

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

McDONNELL: [RECORDER MALFUNCTION] and our legal staff is Neal Erickson. At the entrance you will find green testifier sheets on the table, if you are planning to testify today, please fill out of a green testifier sheet and hand it to the committee clerk when you come to testify. If you will be-- if you will not be testifying but want to go on record as having a position on a bill being heard today, there are white sign-up sheets at the entrance where you may leave your name and related information. These sign-in sheets will become exhibits of the permanent record after today's hearing. To better facilitate today's proceedings, I ask you to abide by the following procedures. Please silence your phones for-- the order of testimony will be introducer, proponents, opponents, neutral, closing. When you come to testify, spell your first and last name for the record before you testify. Be concise. We request that you limit your testimony to five minutes or less. Written materials may be distributed to the committee members as exhibits only while testimony is being offered, hand them to the page for distribution when you come to-- up to testify. If you have written testimony but do not have 12 copies, please raise your hand now so the page can make copies for you. We will now begin with Senator Ibach. I'm sorry, we'll have introduction of the-- of members of the committee.

CLEMENTS: Senator Clements, District 2.

IBACH: Senator Ibach, District 44.

HARDIN: Senator Hardin, District 48.

McDONNELL: We will now start with LB221, Senator Ibach.

IBACH: Thank you, Mr. Chairman. Good afternoon, fellow members of the Retirement Committee. My name is Senator Teresa Ibach, T-e-r-e-s-a I-b-a-c-h, and I represent Legislative District 44. Today, I'm here to introduce LB221 for your consideration. LB221 simply seeks to harmonize the term "salary" under the first class city retirement plan for firefighters to mirror the definition of salary under the first class city retirement plan for police officers. Currently, for firefighters of the first class city salary means the base rate of pay, excluding overtime, callback pay, clothing allowances, and other such benefits as reported on the participants' federal income tax withholding statement, including the firefighters' contribution picked up by the city as provided in subsection (2) of Section 16-1024, and any salary reduction contributions which are excludable from our income and federal income tax purposes pursuant to Section 125 or 457 of the Internal Revenue Code. LB221 will amend statute to

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

say that salary means all amounts paid to a participating firefighter by the employing city for personal services, which is, which is currently what-- which currently is what the statute for the police officers who served the same community. I'm aware that LB221 is part of a larger package and discussions are ongoing, but I thank you for your time and I'm open to any questions.

McDONNELL: Any questions from the committee for Senator Ibach? Thank you. Are there proponents?

DARREN GARREAN: Chairman McDonnell, members of the committee, appreciate your time on this issue. My name is Darren Garrean, D-a-r-r-e-n, last name G-a-r-r-e-a-n. I am a full-time firefighter paramedic, working 56 hours a week and serving citizens in Nebraska as do most of my cohorts. In addition to my career as a firefighter paramedic, I am president of Nebraska Professional Fire Fighters Association, where I am today representing over 1,400 career firefighters, paramedics that also do the same. I'd like to thank Senator Ibach for introduction of LB221 in recognition of one of the many issues retaining-- relating to the first class city firefighter retirement crisis. I must first admit that the Nebraska Professional Fire Fighters are currently bargaining in good faith with the League of Municipalities and their representatives on a more comprehensive retirement improvement plan and LB221 is one of those topics. We will continue to bargain in good faith and we have not reached an agreement at this time, but we continue to make progress. The Retirement Committee compiled-- this Retirement Committee compiled information for LR230 in the year 2015, and one summary line states: that in 2012 concerns were raised to the committee-- again, this committee-- about firefighters retiring with account balances funding at a retirement benefit well below the goal of a 50 percent salary. LR230 went on stating the information compiled that the retirement annuity that can be purchased is closer to 25 percent of salary than of the 50 percent salary, which was estimated when firefighters removed to a defined-- from the defined benefit plan to the defined contribution plan in 1983. Here we are nearly-- over a decade later with everyone knowing and confirming there's a problem still trying to come to a solution. Senator Ibach's LB221 is one component that can assist in helping address this catastrophic problem. Since the changes to the retirement plan in 1984, the statute for the police has included the word "salary" as definition instead of the word, quote, base wage as used for the firefighters. This, along with other, other implications, has been hindering our first class city firefighter retirement for nearly 40 years. The handout that I, I gave to everybody to take a look at shows some of the numbers and,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

and the impact that that can have. There will be personal stories of first class city firefighters behind me. I just want to add that the Nebraska Professional Fire Fighters Association is willing to assist in any way and respect the committee to move this forward so we can work and move it forward. Thank you for your time and is there any questions or--

McDONNELL: Any questions for Mr. Garrean?

CONRAD: Thank you.

DARREN GARREAN: Thank you.

