McDONNELL: We're going to start on time. Good afternoon and welcome to the Nebraska Retirement System Committee. My name is Mike McDonnell. I represent Legislative District 5 in Omaha and I also chair this committee. Committee hearings are an important part of the legislation-- legislative process and provide an opportunity for the legislators to receive input from Nebraskans. Today we are here for LR158, an interim study to monitor unfunded, defined, underfunded, defined benefit plans. We will hear from five political subdivisions covering six different defined benefit plans that are funded below 80 percent. If you have-- if you have-- if you plan to testify today, you will find pink testifier sheets on the table inside the door-- the doors. Fill out a pink testifier sheet only if you are actually testifying before the committee and please print legibly. Hand the pink testifier sheet to the clerk as you come forward to testify, please. There's also a white sheet on the table. Please fill this out if you wish not to testify, but would like to be recorded on your position on a bill. The sheet will be included as an exhibit in the official hearing record. This hearing is a bit different from other hearings, and accordingly we won't be using a proponents/opponent format and will not be using the light system. We will hear from representatives of various political subdivisions following the discussion on all of the defined benefit plans. If there is someone who wishes to provide additional commentary, we will provide an opportunity for you to testify. As a matter of committee policy, I'd like to remind everyone to use-- the use of cell phones and other electronic devices is not allowed during public hearings. So I would ask everyone to look at their cell phones and make sure they're in the silent mode. And with that, I'll have the committee introduce themselves, starting with Senator Clements.

CLEMENTS: Rob Clements, District 2.

IBACH: Teresa Ibach, District 44.

McDONNELL: Assisting the committee today-- and again, Mike McDonnell representing Legislative District 5, south Omaha. Assisting the committee today are to my right, far right is Tim Pendrell, committee clerk. And to my immediate right is Neal Erickson, the committee's legal counsel. With that, I'd like to start off, we have an agenda today. But having Michael here, I'd like to have Michael come up and--

MICHAEL WALDEN-NEWMAN: Say hi.

McDONNELL: So what was it, December 8, 2014, was your, your first day?

MICHAEL WALDEN-NEWMAN: That's correct.

McDONNELL: So we've, we've appreciated all of your hard work and your dedication to the citizens of Nebraska. And we're going to definitely miss you, but we're excited for you to start your retirement life. And as you mentioned earlier today, you are planning on staying here in Nebraska. So we will have an opportunity to probably bug you for some questions here or there. But we really appreciate your service to our-- to our state. And please go ahead and say a few words.

MICHAEL WALDEN-NEWMAN: Thank you very much, Mr. Chairman and committee members. I am Michael Walden-Newman. That's M-i-c-h-a-e-l, last name is W-a-l-d-e-n-N-e-w-m-a-n. When I saw the date for this meeting, I asked and the chairman was kind enough to allow me to come and say goodbye. It was-- it was December 8 of 2014 when I started work as the state investment officer. And my last day-- hi, Senator. I'm here saying goodbye.

McDONNELL: Senator Vargas just joined us.

MICHAEL WALDEN-NEWMAN: Yeah. So it will be nine full years. My last day as state investment officer is tomorrow. So I wanted to just come and say goodbye and thank you all very much for the support over the years. It's-- it, it honestly has been an honor and a privilege to serve as the state investment officer. And I brought with me today my successor. And I know she'll be back in front of you for a formal hearing. But if I could, I'd just say goodbye now and thank you again very much. When you see me around town, it's Mike. Michael is just my work alias. And so when I leave work, no one's ever going to call me Michael. I did-- again, I did it in my 20s because I had a baby face. And I thought, well, if I'm called Michael, maybe people will take me more seriously. So now at 70, I don't need that anymore. But if I could, Mr. Chairman--

McDONNELL: Yes.

MICHAEL WALDEN-NEWMAN: --and committee members, I'd like to introduce you to Ellen Hung, who is already the state investment officer. We have a couple of days of overlap. She came to the office on Monday and can-- she's come to us with a lot of experience after an extensive nationwide search, as you know, over the last six, six, eight months.

So if I could, I'd have Ms. Hung come up. And again, thank you all very much. We'll see you.

McDONNELL: Thank you. Ellen, welcome.

ELLEN HUNG: Thank you, Michael. Good afternoon, Mr. Chair, committee members. I'm Ellen Hung, E-l-l-e-n, last name H-u-n-g. I'm very honored to be here. As Michael kindly said, I have lots of experience. I've managed various types of investments for the last 30 years. I've managed private pension fund money, short-term cash for the state of Spokane as city treasurer. I've been-- my latest thought was as deputy CIO for one of the state pension funds in Illinois. And I have lots to learn in addition to my experience, so I look forward to coming back in a few months and getting confirmed.

McDONNELL: Having a chance to visit earlier, you grew up in New York.

ELLEN HUNG: Yes.

McDONNELL: So you're used to this cold winter. So we're not going to scare you here in Nebraska.

ELLEN HUNG: No.

McDONNELL: We think you brought great weather with you here so.

ELLEN HUNG: I'd like to take credit for that, but I don't think so, at least. Yes, I grew up in New York City, so I'm used to the cold weather. At least people aren't looking at me as funny because when I moved to Illinois, I had come from California, southern California. And people were like, what were you thinking? I think what I've seen in Lincoln so far I really like and you guys have a great state. I've actually bought a house already, so I'm looking forward to settling down.

McDONNELL: Any questions by the committee?

VARGAS: No turning back now.

McDONNELL: Yeah.

VARGAS: You bought a house.

McDONNELL: Senator Vargas.

VARGAS: You're in.

McDONNELL: Senator Vargas is also from New York originally, so you can share some stories.

ELLEN HUNG: Great. Look forward to getting to know everybody.

McDONNELL: Any questions? Thank you so much.

ELLEN HUNG: Thank you.

MICHAEL WALDEN NEWMAN: Ellen is staying, I'm off.

McDONNELL: And I'm going to officially say-- I'm going to officially switch it right now. It's Mike now so thanks Mike. Michael.

MICHAEL WALDEN NEWMAN: If you holler Michael at HyVee after this past session, I won't [INAUDIBLE]. See you.

McDONNELL: Thank you.

MICHAEL WALDEN NEWMAN: [INAUDIBLE] the job that she's going to have to work hard to have more fun than I did. Thanks very much.

McDONNELL: See you.

MICHAEL WALDEN-NEWMAN: Bye now. See you tomorrow.

McDONNELL: We're going to start with Douglas County and Lori Pirsch and Joe Lorenz. Can you please come forward?

CLEMENTS: Would you let other committee members introduce themselves?

