635.32	0.30%
CO	280,054.97	0.93%	68,057.00	0.99%	348,111.97	0.94%
CT	1,068.29	0.00%			1,068.29	0.00%
DC			4,179.98	0.06%	4,179.98	0.01%
DE	9,011.63	0.03%	8,403.80	0.12%	17,415.43	0.05%
FL	148,930.48	0.50%	47,860.62	0.69%	196,791.10	0.53%
GA	13,451.14	0.04%	9,124.85	0.13%	22,575.99	0.06%
HI	63.34	0.00%	3,518.05	0.05%	3,581.39	0.01%
IA	349,128.56	1.16%	279,428.46	4.05%	628,557.02	1.70%
ID	18,387.46	0.06%	6,433.60	0.09%	24,821.06	0.07%
IL	26,436.19	0.09%	16,906.06	0.25%	43,342.25	0.12%
IN	10,533.04	0.04%	2,683.80	0.04%	13,216.84	0.04%
KS	141,522.66	0.47%	19,142.49	0.28%	160,665.15	0.44%
KY	4,603.98	0.02%			4,603.98	0.01%
LA	7,175.83	0.02%	12,478.88	0.18%	19,654.71	0.05%
MA	3,065.96	0.01%	524.97	0.01%	3,590.93	0.01%
MD	624.76	0.00%	2,906.92	0.04%	3,531.68	0.01%
MI	13,098.30	0.04%	3,835.30	0.06%	16,933.60	0.05%
ME	1,476.18	0.00%			1,476.18	0.00%
MN	73,450.32	0.25%	28,847.96	0.42%	102,298.28	0.28%
MO	210,539.78	0.70%	56,526.10	0.82%	267,065.88	0.72%
MS	6,236.35	0.02%	7,446.72	0.11%	13,683.07	0.04%
MT	42,608.41	0.14%	7,090.12	0.10%	49,698.53	0.13%
NC	29,444.17	0.10%	13,676.14	0.20%	43,120.31	0.12%
ND	2,617.15	0.01%			2,617.15	0.01%
NE	27,104,449.62	90.41%	5,907,053.92	85.69%	33,011,503.54	89.53%
NH		0.00%			0.00	0.00%
NJ		0.00%			0.00	0.00%
NM	49,226.87	0.16%	7,719.24	0.11%	56,946.11	0.15%

# Appendix B

## DEFINED BENEFIT PENSIONS SUMMARY

STATE	School/Patrol/Judge (GROSS AMOUNTS)		Omaha Schools (GROSS AMOUNTS)		Statewide Totals	
	GROSS PENSION	% OF TOTAL	GROSS PENSION	% OF TOTAL	TOTAL PENSION	% OF TOTAL
NV	63,244.10	0.21%	13,786.55	0.20%	77,030.65	0.21%
NY	14,912.01	0.05%	3,031.49	0.04%	17,943.50	0.05%
OH	17,999.25	0.06%	1,300.39	0.02%	19,299.64	0.05%
OK	23,364.38	0.08%	22,505.13	0.33%	45,869.51	0.12%
OR	58,111.73	0.19%	9,061.73	0.13%	67,173.46	0.18%
PA	23,207.24	0.08%	4,999.58	0.07%	28,206.82	0.08%
SC	13,943.31	0.05%	4,434.32	0.06%	18,377.63	0.05%
SD	244,673.74	0.82%	10,065.69	0.15%	254,739.43	0.69%
TN	15,277.44	0.05%	9,887.63	0.14%	25,165.07	0.07%
TX	200,437.31	0.67%	73,983.16	1.07%	274,420.47	0.74%
UT	28,931.89	0.10%	9,537.99	0.14%	38,469.88	0.10%
VA	26,002.33	0.09%	8,086.26	0.12%	34,088.59	0.09%
VT	2,724.23	0.01%			2,724.23	0.01%
WA	43,490.44	0.15%	26,746.68	0.39%	70,237.12	0.19%
WI	25,134.80	0.08%	1,731.17	0.03%	26,865.97	0.07%
WV	2,366.51	0.01%	2,025.36	0.03%	4,391.87	0.01%
WY	107,427.33	0.36%	4,129.77	0.06%	111,557.10	0.30%
<i>Armed Forces Pacific</i>				0.00%	0.00	0.00%
<i>BC</i>	0.00	0.00%			0.00	0.00%
<i>Mexico</i>			2,040.47	0.03%	2,040.47	0.01%
<b>TOTALS</b>	<b>\$29,978,730</b>	<b>18,040</b>	<b>\$6,893,134</b>	<b>3,593</b>	<b>\$36,871,864</b>	<b>21,633</b>

**Total Gross Benefit Paid  
Per Month For All Four Systems = \$36,871,864**

## Plan Summaries

The following are brief descriptions of each pension plan under the PERB's administration. The PERB has limited authority with respect to establishing the funding policy for these five statewide retirement systems.