McDONNELL: Next proponent.

ANTHONY STRAWN: Chairman McDonnell, my name is Anthony Strawn. I represent the Papillion Professional Firefighters. Anthony, A-n-t-h-o-n-y, Strawn, S-t-r-a-w-n. I'd like to share a story of one of my members with you today. The firefighter has been through a lot in his career, and his story is one of countless throughout first class cities in Nebraska. Here is his story, in his words: I've been a professional firefighter and EMT for 25 years and a paramedic for 20 years. I am proud of the job I have done and the service I provided. I also realize that my time is getting short in my chosen profession. Firefighting and EMS is a profession that wears on you physically, mentally, and emotionally. Fire and EMS is simply and honestly a profession for the young. My experience and knowledge is an asset to my department, but it is becoming more and more challenging to maintain the physical strength, endurance, and flexibility that I once had. I have sustained several injuries in my 25 years of service, multiple strains, sprains and muscle pulls, as well as serious injuries to both knees and both hips. There's a saying that pain is just fear leaving the body, unless you're a firefighter that's probably arthritis. I have constant pain throughout my body that has been attributed to arthritis. My hands, especially my thumbs, neck, shoulders, and back are almost in constant pain. Some days are better. Some are worse. My plan was to retire in 2019 at age 55. The current retirement system makes that unrealistic. I now am looking to retire in 2024 with 26 years of service at 60 years old. This is far from ideal. No one wants to outstay their welcome. In good conscience, I cannot and will not be a deterrent to my department, my brother and sister firefighters or the community we serve. At the end of the day, when you call 911, do you want an old broken down firefighter to answer an emergency for your loved ones? And I can take any questions you have.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

McDONNELL: Any questions from the committee?

CONRAD: Thank you.

ANTHONY STRAWN: Thank you.

McDONNELL: Proponents for LB221?

DAVE WORDEKEMPER: Chairman McDonnell, members of the Retirement Committee, my name is Dave Wordekemper, D-a-v-e W-o-r-d-e-k-e-m-p-e-r. I am currently the president of the Fremont Firefighters Local 1015. I'm also eastern vice president for the Nebraska Professional Fire Fighters. Today, I am speaking as a proponent of LB221. The proposed legislation is attempting to correct the current state statute that was passed nearly 40 years ago. Current contributions made to our defined contribution retirement plan is solely based on our base salary. This excludes overtime, callback pay, incentive pay, and I am not aware of any other hourly employee who works overtime or gets paid extra for time worked above their normal hours do not have a larger contribution put towards their retirement including Social Security or a 401k benefit. In 1984, legislation was passed removing first class city firefighters from a defined benefit retirement plan to a defined contribution retirement plan. This change put all the retirement liability on the backs of the firefighter. We know that a defined contribution plan does not provide an adequate retirement for firefighters at the end of their career. After serving their communities doing a physically and mentally demanding job most firefighters, if not all, have to seek further employment because they simply can't afford to retire. Any prior or post Social Security earnings are subject to the windfall elimination provision or the government pension offset, which limits the benefits available to firefighters. Fire protection and EMS are considered a critical infrastructure system. Firefighters ensure protection to their communities every hour of every year. They adhere to minimum staffing requirements for safety while providing essential services. Firefighters are scheduled to work 2,756 hours a year versus 2,000 hours of a 40 hour a week employee. This means 30 years of firefighting equates to over 40 years of regular employment. In order to provide continuous essential services to communities overtime is required, therefore include-- therefore, it should be included towards our retirement. I would ask that you consider voting to move LB221 out of committee so that contributions towards our retirement accounts will be based on all earnings that we earn. Thank you and I'll answer any questions.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

McDONNELL: Questions from the committee members?

CONRAD: Thank you.

McDONNELL: Thanks for being here.

DAVE WORDEKEMPER: Thank you.

McDONNELL: Next proponent.

SCOTT KUEHL: Thank you, Chairperson McDonnell and committee members. My name is Scott Kuehl. I am a Grand Island firefighter, currently hold the position of battalion chief. I also represent the Nebraska Professional Fire Fighters in the western part of the state of Nebraska.

McDONNELL: Spell your name.