McDONNELL: Oh, I'm sorry. I'm sorry. Senator Vargas, you want to jump in.

VARGAS: Yes. My name is Senator Tony Vargas, District 7, downtown and south Omaha.

CONRAD: Hi. I'm Danielle Conrad from north Lincoln.

McDONNELL: Welcome.

LORI PIRSCH: Thank you. Thank you, Senator McDonnell and members of the Nebraska Retirement Systems Committee. Good to see some of you again. I-- my name is Lori Pirsch, L-o-r-i and the last name is P-i-r-s-c-h. And as of July 1, I am the director of finance for Douglas County and chairman of the-- our retirement committee. I have with me my predecessor, Joe Lorenz, who has been in that role for about, oh, over a decade, I think 12 years or so. So if I have questions that I am not able to answer, I've got him in my back pocket to help. So thankfully, he agreed to stay on for a few months and, and help with the transition. So I thought I would start today by kind of just walking you through the reporting form. I think you guys-- do you all have the documentation that was sent in front of you? OK. So our plan is our funding status this year is 68.9 percent, which is down five points from prior year of 73.9 percent. And that is primarily, of course, due to investment returns. Our assumed rate of return is 7.5 percent. But of course, as you would imagine, we didn't quite meet that this year. The good news is it was only .4 percent, but it was positive. So I think as you will look around, you will see that that's actually, you know, a good thing, an achievement. Actual investment return for the market was -11 percent. So both our members and the Doug-- and Douglas County both contributed 8.5 percent toward that. Our actuarial required contribution, our ARC is $29.2 million and our expected actual dollars contributed is $27.9 million. So that percentage is 95.5. We actually anticipate that we're going to meet at least 100 percent, as you can see that we've done in the last four years or so. We are up quite a bit year to date. So we're, we're hopeful on that-- on that front. Based on our actuarial projections, the Douglas County pension plan is projected to reach 100 percent funding status in the year 2046. There are currently no impacts on the pension plan from any recent or ongoing labor negotiations. And we do for right now plan on keeping that assumed rate of return at 7.5 percent. No changes have been made and we're not contemplating anything in the near future because as you can see from up above, we've been doing a pretty good job of, of exceeding that in most years. So we're, we're hopeful. We're going to keep trying to keep it there. So the most recent interim actuarial review was performed by SilverStone Group, and the report showed net assets on an actuary-- actuarial basis of $418 million and an unfunded actuarial accrued liability of $189 million. The plan had 4,327 participants and I already mentioned the 8.5 percent employer contribution and employee contribution. So to understand why our defined benefit plan is only 69 percent funded right now, it's important to look at some of the recent history to the plan. At one point, the plan was nearly fully funded. Let me say in 1996, the plan was 98 percent funded. And then in 1996, for law enforcement and '97 for all other participants, they made a couple of changes that were, you know, probably great for the-- for those employees, but didn't probably pan out for the long-term health of the plan. They had introduced the Rule of 75 and the benefit formula increased from 1.5 percent of pay per year of service to 2 percent. In addition then in '98, they had a COLA of 3 percent. In 2000 they had another COLA, another cost of living adjustment and in 2002. So by 2004, the funding ratio had fallen to 64.5, 60, almost 65 percent to 4.8 percent. And then, of course, with the Great Recession in 2008 and for six months of 2009, it dipped to the plan's low point of 57.8 percent in 2010. So shortly thereafter, Joe arrived and members of the pension committee and the board of commissioners recognized that substantive changes needed to be made to obviously address the challenges that the plan was now facing and to ensure the financial viability of the plan going forward for the participants. So effective on 1-1 of 2012, they made a couple of changes. They took away the Rule of 75 and the benefit formula was reduced from 2 percent back to the 1.5 percent again. And then the maximum retirement income was reduced from 60 percent to 45 percent. So these changes, along with no COLA increases being given since 2002, have increased the funding ratio by 11.1 percentage points from its low point in 2010 up to the 68.9 percent that it is today. These changes materially impacted the plan's forecasted funded percentages, but now we believe that we will be able to reach some acceptable funding levels in the future. I don't know if you have this schedule here, but I did mention the 2046 to be fully funded at that point. So I think that those steps and then hoping that we'd get some better investment returns, you know, in future years here than we did, of course, this, this year, I think that should ensure the financial viability of payment of benefits to participants going forward. So if you have any questions, I'm happy to take those.

McDONNELL: Any questions? Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, Ms. Pirsch. The, you know, the chart on page 3--

LORI PIRSCH: Yes.

CLEMENTS: --showing 2043 would be 90 percent; then you're saying 2046 would be 100 percent?

LORI PIRSCH: Yes, according to our actuaries, SilverStone Group.

CLEMENTS: And all of-- are all of those numbers assuming you'll pay 100 percent of your ARC each year?

LORI PIRSCH: You know, I'd have to-- I believe so, but I would have to look into the-- yes, that's true. Just making sure.

CLEMENTS: And why are you not paying 100 percent of your ARC? I'm seeing several years here where you're not.

LORI PIRSCH: Contributed percentage of the ARC. So it was 100.8 percent in 2019; 2020 was slightly below at 96.2; then 100 percent in 2021, 108 percent in 2022. And right now the expected ARC is 95.5. But actually that was part of the calculations. But our, our returns are doing better. And I think it's-- Joe and I were speaking earlier. I think that we anticipate that that should be 100 percent this year.

CLEMENTS: And like 2020 was 94 percent and why wasn't it 100 percent?

LORI PIRSCH: Do you have-- do you have this, this chart here? It's right that bottom line on this chart here.

CLEMENTS: This [INAUDIBLE] page?

LORI PIRSCH: Yeah. Yep. Yeah. So it's the bottom line of that box.

CLEMENTS: Oh, I see. OK.

LORI PIRSCH: Yeah. So you can see most of the years there were above 100. There was 2020 it was 96.2.

CLEMENTS: This page I have doesn't match this page here. So 96.2 is the 2020--

LORI PIRSCH: Yeah.

CLEMENTS: --contribution.

LORI PIRSCH: Um-hum. And then 2021 was back to 100 percent.

CLEMENTS: This 94.3 must be incorrect. And '22, this page shows 98 and yours says 107.

LORI PIRSCH: Um-hum.

CLEMENTS: Do investment returns increase the amount of-- are you talking about investment returns? Do those increase?

LORI PIRSCH: Yeah. Our actual investment return-- our actuarial investment return for 2022 was 12.6 percent and in 2021 was 12.7

percent. So both of-- and even 2020 was 11.6 percent. So all of those were quite a bit above our assumed rate of return in the plan of 7.5 so that helped.

