



# Audit Report of the Nebraska Public Employees Retirement Systems School Employees, Judges, and State Patrol Retirement Plans July 1, 2004, through June 30, 2005

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## Report Highlights

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The Nebraska Public Employees Retirement Board (Board) was created in 1971 to administer Nebraska retirement plans for school employees, State employees, judges, and the State patrol. Administration of the retirement system for Nebraska county employees was assumed by the Board in 1973.

Beginning January 1, 2005, the Board consists of eight appointed members and the State investment officer as a non-voting, ex officio member. Six of the appointed members shall be participants in the retirement systems administered by the Board, and two of the appointed members shall not be employed by the State of Nebraska or any of its political subdivisions, and shall have at least ten year experience in the management of a public or private organization or have at least five years of experience in the field of actuarial analysis or the administration of an employee benefit plan. On and after January 1, 2005, any person who is appointed to the Board and who is not an employee of the State or any of its political subdivisions can not own any funds which are administered by the Board.

On January 1, 2005, the six appointed members who are participants in the system are as follows: Two of the participants shall be participants in the School Retirement System and shall include one active administrator and one active teacher; One of the appointed members shall be a participant in the Judges Retirement System, either as an active or retired member; One of the appointed members shall be a participant in the State Patrol Retirement System, either as an active or retired member; One of the appointed members shall be an active participant in the County Employees Retirement System; and One of the appointed members shall be an active participant in the State Employees Retirement System.

All appointed members on or after January 1, 2002 shall serve five-year terms.

The Board meets monthly. At June 30, 2005, Board members were not paid but were reimbursed for their expenses.

The Board hires a director to administer the systems under the direction of the Board. It is the duty of the Board to equitably distribute expenses among the retirement systems it administers. All expenses must be provided from investment income earned by various retirement funds, unless other fund sources to pay expenses are specified by law.

*The report included 6 Comments and Recommendations, following is a summary of the comments:*

**1. NPERS Information System:** Areas of concern or areas where improvement to the NPERS Information System is needed to ensure both system integrity and operational efficiency were identified.

**2. Purchase of Service:** PIONEER does not calculate the cost to purchase service credit for the repayment of a refund in accordance with statute. Four of five purchases of service

tested were not in accordance with the applicable statute. Overpayments from members ranged from \$14 to \$3,503. One member also underpaid approximately \$380.

**3. School District Testing:** Of the 30 school districts tested, 10 reported compensation that was not in compliance with the definition of compensation in the statutes. Three school districts did not include all the required components in compensation. In addition, we noted two districts did not submit employees' actual hours worked and five districts did not have all eligible employees contributing to the Plan.

**4. Resolution of Prior Audit Findings - School District Testing:** NPERS did not adequately address all of the specific findings at school districts tested and identified in prior audit findings.

**5. Travel Expenses:** Four of eight travel documents tested contained reimbursements for meal expenses without adequate documentation, or was an unreasonable meal expense. NPERS also continued to provide lodging for certain Board members and staff for their annual retreat when the lodging was less than 60 miles from their home or headquarter city. In addition, for one monthly payment to DAS Transportation Services Bureau (TSB) that was tested, unnecessary charges were incurred and four of eight documents tested were not allocated to the correct Plan.

**6. Reconciliation of Bank Records to the Nebraska Information System:** The Department of Administrative Services' bank reconciliation process is still not done in a timely manner and continues to reflect unknown variances between the bank records and accounting records.

The report in its entirety can be found on our website: [www.auditors.state.ne.us](http://www.auditors.state.ne.us).