SCOTT KUEHL: Sorry, S-c-o-t-t K-u-e-h-l. This is about the maybe the fourth time I've testified in regards to trying to improve the first class city firefighter retirement and I have thank League of Municipalities, we are in negotiations now and trying to make headway on this. But I want to kind of give you a history of how we got here a little bit. When I was new to this fire department, I took over the union and I was running that and I was also on the firefighter pension committee and we combined the committees with the police officers and the firefighters. And through the years of going through pre-'84 retirees that were guaranteed the 50 percent income in their retirement, all of them came in and they were short on their plan, the amount of money they had in the plan. And that meant there was a kick-in from the unallocated account in the city to make them whole so they could buy an annuity that would give them 50 percent. And this kept happening and it kept being a pattern. And so it made me think about if they're putting the same amount that I am in, where am I going to be at 55? And so I started watching this and trying to figure out why and I would talk to my police officer cohorts and ask them about, you know, how much money they're putting in and where do they end up. And back in '84 when it switched, we went to the 19.5 percent was total contributions and police officers were at 12 percent. But as the years clicked along, the firefighter and the police discrepancy got very, very close. The cops were able to catch us in the amount they were getting and I couldn't figure out why. You know, I thought, well, maybe it's me at bad investments, maybe it was their good investments. I was pretty aggressive with my aggressment--my investments. I didn't panic when the markets went down. I didn't

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

do any of that so I didn't think there was any fault on my part. Then we started digging into it some more, we found out that this is a salary discrepancy. And so come last, well, 2021, I turned 55 and that pattern kept true. I talked to my financial advisor and asked him what would it take for me today to buy an annuity to get me 50 percent of my salary, my base salary, for the rest of my life. I was \$250,000 to \$300,000 short, and that was pretty much the pattern that had been going on all the years prior to that. So what I would say about what we're doing here with this bill, and it is part of a bigger package, but I just wanted to give you some history of why we're here and what it could have done for me because there is a real potential chance that had we had the same language as the police officers back in '84, because what I know that the police officers that started the same time as me, we got about the same amount of money right now. I might not be here right now. You might not have to be listening to me for the fourth or fifth time so that might be something that you can look forward to. But-- and I do think that some of this language is left over from the change from pre-'84 to post-'84 because there is some validity of base salary and that kind of stuff when it comes to a defined benefit. But I don't think it has any validity with the defined contribution. I think the idea with that is to put as much money away as you can. And in the middle of me finding this out and probably about 15 years ago I was a proponent of for all of my firefighters that I work with telling them to put more money away because we weren't putting in another group of money that, that the police officer had because they had Social Security and we didn't. So although it was late for a lot of us, some of us are doing it, but if we don't mandate something it's not going to happen. So, you know, what we can do here with this bill and the other bills and the negotiation we're having with the League, I hope you support everything that, that comes forward from that committee. And if you have any questions for me on this particular bill, feel free.

McDONNELL: Questions from the committee members?

CONRAD: That's really helpful.

SCOTT KUEHL: Thanks.

McDONNELL: Thank you for being here. Other proponents? Other proponents? Opponents?

LYNN REX: Senator McDonnell, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. Just a little bit of history as well that I think is

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

important to understand is that unlike, and we've talked about this before with some of your other legislation that you're considering this year, but unlike all your other pension systems for teachers, for judges and others, the Legislature put money in from the beginning. It was not what happened with municipalities. So with municipalities with cities of the first class, basically, what occurred is that the Legislature mandated that basically you're going to get 50 percent of the average of the last five years so without putting any money in. So when that happened, you can imagine that municipalities that had experienced officers that may be retiring in a few years, there's no way that officer could contribute enough to help the city get to 50 percent of the average in last five years of their salary. Just wouldn't happen. So we had cities that from the get-go started out with huge unfunded liabilities. Cities were not perfect, some of them managed better than others. Some of them understood better. They had better investment councils, so to speak. But in any event, it ended up in a scenario where we had one city of the first class, and we've talked about this before, that was on the verge of bankruptcy and that's when negotiations started in 1982-83 to switch from a defined benefit plan to a defined contribution plan because officers then even understood what the context of this would be and that if it's defined contribution they own that money. It was theirs when they were vested for the amount that was vested. And on the pension side, again, but for a bond issue that passed in the city of the first class, there would have been a bankruptcy. And I think we shared this before with you, then Senator John DeCamp passed legislation to enable municipalities to file bankruptcy because of this. And so, again, the cities didn't handle it perfectly, but there was a good faith effort by municipalities to try to address this. So those negotiations in '82-83, the purpose of that was to basically say, look, the officers, whether firefighter or police is LB531 and LB237, we get the greater benefit of the defined benefit plan or the defined contribution plan, whichever was greater for officers hired before January 1, 1984. If you were hired after January 1, 1984, then you would get basically a defined contribution plan. And the projections that we had basically talked about the fact that we would get to 50 percent. One of the things I think is important to understand is that in terms of the differential, when you look on page 2 of this bill, what you're going to see is that this is 16-1021 and it talks about the various amounts that are going to be contributed and this talks also about what constitutes base rate of pay on page 3. And there is a difference in terms of how salary is defined for police versus how salary is defined for firefighters. We're in the process of negotiating that. But as our city