CLEMENTS: So when you have additional investment returns, you don't have to pay as much annual required contribution. Isn't the annual required contribution that you required a set number or does it change as investment returns come in?

LORI PIRSCH: Well, I think-- I think the normal cost is the part that you have-- is the contribution necessary when added to investment income to pay benefits earned each year. So I think--

CLEMENTS: And normal cost is just current--

LORI PIRSCH: Yes.

CLEMENTS: --benefits. But the ARC is catching up for the, the enhancements that were done and having to catch up for.

LORI PIRSCH: Yeah. So we should-- we should be I think at 100 percent this year as well, similar to prior years.

CLEMENTS: And this chart is showing 95.5.

LORI PIRSCH: It is showing 95.5 here. But I think-- my understanding is that, you know, just the way things have been trending this year so far, the first part of our fiscal year, year to date, it's looking like we're going to be able to get to 100 percent.

CLEMENTS: This-- is 2023 based on an actuarial computation?

LORI PIRSCH: Yeah. That's performed by SilverStone.

CLEMENTS: I just don't understand why you would-- things would change. Isn't there a dollar amount that you need to pay?

JOE LORENZ: Actually, what drives that is when they do the actuarial [INAUDIBLE]

McDONNELL: Joe, we'll have you come up.

JOE LORENZ: OK.

McDONNELL: Can we-- can we have-- when you're-- when you're finished--

LORI PIRSCH: Sure.

McDONNELL: --you let us know. We'll ask you-- there might be more questions for you, but--

LORI PIRSCH: OK.

McDONNELL: --we'll come right back to it.

CLEMENTS: That's all I have for now. Thank you.

McDONNELL: That's all you have. Is there any other questions right now? Joe, can you please come up?

JOE LORENZ: Sure. So SilverStone-- Joe Lorenz, finance director emeritus for [INAUDIBLE]. How it works is when SilverStone does their actuarial analysis, they'll do it at, you know, early in the year. So early and this year they're doing it in like March or April, and then they come up with these expected assumptions. And every year I can tell you in the 12 years I administered the plan, they had it 100 percent. But I think in 10 or 11 of those 12 years, it was over 100 percent. And the thing that drives it is that they always underestimate the payroll. And so the payroll is 8.5 percent from the county and 8.5 percent from the individual. So because of things like overtime and other things, the actual payroll usually comes in 5 or 10 percent higher than their projection. And when the payroll comes in at 5 or 10 percent higher, and it's giving a 17 percent contribution from that additional payroll to the pension, then that increases the amount of money that goes to the ARC. And that's what drives the actual contribution being up of 100 percent and why there's a differential between what's expected in March or April and what actually occurs by the end of December.

CLEMENTS: All right. I see. So the ARC-- the amount of contribution of ARC is given to you and you pay that amount, but then--

JOE LORENZ: Well--

CLEMENTS: --the payroll changes and that changes--

JOE LORENZ: No. The ARC is always a number that gives us from the actuary. But the way the plan is set up, it's always 17 percent of payroll, 8.5 percent from the county and 8.5 percent from the individual. So that's just an actuarial comp-- computation, but the actual money being contributed to the plan is 17 percent of the total payroll. And that 17 percent of total payroll, including overtime, at the end of the year has driven the actual contribution to be in excess of ARC 90 percent of the time.

CLEMENTS: All right. OK. Thank you. [INAUDIBLE]

McDONNELL: Any other questions?

CLEMENTS: I just might comment, the other plans who are here are going to be asked the same question.

JOE LORENZ: Sure. No, that's a-- that's a very legitimate question. And it's just one of the supports that, that happens. But we have been able to achieve 100 percent contribution on a fairly regular basis.

CLEMENTS: Thank you.

McDONNELL: Joe, thank you. And that's a way of Senator Clements giving everyone a heads-up to prepare so as you're sitting out there. Joe, are you leaving? Can you please give your cell number to Tim? I'd like to call you tomorrow. I'd like to-- yeah, I'd like to call you. I got to-- I could talk to you off the-- after the hearing. But if you're leaving, that's understandable. Please come forward. Who's next? We've got the OPPD next.

JEFF BISHOP: Good afternoon, Chairman and committee members. My name's Jeff Bishop, J-e-f-f B-i-s-h-o-p. I'm the chief financial officer with Omaha Public Power District. I've been there for two years, excited to walk you through where we're at relative to our pension plan. The high points I would make when we look at the funded status, we can see that we were at 75.5 percent in 2022. That's dropped down by 2 percent to 73.5 percent. What I would highlight is the fund performance. Unfortunately, a difficult market in 2022, a 14.4 percent drop we saw relative to our return on investments. Will highlight just one point, our discount rate that we utilize in terms of investment return, we've adjusted that down over the course of time from 7 percent to 6.5 percent in 2022. We feel that's a very prudent, assumed level of return for the plan moving forward. Relative to our actuarial required contributions, we've always made 100 percent of those. Those have continued to increase, going from $55.8 million in 2022 to $61.5 million is what we've got in place for 2023. That will be paid for sure. We have not closed out the year yet, but have always had a very strong track record of making 100 percent of our ARC payments. I'd also highlight, in addition to the ARC payments, we've made additional funding when that's been available. $95 million was made back in 2021. So in addition to the ARC payment plus our investment return, $95 million was contributed to the pension plan. We've also taken out publicly. At the end of this year, we'll be making an additional payment of $50 million above our ARC payment into the pension plan, and that will be commenced by the end of the year. So we're very proud of that and the ability to do that. With that, I would open it up to any questions that you may have on our plan.

McDONNELL: Any questions?

CLEMENTS: Well--

McDONNELL: Yes. Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, Mr. Bishop. I commend you for paying 100 percent of your ARC and I commend you for the 6.5 percent rate of return assumed. How, how has your-- have your returns been at that amount, or have they been more or less than 6.5 percent, say, the last ten years?

JEFF BISHOP: I think if you look back over the past ten years, we would be very confident we've exceeded the 6.5 percent. Over the course of time, we're thinking a more prudent level of return is, is necessary and that's why we've adjusted it down back in 2022 to 6.5 percent. We'll highlight here that, you know, in 2019 we were almost 19 percent; 13 percent in 2020; 2021 was 6.4; and then, unfortunately, 2022 was a bit more of a challenging year. We had a negative return of 14.4 percent.

CLEMENTS: Do you have a projection of when you'll be at 100 percent funding ratio?