### County Employees Retirement System

County employees participate in either the Defined Contribution or Cash Balance plan. Regardless of the benefit provision a member has chosen, the benefit is based on the accumulated account balance (employee and employer contributions and earnings). At retirement a member may elect an annuity, rollover, and/or a lump sum of his/her account.

Employees contribute 4.5% of compensation [section 23-2307], with an additional 1% contribution by county law enforcement officers for counties under 85,000 in population, and an additional 2% for counties with over 85,000 in population. The County employers match the members' contribution [section 23-2308] at the rate of 150%.

Employees in the Defined Contribution portion of the plan may invest their contributions in various investment options available to them. Employees in the Cash Balance portion of the plan earn a specified rate of interest (Federal mid-term rate plus 1.5% or a minimum of 5%). Dividends may be issued to members in the Cash Balance plan if actual plan earnings are sufficient, but with a required reserve of no less than 10%, per statute.

Employer contributions to the Defined Contribution benefit are directed by plan members who can choose among the same investment options that are available for their employee contributions. Employer contributions to the Cash Balance benefit earn the same rate of return as the member contributions, as specified by the plan. Members are vested in the employer funds after three years of plan participation.

### State Employees Retirement System

State employees participate in either a Defined Contribution or a Cash Balance plan. Regardless of the benefit provision a plan member has chosen, the benefit at retirement is based on the accumulated account balance. A member may choose to elect an annuity at retirement, rollover and/or a lump sum of his/her account.

Employees contribute 4.8% of compensation. The employer contribution is 156% of the employee's contribution [section 84-1309].

Employees in the Defined Contribution portion of the plan may invest their contributions in various investment options available to them. Employees in the Cash Balance plan earn a specified rate of interest (Federal mid-term rate plus 1.5% or a minimum of 5%). Dividends may be issued to members within the Cash Balance portion of the State plan if actual plan earnings are sufficient, but with a required reserve of no less than 10%, per statute.

Employer contributions to the Defined Contribution benefit are directed by plan members who can choose among the same investment options that are available for their employee contributions. Employer contributions to the Cash Balance benefit earn the same rate of return as the member contributions, as specified by the plan. Members are vested in the employer funds after three years of plan participation.

### Deferred Compensation Plan

This is a voluntary tax-deferred investment plan available to state and some county employees. The plan is an eligible Deferred Compensation Plan under section 457 of the Internal Revenue Code. Members may contribute up to \$16,500 to the plan in 2011. The investment options are identical to those offered through the Defined Contribution component of the State and County plans. There are no employer contributions. All expenses associated with the administration of the Deferred Compensation Plan are paid by the members of the plan through a monthly assessment against member accounts.

## Judges Retirement System

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

Contribution rates were changed effective July 2009. Currently, each member contributes 7% or 9% of compensation [section 24-703] until the member reaches 20 years of service, at which time the rate drops to 5% of compensation or 1%. The rate a member contributes both before 20 years and after depends on the choice each judge made following the enactment of an unreduced joint and survivor retirement option under LB 1097 in 2004. The plan is also funded by a \$6 court fee assessed on various court filings per section 24-703.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 24-705]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 24-703].

In addition, the state contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 24-710.07]. A retired member is eligible to receive an annual COLA after being retired one year.

Members are eligible for early, reduced retirement at age 55 or with unreduced benefits at age 65. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3.5%. Benefits are capped at 70% of average salary.

## State Patrol Retirement System

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

Contribution rates were raised in July 2009 and again in 2010. Currently each member contributes 16% of compensation [section 81-2017]. The plan is also funded by an employer contribution of 16% of compensation. [section 81-2017].

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 24-705]. On the basis of this annual valuation, the state may be required to provide additional funds to cover any unfunded liabilities [section 81-2017].

In addition, the state contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 81-2027.03]. A retired member is eligible to receive an annual COLA after being retired one year.

Members are eligible for retirement as early as age 50 with 25 years of creditable service or at normal retirement age of 55. A member must retire upon reaching age 60. The benefit is calculated using the final average salary of a member multiplied by total service years times a factor of 3%. Benefits are capped at 75% of average salary. If a member retires prior to age 55 and does not have 25 years of service, the member's benefit is reduced by 5/9ths of 1% for every year prior to age 55 or reaching 25 years of service.

A voluntary Deferred Retirement Option Plan (DROP) was added effective September 2008. Members with 25 or more years of service may participate as early as age 50. Upon entering DROP, benefits are calculated using current salary and service. During the DROP time frame the participant continues employment with the State Patrol and no longer makes contributions to retirement. Monthly pension benefits are deposited into the DROP account and invested by the participant using the same investment options utilized in the Defined Contribution and Deferred Compensation plans. At termination, the DROP account is available to the participant. Subsequent monthly benefits are issued directly to the participant.

## School Employees Retirement System

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

Rates were raised in September 2009. Currently each member contributes 8.28% of compensation [section 79-958]. The plan is also funded by a matching employer contribution of 101% of the member's contribution [section 79-958].