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

administrator has indicated, there is a difference in overtime between firefighter overtime and police overtime. We're trying to, you know, shape all of that and determine that. So that's under negotiations and we really appreciate the work of the firefighters and their team to negotiate with us to see if we can't reach some type of an accord. The one thing that I think is important to also understand is that when you look at why the firefighter benefits are as they are, that municipalities contribute 13 percent, the firefighters contribute 6.5 for a total of 19.5 percent. And back in '82-83, and it depends who you talk to, but I will tell you having been there, not in a probably a lead position, to be clear, not a lead position, but I was a junior woodchuck, so I was there taking notes and assigned to kind of work on the issue for sure that one of the things that occurred was basically the notion that firefighters, their colleagues, indicated, look, they don't have Social Security. They want the cities to contribute as much to their retirement as a city contributed to a police officer retirement. So if you-- when you look at the information in terms of police officer contributions, the police officers put in 6 percent, the, the city put in 6 percent, plus the city put in separate, not as part of this, but separate the Social Security. So the officers-- police officers put in 6.2, the city put in 6.2. So the firefighters back in '82-83 said, look, we want you to contribute as much to us, to our retirement, only maybe not through the pension, but we want you to contribute that as you do to police, which is why they have 13 percent and police only were getting 6 at the time, which then were negotiated up. So in any event, we're negotiating good faith. We appreciate the fact that Senator McDonnell encouraged the parties to do that. I think that it's-- we do think that one of the reasons why there is such a lack of funds there for firefighters is that they have not contributed that, that-- I think that Senator Crawford calls it the opportunity space, they've not contributed the additional 6.2 percent. So the city is putting in the Social Security and in the sense of a 13 percent contribution instead of 6. But the firefighter himself or herself is not putting that additional 6.2 percent. But that being said, we're looking at other issues, too. Should overtime be included or should it not be included and how can we try to really improve this for everybody concerned and make it manageable and cost effective? So again, there is a lot of history about how things turned out the way there is. There's a lot of reason-- there are a lot of reasons why the definitions are different and we're going to work through that and see what we can come up with. And we appreciate the leadership of your Chair and this committee on these very important issues and we appreciate the firefighters sitting down and

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

negotiating with us. So with that, I'm happy to respond to any questions that you might have.

McDONNELL: Questions from the committee? Senator Conrad.

CONRAD: Thank you, Chair McDonnell. Thank you, Lynn, for your testimony and always helpful context and, and history. And I, I think we all agree that we have a great deal of admiration and respect for our first responders that keep our community safe. And I know the League and your member, member communities share that perspective as well. But one piece that I wanted to tease out and I'm happy to ask Senator Ibach or members, the firefighters, representatives that are here today, do you-- and I know it's probably too big of a question to boil down to just a couple of cogent thoughts, but for purposes of overtime, what's analogous or distinguishable about what firefighters do versus what police officers do and why are we perhaps treating those different for purposes of retirement? Is it the nature of the duty? Is it the nature of the overtime? Have you-- is there a policy basis for that?

LYNN REX: That's one of the things that our negotiating team on the League side, which is with city administrators, Sue Crawford, the city administrator of Grand Island, Papillion, let's see, La Vista, Fremont, Columbus, well, we're, we're going to have a Zoom call here in the next week to try to focus on that particular issue. We just know that it's different and-- in terms of the numbers, in terms of what, what-- why are the numbers so different and pretty dramatically different between the police and fire in overtime. And the, the short answer I have for you is I don't know today.

CONRAD: OK. All right. All right. Well, if you have follow-up information after those conversations, that's just one thing that from a policy perspective I was trying to think through, like, you know, how, how do we treat that? What, what's the basis there? Overtime is time on the clock, away from your family, friends, other pursuits, you know, it seems like kind of at first blush that that should be treated in a similar fashion overtime is overtime. But I was wondering if there was a policy basis for how we conceptualize that overtime for purpose of retirement? But I appreciate that. Thank you.

LYNN REX: Yeah. Thank you. And I will tell you that in terms of the negotiations involved back in '82-83, those negotiations were first with the police--

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

CONRAD: OK.

LYNN REX: --and then the fire. And so we knew what that definition was at the time when we were negotiating here on the fire side. But we were trying to explore because, frankly, I was kind of surprised myself at the dramatic difference in terms of the amount of money spent in overtime for fire versus the amount of money for police and I don't have an answer for you today. I'm sorry.

CONRAD: No, I appreciate that. Thank you so much.

LYNN REX: We hope to find that answer, though.

CONRAD: We'll, we'll find it together. Yeah.

LYNN REX: Yes, we'll do that.

CONRAD: Yes. Thank you. Thank you.