JEFF BISHOP: With where we're at today based on our actuarial calculations 2043, we believe by 2034 we will be largely covered in terms of any additional, additional payments that might be available to make into the pension fund.

CLEMENTS: And the discount rate of 6.5 percent, are you-- do you set that or does the actuary recommend that rate?

JEFF BISHOP: We work with our actuaries to look at what reasonable returns would be over the course of time and then we actually make that recommendation that's approved through our board as well.

CLEMENTS: All right. Thank you. Thank you, Mr. Chairman.

McDONNELL: Any other questions? So I see you're at 79.9 percent so we possibly will not be seeing you next year. So good work. Did have a question, a contact by constituent, and I'll ask you one of these questions on, on the record today. But I'm going to-- I'm going to meet with you and give you a chance to answer the other ones before I talk about them or look at legislation for next year. You guys got a-- you guys have a COLA built in for the retirees?

JEFF BISHOP: We do not.

McDONNELL: Do you guys give a merit and market increase to your executives that reflects on the COLA for them?

JEFF BISHOP: Relative to required COLA adjustment in the pension plan, we don't have a requirement for that. The focus has been to make sure we get the plan fully funded before we would move forward with any type of additional COLA.

McDONNELL: So are you having those discussions now about a COLA for the retirees?

JEFF BISHOP: Again, at this point in time, the focus is to get the plan fully funded by 2034. So there's no additional contemplation right now at this point in time of doing additional COLA adjustment for the retirees.

McDONNELL: OK. I've got other questions and I'm going to meet with you privately and then we'll, we'll talk.

JEFF BISHOP: OK.

McDONNELL: So thank you for being here.

JEFF BISHOP: Thank you very much.

McDONNELL: Next is Metro Transit.

WILLIAM CLINGMAN: Good afternoon. Chairman McDonnell and members of the Retirement Systems Committee, my name is William Clingman. That's W-i-l-l-i-a-m C-l-i-n-g-m-a-n. I am the finance director for the Regional Metropolitan Transit Authority of Omaha. also known as Metro. Metro is the public transit provider for Omaha metropolitan area. We provide fixed, paratransit, and express service. We also provide services to cities of Council Bluffs, Bellevue, La Vista, Papillion, and Ralston by virtue of contractual agreements with all those entities. Thank you for the opportunity to address the committee regarding Metro's hourly employee pension plan and the corrective actions we have taken to improve the funding status of the plan. I'm happy to report that even with the challenges of returns during the 2022 calendar year, we have improved the overall funding status percentage, even if it was a small amount. But we still maintain our conservative rate of return of 6.25 percent for the plan. Since 2016, we have increased the employee contributions from 6 percent to 7.75 percent and, and as well as changing the normal retirement age from 65 to the age at which an employee reaches full retirement for the purpose of receiving Social Security benefits. And additionally, we are happy to-- additionally, we are happy to announce that we have taken further corrective action since submitting our LB759 reporting form. Recently with contract negotiations, we are moving our contribution percent up to 8.25 percent with, with a new union agreement. So this will help to further the goal of continuing to improve the overall funding status of the plan. These corrective actions, in addition to the ones previously made to-- these corrective actions are in addition to the ones previously made for the plan. For example, back in 2020 we made a lump sum contribution of $350,000, and that amount represented our estimated calculation for employee contributions for hours worked during-- that was missed during COVID. This one-time lump sum contribution increased the actual contribution to 11.1 percent of payroll for 2020 and exceeded the actuarially required contribution amount for that year. Throughout 2022 and continuing into 2023, we, we maintained our conservative rate of return of 6.25 percent and will continue to analyze that rate as things move forward. But these assumptions have been reviewed and adopted by our pension committee as well as our board of directors. At this time, we have 198 active members in our plan; 210 in pay status; 51 terminated members as of January 1, 2023. And the funding status of the plan is at 72 percent, which is, like I said earlier, a slight increase over our 71.5 percent from last year. Metro has been steadily increasing the funded ratio of the plan over the last several years. And thank you for the opportunity to address the committee. I'd be happy to answer any questions.

McDONNELL: Thank you for being here. Is there any questions from the committee? Thank you.

WILLIAM CLINGMAN: Yeah. Thank you.

McDONNELL: Welcome.

SHANE RHIAN: Good afternoon, Chairman McDonnell and members of the Retirement Committee. My name is Shane Rhian. S-h-a-n-e R-h-i-a-n, and I am the chief financial officer for the Omaha Public Schools and the administrator for the Omaha School Employees Retirement System. OPS is proud to educate approximately 53,000 students and the efforts by our staff to do so to the degree-- to do so to the degree through expertise, passion, compassion, and knowing that the students in our district are future leaders of our city and state. I want to start my testimony by thanking the members and staff of this committee and the staff at the Public Employees Retirement Board. In my short time as the administrator of OSERS, I have had the opportunity to work with many of you as we continue to do everything that we can to solidify OSERS. As you know, these past several years have been transformational for OSERS as we prepare for transfer of management to the PERB, which will occur on September 1, 2024. We remain committed to a smooth transition and to that end, meet weekly with the PERB staff. Their partnership and expertise has been invaluable. I'm here today to speak about the report submitted this year for the Omaha Public Schools and the Omaha School Employees Retirement System. As we shared with you last year, the plan actuary, Cavanaugh Macdonald, made recommendations to the then current actuarial assumptions. Those recommended changes were adopted by the OSERS trustees and by the Board of Education and include a gradual reduction of the assumed rate of return from 7.5 percent to 7 percent, which will be fully implemented by 2025. Obviously, the reduction in the actuarial assumption when coupled with the lower rates of returns we are seeing in the current climate will likely result in a potentially significant increase in the actuarially required return-- required contribution. It has also contributed to the decrease in funded ratio contained in our report. Speaking of the actuarially required contribution, I am pleased to report that our district was once again able to budget for and contribute to OSERS an amount in excess of the actuarially required contribution. Our district made an ARC payment of $34.4 million in August, which included $5 million in excess of what was actuarially required. This is the fifth consecutive year that the Board of Education has transferred more funds to the plan than was actuarially required. That said, and to be completely transparent, we anticipate it will become more difficult for the district to contribute amounts in excess of what is actuarially required. We all understand that each decision the district makes affects every employee in our workforce and every student in our care. Our commitment to sound financial management and fiscal prudence is essential to our ability to manage both our responsibility to educate students and our duty to OSERS. As the transfer of management to OSERS to the PERB continues, we will keep this committee apprised of the transition progress. Thank you for the opportunity to speak with you today. I would be happy to answer any questions you might have.

