

But one of the things that this bill does is to increase what is called the annuity factor from an annuity factor that is 1.70 as I understand it, currently 1.70 percent to 1.80 percent. Now I throw the idea of an annuity factor out to you and I know most everybody's eyes are glazing over just as mine did when I first read this, but I want to go back and try to explain in the best of my understanding what the annuity factor is and what I think it means and why I do not think we should raise it from 1.70 percent to 1.80 percent. In fact what my amendment does is to raise it to 1.73 percent which is exactly the percent that is now applicable to all of the other teachers of the state in a separate retirement system. Those of you who have been around a little while remember that there really are two teacher retirement systems, one for Omaha and one for everybody else in the state. So this would basically equate Omaha's annuity factor with that of the rest of the state rather than having them jump ahead all the way to 1.80. The annuity factor, at least as I perceive it, is a fudge factor. You can make it whatever you want and whatever you make it will determine what the final monthly retirement benefit is with respect to the Omaha teachers and the system is similar with the state system. So we can make it whatever we want. So the question you really have to ask yourself is what is the final payment that we want to make to teachers and to retiring citizens generally that are under our various retirement plans? The characteristic way of these defined benefit plans, the characteristic way of determining how much we will pay people in the end is to take the average monthly salary, sometimes for the last year, sometimes for the last three years, multiply it times the number of service years and then multiply it by the formula factor and you get a dollar benefit amount. That dollar benefit amount figured in conjunction with social security, figured in conjunction with the fact that once you're retired you don't pay taxes any more is then compared to an ideal figure, that is they try to figure how much would be...how much retirement benefit would be about the same to maintain your standard of living as between your last year of working and your first year of retirement and that is the ideal to which we strive. And then you come back in and using the, for one thing, the annuity factor as your fudge factor, you get closer or further from that ideal. Historically our retirement plans have been inadequate and so we have been adding and adding to them to move closer to that ideal. There was a study done and I'm sure that Senator Wickersham will expound on this. It was called the Buck Study and one of the things that they did was to look at our current