McDONNELL: Any other questions from the committee? We appreciate your time and the work you've been-- you're doing trying to solve this problem and all the people that have testified today. Going back to 1983, I know you weren't in this position, the, the agreement at that time was 50 percent for the firefighters of their salary for their pension. Is that correct?

LYNN REX: Well, the, the actual, and I have to go back and double check all the numbers and everything, Senator, but basically it was 50 percent of the average of the last five years, something like that for police and for fire pretty close to that. And so if you were hired before January 1, 1984, you get the greater benefit of the defined benefit plan or the defined contribution plan, whichever is greater. Some received a greater benefit under defined contribution on the police side, for sure. I don't know if that's because, I'm guessing in large part because of the Social Security contribution that they made as well. I don't know. But basically in terms of after January 1, 1984, the statutes for both police and fire, if you're hired after January 1, 1984, then it is a defined contribution plan. And what I can tell you is that at this time, after we did some surveying with our municipalities, we don't have any pre-'84 officers that are active. We obviously have pre-'84 officers that are retired but not active at this time.

McDONNELL: Any other questions from the committee members? Thank you for being here.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

LYNN REX: And thank you for your leadership. We really appreciate it. Thanks. And also committee counsel that has dutifully attended the incredible negotiations. So we appreciate that. I know the firefighters appreciate that, too. Thanks.

McDONNELL: Thank you. And thank you, Neal. Any other opponents? Any other opponents? Anyone in neutral capacity? Senator Ibach, you want to close?

IBACH: Yes, and I will be brief with my comments. Thank you, Mr. Chairman. And thank you for addressing that question, Senator Conrad, to Lynn because if she can't answer it, I certainly cannot answer it. Anyway, I would just with appreciation say thank you to the, to the guys that showed up today to testify and give them our appreciation for their service as well. So thank you committee for considering this bill.

CONRAD: Thank you.

McDONNELL: Any questions for Senator Ibach? Thank you for being here. Oh, there's also-- we have letters of support-- proponents six, no opponents, and no one in the neutral capacity. We will now switch to Senator Brandt with LB406.

BRANDT: Good afternoon, Chairman McDonnell and members of the Retirement Committee. My name is Tom Brandt, T-o-m B-r-a-n-d-t. I represent Legislative District 32: Fillmore, Thayer, Jefferson, Saline, and southwestern Lancaster Counties. Today, I'm bringing LB406 on behalf of the Nebraska Professional Fire Fighters Association. LB406 is a bill that changes the amount or percentage that a firefighter in a first class city can contribute to their retirement. Many of you know that, and some of you may not, that firefighters for the most part do not receive Social Security. There is a long and storied history about this fact and, I believe, president Darren Garrean with the firefighters is behind me and will answer any of your questions about this or any other questions you may have as well. You should also know that career firefighters in first class cities are not guaranteed a true pension as those firefighters in our two largest cities are. They rely solely on a 401k benefit with no Social Security. Their contributions to their retirement are outlined in state law. This bill opens that amount that can be contributed by the firefighter up so they can contribute more if they would like. I am aware that there have been conversations over the last decade or so about switching back to a hybrid form of retirement for these first class firefighters to more

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

fairly compete for their service with the larger cities, Lincoln and Omaha. I am also aware that there have been negotiations with the League and the Association regarding making enhancements to their current form of retirement and this bill represents part of those negotiations. So where we are is here. I would like to ask the committee to let this be a vehicle to accomplish what needs to be done to ensure that our first responders in mid-sized communities can retire after serving our hometowns with dignity and respect. They should not be punished or held down because they want to work where they live and serve the people in their hometowns. They should have a retirement they can rely on and feel safe with. Thank you, members, and I would ask that you look favorably, favorably on LB406 and reserve technical questions for those that may follow me. And I would like to say personally to the firefighters, thank you for what you do. They often run toward the incident and they meet people for the first time on the worst days of their life and that takes special people to do that.

McDONNELL: Thank you, Senator Brandt. Any questions for Senator Brandt? Thank you. Proponents?