McDONNELL: Any questions from the members of the committee? Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Mr. Rhian, the-- you said that you're probably not going to be able to do additional money above the ARC. Is there a commitment by the board to be at least 100 percent of the ARC in the future?

SHANE RHIAN: The district and the Board of Education are fully committed to meeting the actuarially required contribution. We've been very fortunate that we've been able to make additional contributions above that amount. But given the legislation on revenue for school districts and the limitations being imposed on them, that may inhibit our ability to make a contribution above the ARC payment in the future.

CLEMENTS: Yeah, I see. That was going to be my next question. You already answered it. Thank you. I can understand that. I do commend the district for making the additional payments. I know that in the previous years had been not matching-- not making the full ARC payment and which contributed to this low percentage. I see now you're at over $1 billion of unfunded liability. Is there a projection as to when you would get to 100 percent, paying 100 percent of ARC?

SHANE RHIAN: With the continued 100 percent actuarially required contribution payments moving forward, we anticipate being fully funded in 2049.

CLEMENTS: OK. That's 26 years. All right. And I, I agree with the phasing down of your assumed rate of return. I failed to comment about that with Douglas County. I noticed that but I didn't-- forgot to ask about that one. And I think that the assumed rate of return is important to be conservative. I agree that it's good to be bringing that down with recent experience. Otherwise, I think that's all I had, Mr. Chairman.

McDONNELL: Yes, Senator.

CONRAD: Thank you so much, Chair. Thank you so much for being here. And just to dovetail off some of the questions my friend Senator Clements asked, I know that we've all been watching very carefully and very closely to see how an influx in state funding to local school districts has helped to alleviate some burden on local property taxpayers and address the critical needs and services that students and, and teachers have in our public schools across the state. One thing that I was looking at in regards to how OPS has perhaps folded this increase of state funding into their overall budgetary picture was that they've also made a decision on the local level to cut property taxes I think for, the paper indicates, maybe the fourth year in a row, something like that.

SHANE RHIAN: We have reduced our levy five out of the last six years.

CONRAD: OK.

SHANE RHIAN: This was the most significant decrease in the levy. While still in compliance with LB243 and the cap on allowable growth in revenue, we were able to have a modest just over 1 cent drop in the levy. We do anticipate that LB243 may result in additional levy reductions in the future, depending on the increase in valuations of property within the school district.

CONRAD: Right. Thank you. And thank you for also providing the important context for the spike in valuations, which is a big part of this calculation, I know as well for everybody with every stakeholder in the property tax discussion. But can you help perhaps the general public understand or this committee as a whole understand when the district is facing such significant challenges with its retirement systems and otherwise, how does it square up or does the board discuss cutting revenue when we have such significant challenges in providing for legal obligations and basic needs in the retirement program? And I know that you're not on the Board of Education, but if you could just help us to have maybe an understanding about how that dialogue played out on the local level, I think it would be helpful. Because worst-case scenario, of course, would be all state taxpayers end up with an obligation for some of these pension challenges in Omaha. And it just seems discongruent me that if we're cutting taxes on the local level, which I know everybody's crying out for property tax relief, but we're not taking care of our legal obligations, that that's challenging. That can-- that can be sticky.

SHANE RHIAN: Yes. Thank you, Senator Conrad, for the question. The Omaha Public Schools Board of Education is, from my perspective, fully committed to providing the best education possible for the 53,000 students that we serve.

CONRAD: Right.

SHANE RHIAN: And when we begin crafting our budgets early in January and February to be adopted in September for the school year, we always review carefully what we spend our money on, what is providing the best results for our students. Are there areas of opportunity to reduce expenditures and repurpose those resources for higher performing activities? And we also take a very close look at what the projected revenue is going to be, either from state aid or from property taxes based on preliminary valuations. Historically, the district has always been at a-- at the $1.05 levy limit. The only time there have been increases in the levy over the last several years has been when we had new bond initiatives for facility renovations and the building of five new school buildings to ease capacity concerns. We very carefully contemplated what we needed to do in light of LB243. And ultimately the budget that was proposed and adopted by the Board of Education fully utilized all of the authority in LB243 relative to property tax revenue without requiring a board override for the 3 percent cap plus growth allowances. Certainly, as we look forward to the future, when we begin working on budget for '24-25 school years and beyond that, the ARC payment will be a very big factor in how much and what the budget looks like moving forward. We anticipate the ARC payment increasing from $30 million for this past year up to $50 million in-- over the next six years. That will be a significant burden on the school district. But it is something that we are fully committed to funding and will be part of any type of discussion on what the proposed levy for the board to adopt would be.

CONRAD: OK. Thanks so much.

McDONNELL: Any other questions? Thank you. Thanks for your work.

SHANE RHIAN: Thank you.

McDONNELL: City of Omaha, Bernard. Welcome.

BERNARD in den BOSCH: Good afternoon. Getting old. I've got to have cheaters on now. So good morning or good afternoon, members of the Retirement Committee, Chairman McDonnell. My name is Bernard in den