In addition, the state contributes an amount equal to 7/10 of 1% of the compensation of all members in the system. This was raised to 1% of compensation effective July 2009. The state also contributes to a COLA, which is currently funded by an annual contribution in an amount set by statute [section 79-947.01]. A retired member is eligible to receive an annual COLA after being retired one year.

The PERB must have an annual valuation of the plan performed by its consulting actuary [section 79-966]. On the basis of this annual valuation, the state contributes an amount sufficient to cover the state service annuity [section 79-966].

Under certain circumstances, members may purchase additional years of service credit (such as out-of-state public school service). For members hired or rehired on or after July 1996, these service credit purchases must be purchased on the basis of full actuarial cost to the system [sections 79-933.05, 79-933.06, and 79-933.08]. The PERB's consulting actuary provides actuarial cost tables for the PERB to determine the amount to be paid by the member for the additional service so that the impact to the plan for allowing this additional service is actuarially neutral.

A member may retire as early as age 55 with 30 years of service on an unreduced basis, or upon reaching the "Rule of 85" if age 55 or older, or at normal retirement age of 65. Benefits are calculated by multiplying the average of the member's highest three years of salary by total creditable service times a factor of 2%. There is an early retirement reduction prior to age 65 if the member does not meet the "Rule of 85."

## Defined Benefit Plan/Actuarial Assumptions

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

### Actuarial assumptions are included for:

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

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

In 2000, a study to review the actuarial funding methods was undertaken by our consulting actuary. An actuarial experience study was completed in the fall of 2007, resulting in changes to the various assumptions used for plan funding. The study was presented to the Legislative Retirement Committee under the provisions of LR 101 on November 20, 2007. A study of this kind is generally recommended every five years.

### Board Policy #1

Revised March 2010

#### 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. The Board's duties include, but are not limited to the following:

- 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.
- 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.
- To provide oversight of the Director and the operation of the Retirement Systems agency.
- To approve and adopt Rules and Regulations for the governance of the Retirement Systems agency, as governed by statute.
- To establish policies for Board governance and duties.
- 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.
- To approve the agency budget and allocation of expenses.
- To hire an attorney to advise the Board in legal matters as they relate to the administration of the retirement systems.
- 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.
- 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 15 of each year.
- To obtain, by competitive bid, actuarial services on behalf of the State of Nebraska as necessary for administration of the retirement systems.
- To obtain, by competitive bid, auditing services for a separate compliance audit by December 31, 2007, and at least every ten years thereafter.
- 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.

- To review and approve all member disability claims.
- To review and approve all hardship withdrawals from the Deferred Compensation Plan.
- To consider all member appeals according to the Administrative Procedure Act and 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, 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 committees are used, the Chair shall appoint Board members to committees. The committees, per Rule & Regulation #1, shall be composed of not more than four members. No committee 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 committee. Committees may not take formal action on behalf of the Board, nor represent the Board without prior approval of the full Board. All committee findings and recommendations require formal action of the Board to be binding upon the Board. Committees may include, but are not limited to the following:
- i. **Policy and Planning 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 and Audit Committee** – shall review all pending legislation, be available to attend public hearings and advise the Board of trends that may affect the Systems; review annual audits; and make recommendations to the Board as needed.
  - 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. **Any other ad hoc committee as necessary.**

## Board Policy #2

Revised September 2006

### Board Code of Conduct

The Public Employees Retirement Board expects of itself and its members ethical and businesslike conduct.

- A. Board members, as fiduciaries defined in Neb. Rev. Stat. § 84-1503.02, shall discharge their duties solely in the interest of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law.
- B. Board members are responsible for preparing themselves for Board work. They shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. (Neb. Rev. Stat. § 84-1503.02 (2)).
- C. Board members must avoid any conflict, or perceived conflict of interest with respect to their fiduciary responsibility.
  - 1. There must be no self-dealing or any conduct of private business or personal services between any Board member and the Retirement Systems.
  - 2. Board members must not use their positions to obtain employment within the Retirement System for themselves, family members, or close associates.
  - 3. Should a Board member be considered for employment, he or she must not have been a member of the Board for at least ninety (90) days prior to the date of such employment.
  - 4. 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).

- D. "Statements of Financial Interests," as provided under the Nebraska Accountability and Disclosure Act, Neb. Rev. Stat. §49-1401 to §49-14,140 shall be filed by each Board Member on or before April 1st of each year for the prior calendar year. A filing is to also be made within 30 days after leaving the Board. One copy of the filing is to be sent to the Nebraska Accountability and Disclosure Commission and another copy with the election commissioner in the Board member's county of residence.
- E. Board members may not exercise individual authority over the Retirement System except as explicitly set forth in Board policies.
- F. The Chairperson of the Board shall be the ex-officio spokesperson, both on routine matters and in the absence of a realistic ability to convene the Board for approval of a statement of policy. The Board may designate a member or members of the Board to communicate a Board-approved policy or statement.
- G. The Board will not advocate for benefit improvements for any of the retirement systems that it administers, but may make comments and provide guidance on any changes proposed by the Legislature or by other groups with an interest in the Retirement System. In any proposed changes to retirement benefits, it is the goal of the Board to implement changes in such a way as to be the most beneficial to the members and the most effective use of the money needed to fund the increased benefits. (Neb. Rev. Stat. § 84-1503.02(2)).