DARREN GARREAN: Chairman McDonnell and members of the Retirement Committee, thank you for your time. My name is Darren Garrean, D-a-r-r-e-n, last name is G-a-r-r-e-a-n. Again, I'm a full-time firefighter and paramedic working 56 hours a week serving the citizens of Nebraska as do most of my cohorts. In addition, I'm the president of the Nebraska Professional Fire Fighters Association, where I'm here today representing over 1,400 career firefighters and paramedics who serve this great state. We'd like to thank Senator Brandt for introduction of LB406 in recognition of one of the many issues relating to the first class city firefighter retirement crisis. I, again, would like to point the committee to the, the fact that the Nebraska Professional Fire Fighters Association is currently attempting and bargaining in good faith with the League of Municipalities and the representatives for a more comprehensive retirement improvement plan. LB406 is one of those topics. We'll continue to bargain in good faith on these items. We have not reached an agreement at that time-- at this time. The, the, the Retirement Committee did a lot of historical work and I'm going to have to reference this again for, for documentation purposes that LR230 in 2015 points to the fact that, quote, many concerns were raised, unquote, and shows that Nebraska first class city firefighters have, quote, retirement account balances funding a retirement well below the goal of a 50 percent salary, unquote, as intended for those changes that were made in 1984. Here we are again, a decade-- over a

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

decade later, knowing that there's a problem. Hopefully, we can come to some solutions. Senator Brandt has with LB406 one of the components that can help in finding those solutions. The Legislature passed in 2012 LB1082, which increased the contribution rate for police officers. This was 0.5 percent per year over two years, that's included in some of that-- in the handout as far as some background to that. The promise of Senator Brandt's LB406 is to enact the same philosophy for first class city firefighters. There will be some testifiers behind me that have some personal historical perspective from a first class city aspect. The Nebraska Professional Fire Fighters Association must commend this retirement committee, past Chairman Senator Kolterman, Senator McDonnell, Senator Blood, legal counsel Kate Allen for all their hard work and taking a deep dive into the necessary Social Security debacle that was unique to the Nebraska firefighters. With the December 2022 publication of the Social Security Report, which is listed under the Retirement Committee website, we've been able to move forward on some understandings relative to contribution rates as it's specific to firefighters of the first class. Kind of explains why some of those differences are there. Please, if you haven't taken a look at that, I, I would recommend doing so. The Nebraska Professional Fire Fighters Association is willing to assist in any way in this matter and we would appreciate support on this bill. Any questions, I'll be happy to answer anything.

McDONNELL: Questions from the committee? Thank you for being here.

DARREN GARREAN: Thank you for your time.

McDONNELL: Other proponents?

ANTHONY STRAWN: Chairman McDonnell, members of the committee, my name is Anthony Strawn, A-n-t-h-o-n-y S-t-r-a-w-n. I'm president of the Papillion Firefighters Association Local 3767. I represent the firefighters in Papillion. LB406 will allow firefighters the ability to increase money saved toward their retirement and to improve the current retirement system in place. The current plan first class city firefighters have under the 1984 statute was flawed from the beginning. There are several issues with the way the retirement is structured, the most glaring being the fact that all the financial risk is on the firefighter. This bill is a step in the right direction, but will not solve the problem. The first class city police were able to increase their percentages from both the city and the officers. This increase has helped improve retirement for first class city police officers. The steps of the NPPFA and the League of

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

Municipalities are taking to tackle this issue will improve the retirement system so long as they are willing to understand the needs of the firefighters. This problem was not created overnight and will not be solved overnight. We will all need to find common ground to work toward a solution. Firefighting has an expiration date that many of our firefighters try to extend through healthy diet and exercise. Firefighters also have helped pass a resiliency training bill to ensure they are taking the necessary steps to stay mentally healthy. The hard truth is that may not be enough due to no fault of the firefighter or the city. They may experience mental or physical injury that may make doing the job they love impossible. This is why we must continue to write these bills to correct the legislation passed in 1984 that caused a financial burden to the families of these firefighters. I can assure you that until this retirement system is fixed adequately, we will continue to bring new and innovative bills to this committee and to our senators and we will not rest until we get to a solution that solves the retirement issues for first class city firefighters. Until this happens, we will continue to lose talented firefighters to states with dignified retirement benefits for all classes of firefighters in their states. I'd be happy to answer any questions the committee may have.

McDONNELL: Any questions from committee members? Thank you for being here. Next Proponent.

DAVE WORDEKEMPER: Chairman McDonnell, members of the Retirement Committee, my name is Dave Wordekemper, D-a-v-e W-o-r-d-e-k-e-m-p-e-r, president of Fremont Firefighters Local 1015 and also eastern vice president for the Nebraska Professional Fire Fighters. I'd like to start by saying I can be a proponent of increase in the contribution rates, but not necessarily a proponent of the scope of this bill and I will try to explain. The contribution rates for the current defined benefit-- defined contribution plan: our employer, 13 percent; firefighter 6.5 percent. You'll probably hear testimony from the opposition that they have been contributing their amount and the firefighters should have been contributing an additional 6.5 percent match, the 13 which would be comparable to the contribution for Social Security. If the intent of that thinking is that that would bring us to equal to police officers and other employees who contribute to Social Security in a typical 401k style retirement match, I would have to disagree. Employees that contribute to Social Security, a defined benefit pension, or a cash balance plan are guaranteed a more stable retirement income during retirement. A firefighter with a defined contribution plan cannot tell you what his retirement benefit will be, nor could a financial adviser. The reason