Bosch, spelled first name B-e-r-n-a-r-d, last name is three words, first word is lowercase i-n, second word is lowercase d as in David, e-n and third word is capital B as in boy-o-s-c-h. I'm a deputy city attorney with the city of Omaha, and I represented both pension systems for just over ten years. Obviously, we provided copies of a report as well as an actuarial report. I'm not going to reiterate some of those things, though, based on kind of some of the questions, I may add a little bit more than what I was originally talking about. The system we're here talking about is the City of Omaha Employee Retirement System, which is the retirement system for non-sworn city employees, so civilian city employees. And we'll talk about with both of our-- both of our retirement systems, both of them have some very radical changes made to address the funding issues that included cooperation by employees. And one of the reasons that we have to do that is there is a city charter provision that's existed since the late-- the '50s that indicates our pension systems have to be funded by substantially equal contributions by our employees and the city. So that behooves us to have to negotiate with our-- with unions in order to get increases in contributions, and we have to negotiate those as well. When it came to the civilian system, it was funded at a ratio below 40 percent after the recession in 2008, 2009, probably longer than it should have. But the city and the unions negotiated a two-tiered pension system commencing on March 1 of 2015. For those employees that were already employed as of March 1-- March 1 of 2015, they still existed under a traditional defined benefit system, but some of the things were reduced. For example, the Rule of 80 went to the Rule of 85. Instead of getting two and a quarter per year, you got 1.9 percent per year. And there were a number of other provisions. And for those employees who were hired on or after March 1 of 2015, they went into a modified type of defined benefit system, which we've called the cash balance plan. And this committee has, has talked about those over the years. As of today or as of January 1 of 2023, 53 percent of the employees of the city of Omaha are in the cash balance plan, meaning that 53 percent of our employees, civilian employees, have been hired since that particular date. And as we talk, that becomes significant because the, the normal costs to pay those retirement benefits is slightly less than what it is for the people who are in what I call the legacy plan or the traditional plan. Obviously, 20, like a lot of other people, 2022 was a difficult year for investments. The civilian system had loss of 8.01 percent. And I would point out that the three years before that they had increases ranging from 12.6 percent to 17.98 percent. And the assumption for this, the system is 7.5 percent. It was 8 percent, but it was reduced in, I think 2019 as a result of the requests from the actuar-- or recommendation from the actuary. We-- the assumption the city employee retirement system has adopted every requested change of assumption that has been made by our actuaries in certainly the last ten years. One thing I do want to point out is Milliman, who is the system's actuary, did an analysis of the long turn [SIC] annualized median return of the portfolio that the core of the civilian system has over 30 years. And based on that analysis and this is analysis they started doing that we didn't use to see beforehand. they determined that over that 30-year period we could anticipate based on the portfolio we had, a return of 8.3 percent per year. That's just extra work that they do. We're not obviously going to rely on that. But I want to point that out because that number actually increased from last year, notwithstanding the poor investment returns last year. In the apprais-- in the actual report that was provided, there is an actuarial projection. The 2023 report indicated the system would be fully funded in 2047. As some of you recall and certainly when you review it, the 2022 report indicated it would be fully funded in 2040. And as I indicated, when the changes were implemented in 2015, at that particular time, Cavanaugh Macdonald, who is a systems actuary, determined that the system would be fully funded in 2044. So at least from the perspective, a plan was put together eight years ago. That plan has been followed. And even though the funded ratio is not where we want to be, and I'll talk about that in a moment, it is-- the plan is working as was projected by the actuary. Obviously, changing the assumed rate of return from 8 percent to 7.5 percent had a negative effect theor-- on the actuarial projections, albeit nobody-- obviously everybody believed that that was appropriate. And I, I hear the [INAUDIBLE] "actuarial required contribution." And I want to make clear sometimes I think people say the term it's a little bit of a misnomer. And frankly our actuary, with no input from us, did not use that term. They used the term "actuarially determined contribution." But there are some belief, I think, that out-- that are out that if you don't make the ARC or the actuarially determined contribution, that you'll never get to the point of being fully funded. And I think that's a misnomer. If you look at the report and you look at the analysis by Milliman, there's no question if we made the actual determined contribution, we would be fully funded in 2042. So that is obviously better than the 2047 that they're projected-- projecting based on our current contributions. But when we talk-- when you talk about meeting the ARC that that does not mean that you're not moving towards being fully funded. And then Milliman also projected when we-- the system would be fully funded based on this annualized median return and based on that would be fully funded in 2043. So I do want to talk about the actuarial ARC or actuarially determined contribution. As I indicated earlier, our system requires substantially equal contributions. This particular system does have a negative of 1.736 percent in 2022. Based on the January 1, 2023, report, which is obviously for 2022, that's an improvement from 2022, notwithstanding the fact that our investment returns were negative, which would be a little bit of a surprise. But the reason you saw an improvement in the deficit was because our cash balance plan participants have continued and those particular participants have continued to lower the normal cost. And the normal cost for active employees, and this is blended all, whether you're in the legacy system or in the cash balance plan, is 10.139 percent. In part by way of information, contributions by employees is 10.13 percent of their income, and the city makes contributions of 18.83 percent. And I'll address what-- the first question that's going to come to mind, how is that substantially equal? We were making substantially equal contributions in 2015. When we negotiated with the unions to try to address the pension issue, the thought was the city would address it by improved-- by putting more money in and the employees would address it by a reduction in benefits. So actuarially both party-- the actuaries determined there's a reduction in benefits for employees of 7.5 percent and the city agreed to put in an additional 7.5 percent. And that was-- that was the fix that was put in in 2015. You know, obviously, it was intended to be a 30-year fix. We're only eight years into it. We're exactly where it's projected. But it doesn't-- still doesn't look like any of us would like it to look. I mean, that's the reality of it. The funding ratio of the system did dip slightly from 53.7 percent as of the January 1, '22 report to 53.4 percent, had a relatively small dip, but a dip nonetheless. So I think even with a bad investment year, we still on-- are moving towards-- forward on the path that was created eight years ago. We're making slow progress. I know I'd love it to be faster. I know this committee would love it to be faster. I come every year and have this discussion and I appreciate some of your frustration. I do-- I will acknowledge and we've had some recent conversations with the mayor that if we have a bad year, another bad year, another year, bad year or two, we are going to have to revisit and determine whether or not our solution that we've put in place is going to be sufficient. As far as 2023, the investment returns for the first two thirds of the year were pretty good. September and October were not good and things have rebounded since the beginning of November. So we'll, we'll see where we are. And that might, you know, if things are-- actuaries tend not to tell you to overreact to be-- to things that are either too good or too bad. But obviously if you have a couple of bad years or a really bad year, that could have an effect. Much like, as many people have already mentioned, 2008, 2009 were horrible years for this particular-- for both of the city plans, honestly. And it has taken a lot of time to recover from those. So I'm happy to answer any questions. And I expect that I'll get a few. So anyway.

McDONNELL: Any questions? Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, Mr. in den Bosch. Yes, I've been on this committee for a while, and the 53 percent is disappointing. The-- I see the 10.1 percent employee, 18.83 city percentage, is that-- is that a fixed percentage because of the negotiation--

BERNARD in den BOSCH: Yes.

CLEMENTS: --and the city's not willing to contribute more than that or not even able under contract? Which is it?

BERNARD in den BOSCH: I think based on the charter, we're not able to contribute more absent a contribution for employees. And I will tell you, it's very difficult to go to the employees. And we've had this conversation. Can we put in more contributions? And their response is we went-- in 2015, we spent 2013 through-- all year, all 2013 and 2014 trying to negotiate a pension fix. And we did it. And it's working exactly as everyone believed it would because everyone knew it was going to be a 30-year plan. No one likes to say we're going to be fully funded in 2047 or 2044, but that's the plan that was put in place. So the bargaining groups for the employees look at that and say, we did sit down with you. We did, we're trying to work through it and things are moving exactly as we projected. And so I know that's a long answer to a short question, but, but I wanted to--

CLEMENTS: To say they're working exactly, 2017 it was 55 percent. Now we're down to 53 percent. How is that working like projected? Shouldn't it be going toward 100?