## Board Policy #3

Revised August 2007

### 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)).

### Director Duties and Responsibilities:

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.

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:

- Coordination, training and supervision of staff for six pension plans involving complex details and procedures.
- Interpretation and execution of statutes and Board policies.
- Development and implementation of sound fiscal and accounting procedures and records.
- Consult with and make recommendations to the Governor and the Legislature on major pension benefit issues, as directed by the Board.

### 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.

### SPECIFIC DUTIES:

1. Supervises and coordinates several statewide benefit programs involving complex procedural details, a high volume of transactions, and diverse statutory basis.
2. 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.
3. Recommends all necessary rules and regulations relating to the administration, interpretation, and construction of the Retirement Laws.
4. Insures compliance with Federal and State laws in the management and operation of the systems.
5. Coordinates with the consulting actuary regarding all actuarial duties required by law.

6. 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.
7. Performs public contact work in gathering information, resolving problems, engendering support, and providing information required by the Board and Legislature.
8. Prepares recommendations and justification for changes in procedures, budget requests, personnel, and office activities.
9. Directs the preparation and conduct of research required in support of the Board's mandates and Legislative matters.
10. Collects, interprets, analyzes, and summarizes information to be utilized as the basis for recommendations to the Board and Legislature.
11. 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.
12. Hires the Retirement staff in accordance with the budget prescribed by the Board and Legislature.
13. 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.
14. Constantly appraises the Retirement Board of any development that would in any way affect the Retirement Board and its operation.
15. 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.
16. Recommends action on disability claims and hardship withdrawals from the State Deferred Compensation Plan for Board consideration.

### Limitations of Authority:

#### THE BOARD SHALL:

1. Approve all disability claims.
2. Approve all hardship withdrawals from the State Deferred Compensation Plan.
3. Approve Rules and Regulations for adoption.
4. Determine the funding policy for the plans as provided by statute.

5. Approve agency budget.
6. At its discretion, authorize the Director to execute such contracts as have been approved by the Board.
7. 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.

## Board Policy #4

Revised August 2007

### Legal Counsel & Internal Auditor

#### DUTIES & REPORTING

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 work with the Director. The legal counsel shall routinely advise the Board on legal matters as they relate to the administration of the Retirement Systems, and shall advise the Director when such advice shall not be in conflict with the legal counsel's duty to the Board, on the following:
    - Legal issues affecting members' records and entitlements
    - Legal issues affecting investments
    - State and local legal issues affecting system processes and procedures
    - Federal government mandates on plan administration and benefits
    - Legal issues on payment of benefits
    - Potential conflicts
    - Pending appeals and potential litigation
    - Pending legislation
    - Any other legal issues of interest
  - b. The legal counsel to the Board shall act in the best interest of the Board and at least once per year shall report to the Board any matters that in his/her professional judgment impact on the Board's role and duties. The legal counsel shall have direct access to the Board or a committee of the Board.
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)).
  - 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:
    - Prepare a formal written three-year audit plan and work schedule each year and present them to the Board;
    - Conduct ongoing reviews of the internal procedures of the retirement systems and recommend improvements to the Board;
    - Ensure that Nebraska Public Employees Retirement Systems' internal accounting and operational controls are appropriate and operating correctly and report inconsistencies to the Board;
    - Examine and evaluate system records and operating procedures; verify compliance with established plans, policies, procedures, and control systems; assure compliance with regulatory and statutory conditions and adherence to generally accepted accounting and auditing principles; and report inconsistencies to the Board;
    - 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 recordkeeper for all applicable plans; and
    - 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 once per year shall report to the Board any matters that in his/her professional
3. 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.