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

for this is we only know what our contribution is. We have no idea what the result of those contributions will be throughout our career. Let me share the reality of what I'm saying. For the last 15 months, my account has lost 15 percent along with the contributions made since January 2022. You may be thinking that I didn't make good investment choices. Our plan has 24 available investment options. Of that, they all lost money except for one. And if you had money in that account, you are unable to access that account because it's, it's frozen. You can't take money out of it or move it. Since then, it's going down. Throughout my 28-year career, I've had some really good years in the defined contribution plan. But if I average it out, my total return is 6.2 percent a year. In 1984, the switch for the first class city firefighters from a defined benefit to defined contribution plan put the sole liability on the backs of the firefighter. This legislation is now asking firefighters to put more money into the plan with an unknown of what he will receive at retirement. For myself and many firefighters, we would not have an issue increase in contributions if we knew we were not going to lose the money because of negative returns. Unlike other employees, every dollar a firefighter puts towards his retirement involves risk. Now with all that being said, I understand the importance regarding the amount of contributions made toward retirement. I also understand that if you have a bucket with a hole in it and you're trying to fill it with water, adding more water is not going to solve the problem. The same analogy can be stated for the first class city defined contribution retirement plan. The current plan does not provide sufficient retirement benefits. I don't believe adding more money to the plan will solve the problem until you eliminate the risk of losing your investment. There is a decrease in the number of people who want to join the profession of firefighter, therefore, it is important to be able to recruit and retain firefighters. LB406 and LB686 are being introduced on behalf of the first class city firefighters who are trying to stop this downward trend of firefighters leaving the first class cities to seek better benefits elsewhere. I thank you for this opportunity and I will yield to any questions.

McDONNELL: Any questions from the committee?

CONRAD: Appreciate it.

DAVE WORDEKEMPER: Thank you.

McDONNELL: Thank you for being here. Next proponent.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

SCOTT KUEHL: Thank you, Chairperson McDonnell and rest of the senators on the committee. My name is Scott Kuehl, S-c-o-t-t K-u-e-h-l. I, I am here in a, in a kind of same capacity as the previous speaker. This will do some possible way of potentially increasing our retirement amount when we retire but for there's a little bit of a problem here in this situation and it, and it kind of goes along with what previous speaker Dave Wordekemper said that we have a situation in a worst case scenario where a firefighter gets disabled or killed in the line of duty, they still qualify for a 50 percent benefit. And what happens in that situation is that the city then takes the entire account balance that I have and then starts giving me 50 percent or my spouse 50 percent benefit for the rest of my life. But that's costing me 19.5 percent right now to get that benefit. That's the state statute, that's what I'm putting in there. If a police officer has the same thing happen, it only cost them 14 percent of their wage. So if we add more to this and substantially more, if the, if the, like, the League says that we should be another 6.5 percent we should be putting in somewhere, now we're funding our own disability at a, you know, at a 25 percent rate and we only get a 50 percent return on that money. On the other hand, the police officers are putting in 14 percent and they get-- in a worst case scenario, they get a 50 percent return on 14 percent of money. I don't think that's fair. I don't think that's what the Legislature wanted back in the day. I don't think they just-- I don't think they dove into it far enough. And if you remember back to my previous testimony about how a, a firefighter after-- a firefighter and a police officer at the same time for about 25 to 30 years, the account balances are the same, had to do with the overtime issue. But I never brought up the amount that they-- that cop-- police officer is going to get in retirement for Social Security. You add in, he's got the same amount of money, he qualifies for Social Security, for that person I'm talking about is over \$3,000 a month that he will qualify for in retirement. So that makes that bucket of money that he has after a 25- to 30-year career, a more usable in those years between retirement and when Social Security kicks in. As opposed to firefighters, we've got to make that last throughout our entire lifetime. So I understand that we're, we're negotiating with the League, but this is one of the other pitfalls that we're trying to overcome in negotiations and, and I just don't think that's what the Legislature meant when it, when it-- when they wanted a 50 percent benefit in death and disability that we would lose all that money and it would cost us more to get that benefit. So I appreciate this bill. I am not opposed to getting more money. I'm not opposed to putting more money in. But I think we've really got some work to do to make

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

this fair across the board for all city employees, especially in regard to the comparison between police officers and firefighters. And if you have any questions on that, I'd be happy to answer them.

McDONNELL: Any questions?

SCOTT KUEHL: Oh, one other-- I have one more thing. Senator Conrad, you--

CONRAD: Yes.

