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.

The Board has eight members appointed by the Governor, with legislative approval, to five-year terms. Six of the appointed members shall be active or retired participants in the retirement system. The six members include: Two participants in the School Retirement System, consisting of one administrator and one teacher; One participant in the Nebraska Judges Retirement System; One participant in the Nebraska State Patrol Retirement System; One participant in the Retirement System for Nebraska Counties; and One participant in the State Employees Retirement System.

Two appointed members must meet the following requirements: One member shall not be an employee of the State of Nebraska or any of its political subdivisions; and one member shall have at least ten years of 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.

Furthermore, the State Investment Officer serves as a nonvoting, ex-officio member.

All appointed members must be Nebraska citizens. The Board meets monthly. As of July 1, 2005, members of the Board shall be paid fifty dollars per diem, and all members shall be reimbursed for actual and necessary expenses. The Board hires a director to manage the day-to-day operations. Expenses are to be equitably distributed among the retirement systems. 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 11 Comments and Recommendations, following is a summary of the comments:

1. **Purchase of Service**: NPERS relied on PIONEER to calculate purchase of service payments after we had expressed concerns with the accuracy of the calculations in prior audits. Four of five payments tested were not calculated in accordance with the statutes. There were three overpayments from members ranging from $362 to $2,854, and one underpayment from a member of $674.

2. **Benefit Adjustments**: NPERS’ calculations for one method of benefit adjustments did not appear to be in agreement with statutes. The errors in the calculation ranged from $1 per month to $28 per month. NPERS also did not appear to be in compliance with statutes that limit the benefit adjustment so as not to exceed the change in the CPI. Four of five patrol members tested received adjustments in excess of the change in the CPI dating back to July 2000. NPERS applied the calculation of the change in the CPI inconsistently in one of the three methods to calculate the benefit adjustment.

3. **PIONEER Concerns**: Areas of concern were noted where improvement of the NPERS information system is needed to ensure both system integrity and operational efficiency were identified.
4. School District Testing: There is an inconsistency among districts regarding the definition of compensation and components of compensation for retirement purposes. Seven of thirty school districts tested did not have all eligible employees contributing to the Plan. Five of thirty school districts tested reported compensation that was not in compliance with the definition of compensation in the Act. Two of thirty school districts tested did not include all of the required salary components in compensation.

5. Resolution of Prior Audit Findings - School District Testing: Prior audit findings were not appropriately resolved for six school districts from fiscal year 2005, four school districts from fiscal year 2004, and three school districts from fiscal year 2003.

6. Segregation of Duties Over School Contributions: One individual in accounting was able to process school contributions, had access to the checks, and also performed the follow up of school districts that had not remitted contributions between March 2006 and October 2006.

7. Notarized Applications: We noted 7 of 14 Judges’ retirement applications tested and 10 of 15 School employee retirement applications tested were not notarized to ensure the individual requesting the payment was entitled to the benefit payment.

8. Member Interest: Interest was posted to member accounts at the end of the month based on beginning of the month balances. In January 2004, two estimates were brought to the Board, one to make the change to calculate interest on the average daily balance and the second to change back to applying the interest to the balance at the end of the month. The policy has not been revisited by the Board.

9. Travel Expenses: We noted unreasonable meal expenses for four of six documents tested. We also noted the Plans paid for lodging of 7 of 14 Board members or staff who attended the Board’s annual retreat in Nebraska City, which was less than 60 miles from their headquarter city. State vehicles were rented and not used for a total of 13 days in September and October 2005. We also noted unreasonable mileage on the use of the State vehicle.

10. Minimum Accrual Rate: NPERS did not calculate the minimum accrual rate in accordance with statutes.

11. 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.