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

## Board Policy #5

Revised September 2005

### Reviewing Applications for Disability Retirements – Board Actions

- A. The Public Employees Retirement Board will approve applications for disability retirements in a manner consistent with controlling statutory authority and will avoid, as much as practicable, a case by case disposition of such matters.
  1. With respect to disability applications in the State, County and School retirement plans, the Board's inquiry shall focus on whether the applicant has incurred a disability that involves an inability to engage in a substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or be of a long and indefinite duration.
  2. With respect to the Judges plan, the Board shall receive and act upon the findings of the Commission on Judicial Qualifications when considering the disability of a judge. For clerk magistrates who are in the Judges plan, the Board shall determine if he or she has become physically or mentally disabled in a manner which seriously interferes with the performance of his or her duties and that is determined to be permanent or reasonably likely to become permanent.
  3. With respect to the State Patrol, the Board shall determine whether a member has incurred a disability that constitutes a complete inability of the officer, by reasons of accident or sickness, to perform the duties of an officer of the State Patrol.
- B. With respect to disability applications for members of the State, County or School retirement plans and for clerk magistrates who are members of the Judges plan; the Director shall direct that a medical examination be made at the expense of the retirement system, which examination shall be conducted by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices. Such physician, to be selected by the Retirement Board, shall have certified to the Board that the member is physically or mentally incapable of further performing his or her duties as a state, county or school employee and should be retired. When the director is satisfied that a sufficient examination had been made, the Director shall present the results of the examination and a recommendation to the Board. The Board shall grant or deny the disability retirement application based on the examination and report of the physician, assisted by the recommendation of the Director.
  - C. With respect to any judge, the Board shall receive the report of the Commission on Judicial Qualifications that determines that a judge is permanently disabled; the Board shall then place the judge on retirement and grant a retirement annuity as provided in § 24-710.
  - D. With respect to a member of the State Patrol, the Board shall not make any disability benefit payments unless adequate proof is furnished of the existence of the disability. The Director, on behalf of the board, may demand a physical examination of the member by a disinterested physician legally authorized to practice medicine under the laws of the state in which he or she practices, chosen by the system and at the expense of the system.
  - E. The Director, with the approval of the Board, may engage one or more medical advisors to assist the Director and the Board in analyzing the reports sent by physicians who have examined disability retirement applicants. The medical advisor shall be a physician legally authorized to practice medicine in Nebraska and hired by the Director, with the advice and consent of the Board. The duties of the Medical Advisor shall include, but shall not be limited to, the following:
    1. Review all physicians' reports prior to the time at which the Director and/or Board reviews the reports.
    2. Do any follow-up gathering of information the Medical Advisor deems necessary to fully understand the physicians' reports he or she has the duty to review.
    3. Appear before the Board and assist the Director as he or she presents the reports of disinterested physicians to the Board and the Director's recommendation for action during any executive sessions convened for that purpose.
    4. Answer questions about the reports that may be asked by the Director or members of the Board, provide expert assistance and knowledge of a trained physician to the Director and the Board in analyzing the medical questions involved in determining whether a disability retirement is appropriate, and provide his or her opinion on the medical condition of applicants, based on the reports he or she has reviewed.

- 5.** Any other such duties as the Director or the Board may deem necessary and appropriate to determine whether disability retirements should be granted to those who have made application under the applicable statutes.
- F.** With respect to disability applications in which the disinterested physician states that the member is a person meeting the description of an incapacitated person as found in Neb. Rev. Stat. § 30-2601, the Board shall make reasonable inquiries as to whether it is satisfied by clear and convincing evidence that (i) the applicant is unable to manage his or her property and property affairs effectively for reasons such as mental illness, mental deficiency, physical illness or disability, chronic use of drugs, chronic intoxication, confinement, or lack of discretion in managing benefits received from public funds, detention by a foreign power, or disappearance; and (ii) the person has property in the retirement system which will be wasted or dissipated unless proper management is provided, or that retirement funds are needed for the support, care, and welfare of the applicant or those entitled to be supported by him or her and that protection is necessary or desirable to obtain or provide funds.
- If the Board finds that such conditions are met, the Board may direct that a guardian, guardian for a limited purpose or conservator should be appointed under the provisions of the Nebraska Probate Code, Neb. Rev. Stat. Chapter 30 Article 26, prior to the Board allowing such an applicant to select a retirement option or otherwise allow the release of monies held by a retirement system on behalf of such an applicant.
- G.** All disability retirement applications approved by the Board may be re-evaluated one year from the effective date of retirement. The re-evaluations shall be made by a disinterested physician licensed to practice medicine in the state in which he or she practices medicine, under the conditions set forth in paragraph J of this policy.
- H.** If a member's disability retirement application is re-examined and continually approved for at least three years, the Public Employees Retirement Board may determine when the next reevaluation shall occur.
- I.** If an applicant dies during the period between making application for a disability retirement and the Board's approval of the applicant's application, the Board and Director may examine such applicant's death certificate and the report of a disinterested physician, if available, to make a determination on the disability application filed by the deceased applicant.
- J.** When ordering an examination by a disinterested physician both for initial and any further examinations, the Director and Board shall, if practicable, choose a disinterested physician who specializes in the area of medicine relating to the reason or source of disability as given by the applicant on his or her application.
- K.** Information provided in an application for disability includes medical records that contain personal and sensitive information that if improperly used or released may do significant harm to an applicant's interests or needless harm to an applicant's reputation. All review 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.

## Board Policy #6

Revised March 2010

### Contractual Services Policy

In all cases, selection of contractual services is subject to and shall comply with the provisions of Chapter 73, Article 5, Nebraska Revised Statutes.

#### 1. CONTRACT RENEWAL OPTION

The Director shall provide the Board a review of the performance of contract service providers not less than six months 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.

The contract service provider may be requested to submit a renewal and cost proposal to the Board for consideration within 180 days of the contract expiration, unless statutes otherwise provide. (See e.g. §84-1503 (2) (e), actuarial services; §84-1503 (2) (h), compliance audit.)