SCOTT KUEHL: --you talked about the-- why the overtime is so much different. So I dove into that a little bit myself and I wondered what happened, too. And for firefighters, we have in, in Grand Island we have minimum staffing that we have to have, that's to keep fire stations open and staffed. If we had a short because of retirement, termination, whatever the reason, vacation or sick leave, we have to keep that fire station open. And that's a 24-hour shift and that is overtime. And firefighters are mandatorily held in if we can't find a volunteer. So I asked what my police officer coworkers do when they have that same situation, they're short staffed because of vacation, sick leave, terminations, retirements, whatever it is, and they just prioritize what they do during the day. If they have enough people, they'll go out and do a traffic enforcement where they'll sit at a certain intersection and wait for, you know, traffic violations or they'll do other things. If they have short staff, they don't hire back people, they just don't do that type of stuff and they will prioritize their calls as needed in an emergency situation. And so I'm not saying that's the, the definite answer, but that's my experience with my group of people and with how, and how the city of Grand Island works. That may be a contribution to why there's such a difference in the overtime cost for the city versus police and fire [INAUDIBLE].

CONRAD: That's really helpful. Thank you.

SCOTT KUEHL: Yeah, you're welcome. Thank you.

McDONNELL: Any questions from the committee members? Seeing none, thank you for your testimony. Next proponent. Next proponent? Next opponent? Opponents?

LYNN REX: Senator McDonnell, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And I would like to incorporate by reference my testimony from LB221 today so I don't have to repeat that. Basically,

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

with respect to this bill, again, we are negotiating in good faith with them. I will indicate to you, though, I want to go back to just an overview. And I know that those-- several of you have been involved off and on in the Appropriations Committee, Senator Conrad, before, and of course, Senator Clements and Senator Vargas and Senator McDonnell now, and others. So just to put in perspective here, right now with 13 percent contribution to fire from municipalities, and again, that was the 6 percent plus making up the difference because we didn't and don't participate to Social Security for them plus their contribution of 6.5 they get to 19.5 percent right now. Police officers initially negotiated 6 and 6 back in 1982-83, and then basically they came to us in 2012-- 2011 actually, 2011-2012, and said would the League be willing to sit down and negotiate with us within the context of a defined contribution plan for increased contributions? We said yes. So we did a phase-in of what the 6 percent was up to a 7 percent-- actually, we would have gone higher and they walked away from it. They didn't want to go that high. So in any event, they're at basically the 6.2 percent plus 6.2 on Social Security side, which again, is not part of their pension, but separate from their pension, which is, you know, basically 12.4 and then you add in also what they have of their 14 percent. So for a police side, you're looking at for their retirement amount different in a sense that we added ours in on the Social Security side, if you will, not Social Security truly, but we try to make up that difference with the firefighters on the 13 percent so they're at 19.5 percent. If they had been contributing 6.2 in some way, shape, or form on their match on Social Security, which they're not required to do, by the way, they would be at 25.7. The police at 6 and 6 of 12 percent plus 12.4 of 6.2, 6.2 on the Social Security side, they were at 24.4 and they negotiated up to go to 14 percent from 12 percent so they're at 26.4, whereas right now you got firefighters at 19.5. But over the years, had they been putting in the 6.2, they'd be at 25.7. So again, and there are other things that can be done in terms of the definition of salary, other things that we're negotiating with them and the police have reached out again to us to negotiate and we'll be doing that again with them. So in any event, this is one of those situations where I think it's always good to see what we can do to improve the system for our municipal employees and these folks work hard and they do a good job and so do the police. So if there are differences and legitimate reasons for some of the differences, some of the reasons for those differences, I don't know. But with that, we oppose the bill as drafted simply because we're in negotiations and hopefully we can get to yes, that's our hope. With that, I'm happy to answer any questions that you might have.

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 15, 2023

McDONNELL: Any questions from the committee members? Thank you for being here.

LYNN REX: Thank you very much, really appreciate it. And again, thanks for your leadership in all of this. Although Kate Allen is not here, she's probably listening so I appreciate all of her work and certainly [INAUDIBLE], too. Thank you.

McDONNELL: Definitely. Thank you. Any other opponents? Other opponents? Anyone in the neutral? Anyone that wants to testify in the neutral? We have position comments for LB406. We have six proponents, zero opponents, and no one in the neutral. Oh, I'm sorry.

BRANDT: Is this your last bill for the year?

McDONNELL: No. No, it's not. We have, we have one more. Senator Brandt, please close.

BRANDT: I'll be waiving.

CONRAD: OK.

McDONNELL: Senator Brandt, thank you for waiving. Thank you for being here.

BRANDT: Thank you.

McDONNELL: We will now conclude our hearing. Thank you all for coming.