BERNARD in den BOSCH: I think if you look at the actuarial projections that the-- our actuaries have done, they indicate it's going to stay relatively steady and maybe just very little growth for up until that point in time that we're pretty much all cash balance employees. And when we get to that point in time, the ARC dramatically moves up at a relatively fast rate. And when you look, I mean, the actual projection is, is based on that. So-- and that's why I said it's as projected. Now, I will tell you back in 2008, 2009, or even when we negot-- when we sat down in 2013 and '14 for negotiations, the-- it was anticipated there would be no money to pay benefits by 20-- by the late 2020s. That is no longer the case. There is no circumstance under which, again, based on the actuarial assumptions and that's, you know, if, if we see changes in investment or investment returns and I appreciate 7.5 percent, which is what we have, is probably higher than what you would feel comfortable with based on some of the comments that you've made--

CLEMENTS: Yeah.

BERNARD in den BOSCH: --it's quite a bit lower than what our investment advisor says. He was-- he objected to the system lowering the assumed rate of return when the actuary made the recommendation. But we've done what the actuary said. And if the actuary comes to the system and says we think you need to lower it from 7 to 7.25 or 7, I would be surprised if the board didn't do that. And if that occurred, then I'm not going to be able to say to you it's working exactly as [INAUDIBLE] because the reality is that you probably are going to need to figure out a way to either cut more-- cut benefits or to increase contributions, because a change of that type of an assumption, especially a significant change, you're not going to be-- you're not going to be able to eat it, so to speak, as we saw. Because keep in mind, when they made these changes in 2015, they were assuming an 8 percent return through 2044. We lowered that starting in 2019 to 7.5 and we're still now projected for 2047 as being fully funded. So that's in part why I say we're exactly as what was anticipated, although it's-- it doesn't look good. And I appreciate if I was sitting on your side of the table, I wouldn't be particularly happy with it either.

CLEMENTS: So the change in assumption affects the city, I guess-- makes it look like the city isn't contributing enough. Or it just be-- it causes a shortfall.

BERNARD in den BOSCH: I think the change in assumptions will generally increase the amount that has to be because you're not getting as much from investments so you have to make that up by increases in other contributions, which is what makes the shortfall. It increases, well, the short-- the shortfall in the ARC, the reality.

CLEMENTS: Thank you.

McDONNELL: Any other questions? Want to move on to police and fire?

BERNARD in den BOSCH: Sure. Members of the Retirement Committee, Chairman McDonnell, Bernard in den Bosch, deputy city attorney, first name B-e-r-n-a-r-d, last name in den Bosch, three words, first word is lowercase i-n second word is lowercase d as in David e-n, and third word is B as in boy-o-s-c-h. You can tell I've spelled it once or twice in my life. Again, much like I have indicated, I'm not going to attempt to summarize the reports that were submitted on October 13 nor summarize the actuarial report. I will try to hit on a few highlights. The retirement system we're talking about now for the city of Omaha police and fire retirement system is the system for sworn city-- sworn city employees, so police officers and firefighters from entry level through command. There is one anomaly to mention, and you'll see it has an effect in part on the actuarial determined contributions and a few other things. The number of employees or active members of the system in 2022 was 1,541. In 2023 it was 1,471. So that's a relatively significant increase and obviously that is when you look at contributions by employees. And that particular increase is we have a higher percentage of police retiring than was expected. We ended up having a delayed police recruit class. We think that number is going to move back up as you get to the next year's report in that we've had two recruit classes in 2023 with a total of 44 police officers. And we anticipate having another class starting in February or March of 2025. We did have a class of firefighters start in late 2022 and we recently had another class of firefighters start about two weeks ago. So grand total we've got approximately 80 additional employees, which we think is going to help fix that. There's mention of that, and that is one of the things that's contributes to the escalation of the negative amount of the ARC. We've been relatively steady on the number of employees. We are attempting to getting up to full. If we actually are fully staffed, that number will be closer to 1,650 as opposed to the 1,541. But for every-- when you hire a class of 40, it seems, you know, 25 or 30 people retire, so you end up at a net 15, which is why we've tried. We've kind of added some classes together and then we had some unexpected, you know, we probably had 15 to 20 people leave in '21 and '22 that were not anticipated between the police and fire service. So that-- I address it because there are references to it in the report. Much like I talked about with civilians, there were fire alarms-- maybe that's an homage to Mr. McDonnell's past profession-- about the system, the police and fire system, in the mid 2000s. And in fact in 2008, Mayor Fahey, then Mayor Fahey established the Bates Commission, which was a commission that was supposed to look at the retirement system. And that commission was made up not only of union and city members, but primarily members in private and private practice and investment advisors and others with-- and their task was to come up with a attempted solution for the issues that were going on with the police and fire retirement system. They made a number of recommendations and those recommendations were adopted kind of in two parts. Police adopted them in 2010 through contract negotiations and fire right at the very end of 2012 through negotiation. And again, much like we talked about before, the city made their contributions by, by increases in contribution approximately 13.5 percent of income. And the police and fire unions agreed to reductions in benefits of approximately the same amount. There were certain groups of people that were close to retirement that were not affected. New hires no longer use overtime to do it. The retirement age was kicked up. The number of years you had to serve was kicked up. There were-- we've created a tier system in both police and fire. There's effectively three tiers that were created, those that were close to retirement, those that were already working who had a reduction in benefits, and the third tier were new hires. And that system was implemented, as I said, in two parts. The last part was in-- I think the fire contract was adopted approximately December 1 of 2012. So we're roughly ten years into this, this fix. And we'll talk a little bit more about where we are currently. But obviously 2022, like everybody else, was bad, a difficult year for investments. This particular system seemed to have-- has a-- the lost money, the amount of its loss is not as great as most of the other we've talked about. It was an investment return of -6.55 percent. But I point out in the three years before it was 17.1 percent return, a 9.2 percent return, and a 22.2 percent return. And so the assumption for the system is 7.75 percent. And again, that's based on the experience study by an actuary to reduce it from 8 percent. I will also point out, as I did for the last system, that Milliman did an analysis of the long-term annualized median return of the portfolio over a 30-year period, and that also increased from the 2022 report. And the number in their report for that projected increase based on the portfolio was 8.6 percent per year. Talk about funding status, we do now and in the actual report require Milliman to do a funding projection in each of our actuarial reports. In the 2023 report, it was funded to be fully funded at 2051. In the 2022 report, it was expected to be fully funded in 2042. Obviously that's a relatively significant change. When the plan was implemented back in 2010/2012, it was projected that it would be fully funded in 2046. Obviously the change in the assumed rate of return does have some effect on that projection. I also want to address before I get to the actual determined contribution, I think these numbers are important because of what I think the misunderstanding sometimes of what actuarial determined contribution means. If Milliman determined, if the actuarial determined contributions were made, it would be fully funded in 2044. They also indicate with the current allocations and the current amount put in the system, if they have the projected annualized median return that Milliman is estimating, it would also be fully funded in 2044. So, you know, based on the current contributions, it's with no-- keeping the 7.75 percent assumed rate of return, fully funded is anticipated to be 2051, which is a little bit more than what was originally done. If we made the ARC, it would be 2044. And if we have the return that Milliman has projected based on their models, it will be 2044. Again, I'll submit that that indicates, although we don't like the funded ratio, indicates that we are on track where everybody anticipated we would be. So when it comes to the actuarially determined contribution, obviously similar to what we talked about before, the city charter contemplates substantially equal contributions. There was obviously a deficit of -3.774 percent, which is an increase from the -1.62 percent from last year. That's obviously not the direction we'd like to see. And I think that's where I talked about the decrease in the number of employees is a significant factor in that particular thing. Obviously the investment return was also part of it. And then if you looked reviewed the report carefully, there was an increase in pay that was approved by the city council approximately two months ago in order for police officers, in order to attempt to recruit and retain officers because of, of, of that particular issue, that also had a negative effect on the, the ARC. And so I will point out that the normal cost for active employees in 2023 blended across things is 20.11 percent. The contributions are a blend between the city and the employee at about 51.2 percent, the city contributing roughly 34 percent and employees contributing roughly 16 to 16.5 percent. The funded ratio, there was a slight increase in the funded ratio notwithstanding some of the things that we've talked about from 57.5 percent to 58 percent. You do see a little bit more of a slight increase on this system than you're seeing in the other system, which has been more flat. And I would submit to you that part of that is, is because we're five years further along in the pension fix than we were in the other system. I can't predict the future, but my hope is that if I were-- if I'm and I'm not going to be here in five years, but if I were here in five years, not because the pension system will be funded, but probably because I won't be the person doing it, but that you would start to see those slight increases. So I say that so even with a bad investment return and obviously that's the case, we are still on the path that was created and adopted 10 to 13 years ago, depending on what the group is. Obviously, it wasn't fully in effect until the fire union adopted it in December of 2012. So we're effectively in year 11 of the full-- the full fix. Again, much like I said before, if we had several years of negative returns or a substantial negative return like we had in 20-- 2008, there's no question that we would have to revisit and make some changes because the system probably is not going to be able to do that. And you see that in some of the projections that were included in the report where the actuary says, you know, worst case, if you-- if you don't meet your bogy for a certain number of years, it's going to take longer. So in any event, I'm happy to answer any questions from the board.