#### 2. CONTRACT BIDDING PROCESS

Not less than six months prior to the expiration of a service contract, the Director will draft a request for proposal (RFP) for the Board's review. 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.

The Director shall, with the assistance of NPERS staff counsel and other management staff as needed, review all bids that qualify under the stated RFP requirements.

As soon as reasonably possible, the Director shall provide a summary of the 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 the scheduled interviews.

The Board or a committee of the Board and the Director will interview all 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.

**The following is a schedule of existing contracts:**

CONTRACT	TERM	COMPLETED	DUE
Compliance Audit	4–10 yr.	2002	2012
Actuarial Services	3 yr.	2010	2013
Actuarial Audit	10 yr.	2009	2019
Experience Study	4–5 yr.	2007	2012
Recordkeeping Services	3–5 yr.	2006	2011
Information Systems	1 yr.	2010	2011

### 3. EXCEPTIONS

If the existing contract is not renewed under paragraph 1 of this policy, the bidding process for the annual contract to provide Deferred Compensation Plan annuities will be conducted in-house by the Director and agency staff and shall not use the services of the Department of Administrative Services, Materiel Division.

The Board will review the draft RFP each year in March. The final RFP will be published prior to May 1st of each year. Proposals will be considered during the meeting of the Board held in June, with a contract beginning date of July 1st.

All annuity providers must be rated within the top four rating grades by at least one of the following national credit rating services: A. M. Best, Duff & Phelps, Moody’s, and Standard & Poor’s. In addition, issuers should be within the top five rating grades (level “B” or above) by TheStreet.com. Existing contracts may be grandfathered under this guideline and may be allowed to mature as scheduled.

## Board Policy #7

Revised September 2006

### Challenging Service Credit Under Neb. Stat. 79-907.

This policy is formulated pursuant to § 79-907, which requires the Board to set out a procedure for members to challenge statements of creditable service sent to such members by certified mail.

1. A member must inform the Director that he or she wishes to challenge the statement of creditable service.
2. Upon receipt of the notification of a challenge, the Director shall send a letter explaining the procedure and notifying the member of the steps needed to complete a challenge to the statement of creditable service. The letter shall inform the member of the necessary documentation that will be needed to perfect the challenge.
3. If the member does not provide the necessary documentation within 90 days of filing the challenge, the member shall be deemed to have waived the protest,

and shall be barred from challenging the statement thereafter.

4. If the member perfects the challenge, the Director shall have 60 days from the receipt of the documentation to make a determination. The burden of proof is on the member to show by clear and convincing evidence that the statement of creditable service is in error. The Director, in making this decision, shall consider the documentation sent by the member and the records kept by NPERS. The Director shall grant or deny the challenge and proposed modification of the statement and inform the member of his or her decision not later than 60 days after the documentation has been received.
5. If the member wishes to appeal the Director’s determination to the Board, the member shall have 30 days from the date of the Director’s determination to appeal to the Board, pursuant to § 79-950. Appeals from the Board decision shall be made pursuant to the Administrative Procedures Act.

## Board Policy #8

Revised September 2006

### Conference Attendance and Expense Reimbursement Policy

The members of Public Employee Retirement Board (PERB) believe the affairs of the plans they administer are highly important and complex. The retirement obligations incurred and the administration of the plans are complex matters, and education in employee benefit matters is necessary. It is important for PERB members to be educated in matters relating to the plans they administer. PERB members are encouraged to attend one or more educational conferences per year. These policy guidelines are adopted to address travel expenses related to educational conference attendance.

1. PERB members shall make travel requests to the Board at least 30 days in advance when possible.
2. Each request for travel by a Board member will include a business-related reason for that travel and an estimate of the cost.
3. Hotel and air travel reservations can be made by the Board member or the retirement office.
4. Travel by any Board member outside of Nebraska will be reviewed by the Board; a majority decision will prevail.
5. Any Board member who attends a conference or seminar will present either an oral or written report to the Board at the next meeting.

6. Special consideration will be given for the support of the conventions or seminars sponsored by the following organizations:
  - NCTR (National Council on Teacher Retirement)
  - NASRA (National Association of State Retirement Administrators)
  - NCPERS (National Council Public Employee Retirement Systems)
  - IFEBP (International Foundation of Employee Benefit Plans).
7. Board members attending the annual Board retreat shall have their actual expenses for official business paid by the agency in conformity with the Travel Expense Policies adopted by the Nebraska Department of Administrative Services.
8. Per diems will be paid to board members for activities that have been approved by the board at the rate allowed by law.
9. Board members will be reimbursed for actual costs for out-of-town meals in Nebraska not to exceed the maximum GSA meal guidelines. Board members must retain a record (log) or obtain receipts for each meal incurred while in travel status. The expense reimbursement document may be used as the Board member's record of travel expenses incurred. In lieu of obtaining and attaching original receipts for each meal incurred, the member may identify type of meal, actual amount paid (including tax and tip), and the restaurant name and location on the expense reimbursement document. Eligible meals are as follows:
  - a. **Breakfast** – when leaving for overnight travel or one-day travel on or before 6:30 a.m.
  - b. **Lunch** – when leaving for overnight travel at or before 11:00 a.m. or return from overnight travel at or after 2:00 p.m. Lunch is not allowed on one-day travel unless part of an official business meeting with a working lunch part of the agenda.
  - c. **Supper** – when returning from overnight travel or one-day travel at or after 7:00 p.m.

Board members will be reimbursed for actual meal costs in excess of the IRS guidelines if receipts for meals are attached to the expense reimbursement document.
10. Board members will be reimbursed for meals outside of Nebraska for reasonable and actual cost. Reasonable costs are the federal per diem standard. The standards can be found at Internet site: <http://www.gsa.gov/Portal/gsa/ep/home.do?tabId=0>.
11. Lodging for Board members will be reimbursed based on actual cost incurred while attending an official business function. If the meeting or conference is at a lodging

establishment and the Board member chooses not to stay at the conference lodging establishment, other lodging may be reimbursed at reasonable amounts comparable to the posted conference room rate. Actual costs will be demonstrated by an original receipt.

12. 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. Reimbursement will be made in accordance with Neb. Rev. Stat. §811176, at the rate per mile established by the Department of Administrative Services.
13. 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.
14. No reimbursement is allowed for alcoholic beverages.

## Board Policy #9

Revised February 2010

### Materiality Policy

#### OBJECTIVE

The objective of this policy is to establish materiality amounts or tolerance levels for various accounting and processing procedures within the agency.

#### RISKS

The following risks or inefficiencies could occur if a materiality policy is NOT established:

- The cost plan members incur in our agency expenses for staff time, data processing, materials, postage, etc. in processing transactions that may be more than the value of the transaction itself
- Data processing cannot be as timely or efficient if tolerance levels are not available for some editing and processing functions
- Agency could be subject to criticism from outside parties if they feel transaction amounts we are pursuing are immaterial

#### The following risks could also occur if a materiality policy IS established:

- Could be implied that we are not in "absolute" compliance with some statutes
- Very low risk of abuse by employers.

## DEFINITIONS

As defined in Government Auditing Standards, an auditor's consideration of materiality is a matter of professional judgment and is influenced by their perception of the needs of a reasonable person who will rely on the financial statements. Materiality judgments are made in light of surrounding circumstances and necessarily involve both quantitative and qualitative considerations. An error or omission is considered material or significant if it changes a reader's interpretation of the financial statements. Materiality amounts that will be addressed in this policy could never have an effect on the reliability of our financial statements due to the size of the plans we administer.

## OVERVIEW

While the agency has a legal requirement to comply with all statutes, we also have a fiduciary obligation to the plan members to spend their funds wisely and efficiently. The need for materiality amounts within the agency has been apparent in the definition of tolerance levels within our NPRIS system for various edits, parameters, etc. The question has also arisen in all of the audits completed by the State Auditors' Office, and it is felt that a number of audit issues could be eliminated if materiality amounts were established by the agency. The Auditors' Office has suggested that a policy regarding materiality amounts for agency processing be adopted by the Board.

There is no written policy within the State Accounting Office regarding materiality levels; they simply have different levels of review and approval authority tied to different transactions.

## Materiality Amounts for Agency Transactions

### Employer Reporting

- No receivable or payable will be created if remittances from school employers for monthly contributions are within +/- \$10.00 of the required amount.
- Schools will not be billed if the "late interest" amount calculated on a monthly late remittance is less than \$10.00.

### Purchase of Service

- Payments from members or rollover payments for purchase of service or refunded service will be receipted as payment for contract completion if the payment is within +/- \$10 of the amount due.

### Recalculation of a Final Benefit

- For Defined Benefit plans – The monthly retiree benefit payments that require recalculation will not be adjusted if the change in the monthly benefit amount is within +/- \$10.00 of the original calculated final benefit.

- For State and County plans – The monthly defined contribution and cash balance retiree benefit payments that require recalculation will not be adjusted if the change in the monthly benefit amount is within +/- \$10.00 of the original calculated final benefit.

### Make-up Contributions Agreements

- For Defined Benefit plans - In the case of a contribution error, if the calculation of the missed contribution for the employee and employer in total is \$30 or less, no make-up will be required.
- For State and County plans - If the calculation of a missed contribution of employer and employee in total is \$5 or less, no make-up will be required.

### Refund Buy-Back Purchase

- If the variance between the calculated refund amount (the amount before the applicable rate of interest is added on) and the member's actual refund distribution is within .5%, then the calculated amount will be accepted as valid.

## Board Policy #10

Revised August 2008

### Board Funding Policy

**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:

- 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.
- 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.
- 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 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.
- e. 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. An experience study shall be conducted every four to six years.

**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 new 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 State of Nebraska.
- 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. 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. An experience study will be conducted every four to six years.
- d. Investment returns greater than or less than the assumed annual rate of return will be recognized on a "smoothed" basis over a five year period.
- e. 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:

- 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.