McDONNELL: Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, again, Mr. in den Bosch. I see the 7.75 percent assumed rate of return different from the city employees of 7.5 percent, but with the same actuary. Why the difference?

BERNARD in den BOSCH: And, and that's-- and that's based on a recommendation by Cavanaugh Macdonald but also concurred with by Milliman. I think there's a couple of different things. The investment strategy utilized by the police and fire retirement systems were slightly more aggressive than the system that's used by the employee retirement system. And I think the other thing is the amount of assets. The employer retirement system has market value is roughly $266 million and the police and fire system is roughly 900 and--

CLEMENTS: 83.

BERNARD in den BOSCH: --80, yeah, yeah, 980. So I think there is some ability that allows you to get slightly higher returns because of the amount of assets. But that-- and I-- and I'm hoping by the way next year that I can bring the actuary here if I need to. I have not had an actuary who could-- who's able to travel. And they promise me that next year they will be able to do so if nothing else that. I've always liked having an actuary here to be able to answer some of the more detailed questions.

CLEMENTS: Right. The-- you have the $700 million shortfall is a big number. But I do see that from 2017 to 2023 there has been a pretty steady increase in the funded percentage. So that's more encouraging, I guess. I would say even though that's very low percentage,

BERNARD in den BOSCH: Understood.

CLEMENTS: It's good to see it going up. We had a interim hearing about-- with the State Patrol. I see that the employee contribution is 16 or 17 percent and the State Patrol is at 16 or 17 percent. They were-- they were requesting a like an 8 percent employee contribution rate. How does the 16 or 17 percent compare with peers for employee contributions? Do you know about that?

BERNARD in den BOSCH: I don't think there's any question it's quite a bit higher than most-- many of our peers. I mean, there's most-- I've looked at the CIR numbers before. The State Patrol is not a comparable to us under the CIR. I've looked at the CIR numbers before. Our-- the contributions that our employees make, frankly, and the contributions that the city makes are two, three times-- two, two times what most other places are doing. I don't think there's any question.

CLEMENTS: Is that a factor of the benefits structure, do you think?

BERNARD in den BOSCH: Well,

CLEMENTS: Benefits better?

BERNARD in den BOSCH: As to why we're able to retain employees?

CLEMENTS: Well, no, why you need that high of a percentage of contribution.

BERNARD in den BOSCH: Well, because-- so, so ultimately, the charter says that the system has to be funded by substantial equal contributions.

CLEMENTS: Uh-huh.

BERNARD in den BOSCH: And in order to fund the bis-- the system and the benefits, that's the amount of contributions that are needed. So I don't think it's necessarily benefits. It is a product of the benefit structure. And now it's also a product of the un-- the unfunded actuarial liability, the $700 million that we-- that we have to say. Because obviously if the normal cost is 20.1 and the contributions are almost 52 percent, 30 percent of what-- what's being put in the system is going to help address the underfunded liability.

CLEMENTS: Are the Omaha police and fire subject to Social Security benefits?

BERNARD in den BOSCH: No.

CLEMENTS: No.

BERNARD in den BOSCH: They don't. They don't.

CLEMENTS: They're not in the Social Security system.

BERNARD in den BOSCH: They, they opted out when they had an opportunity. They don't contribute nor does the city.

CLEMENTS: That's what I thought. Thank you.

McDONNELL: Any other questions? Questions? Thank you, Bernard.

BERNARD in den BOSCH: Appreciate it. Thank you. And if anybody ever has any questions or want-- wants to talk, feel free to call me. I'm happy to help.

McDONNELL: Are you able to stick around for a little while after we end here?

BERNARD in den BOSCH: Sure.

McDONNELL: All right. Thank you.

BERNARD in den BOSCH: Depends how long you stay.

McDONNELL: Anyone else that would like to testify? Anyone else? That ends our hearing. Thank you for being here.