- 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.
- Any dividend that is granted should conform with the following guidelines:
  - The plan must maintain the 90% Benefit Threshold Rate after granting any dividend.
  - 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.
  - The dividend plus the annual interest credit during the year cannot exceed 8.0% unless a majority of PERB agrees.
  - No dividend will be granted for a year where the annual interest credit rate exceeds the actuarial valuation interest rate.
- The account balance used to determine the amount credited will be the balance as of December 31st of the previous year.
- All accounts with an account balance as of December 31 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 31 of the year for which the dividend is granted.
- 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.

### Statutory Reference:

**Section 23-2317 (4) (c) & 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.

## Board Policy #11

Revised August 2007

### Board Per Diem

Pursuant to the provisions of subsection 84-1502(3), per diems for PERB members may be paid to a member when the member personally participates in one or more of the following Board activities:

1. Monthly Board meetings,
2. Special or emergency Board meetings,
3. Board committee meetings,
4. Board-approved seminars and conferences, or
5. Other such activities as approved by the Board.

The member must complete a Request for Per Diem Compensation form and submit it to the Secretary for any claim other than Board meetings before a per diem claim will be paid.

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. Such statement shall be retained by the Secretary of the Board and thereafter shall be in force until revoked in writing by the member.

## Board Policy #12

Revised September 2006

### Director Succession Plan

#### ANNUAL TRAINING

**New Board Members** - In order to promote education and to adequately train new Public Employees' Retirement Board members, each new member will be strongly encouraged to attend an educational session to learn the basics of the administration of retirement plans within the first twelve months of his/her becoming a member.

**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 or conference per year to stay current with regulatory and administrative issues.

#### CONTINUITY PLAN

**Board Members** – In addition to education, to assist with continuity on the Board, new members, whenever possible will be paired with an existing Board member who will assist that new member during the first six months of his/her term.

**Agency Director** – The Board has adopted a Succession Plan and shall maintain the Plan as conditions may warrant for the time when a replacement must be found for the Director. In addition, the Director shall advise the Board of the name of his/her emergency replacement if the Director must be absent for an extended period. The Director shall “groom” someone from within the agency who could be his/her successor, either temporarily or on a permanent basis.

#### ANNUAL RETREAT

Each year the Board sets aside an additional day combined with its regular monthly board meeting to review policies, set goals for the new year and receive additional training and/or updates on their fiduciary duties as Board members.

The Board has committed additional resources to holding the retreat in an appropriate location that is a reasonable distance for members to travel. Resources have also been allocated for the cost of outside speakers on matters of interest to the Board.

## Board Policy #13

Adopted January 2011

### Excessive Trading Policy

The Excessive Trading Policy of the Public Employees Retirement Board ('PERB') limits the number of transfers permitted within a participant's account. Excessive trading by one or many participants can have a detrimental effect on other participants. In order to protect plan sponsors and participants, as well as meet regulatory guidelines and Mutual Fund Partner requirements, PERB is implementing this policy to address this potential problem.

Only transactions that create the potential for market timing and excessive trading abuses will be subject to monitoring. Accordingly, only participant-initiated Exchange Purchases and Exchange Redemptions are monitored. This would include (but not be limited to) purchases and redemptions made as a result of a non-systematic reallocation or rebalancing transaction. This policy is not affected by regular allocations of contributions, loans, or withdrawals.

An Exchange Redemption executed within sixty (60) days of an Exchange Purchase will result in monitoring of the participant's transactions for the Monitoring

Period. A rolling sixty-day period begins immediately following a Round Trip (an Exchange Purchase followed by an Exchange Redemption).

A written notice to the participant will be mailed after identifying an Exchange Purchase during the Monitoring Period. This notice will inform the participant that if the participant executes an Exchange Redemption during the remainder of the Monitoring Period, the participant will be subject to the trading restrictions.

When a participant executes a Round Trip during the Monitoring Period, the participant will be prevented from initiating subsequent Exchange Purchases in that fund for a sixty-day period following the Exchange Redemption that violated the policy.

All exchanges in other funds during the Purchase Restriction Period must be done via the U.S. Mail. This would exclude the use of phone, voice response, fax, web/internet, and hand-delivered means of executing trades.

The participant will be notified in writing upon the imposition of these trading restrictions.

Participant trading privileges will be restored automatically upon the expiration of the Purchase Restrictions Period. Please note that our Mutual Fund Partners may have excessive trading policies that conflict with, or are more restrictive than, PERB's Excessive Trading Policy. In the event there is a violation of such Mutual Fund Partner policy, additional restrictions may apply, as directed by the Mutual Fund Partner.

It is not always possible to identify or prevent excessive trading that violates this policy. There is no guarantee that these restrictions will be followed in all cases. In addition, this policy may change from time to time.

## Board Policy #14

Adopted January 2011

### Service Delivery Policy

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.

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.

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.

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.

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.

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.