BALLARD: --Retirement Systems Committee. My name is Beau Ballard. I represent the 21st Legislative District in Northwest Lincoln, Northern Lancaster County, and I serve as chair of this committee. We'll start off by having members of the committee and committee staff do self-introductions, starting on my far left with Senator Sorrentino.

SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

TREVOR FITZGERALD: Trevor Fitzgerald, Committee Legal Counsel.

CLEMENTS: Rob Clements, District 2, Cass County, eastern Lancaster County.

BALLARD: Also assisting our committee is committee clerk, Rebec-- Rebecca-- I'm going to get this one day.

REBECCA BARTUNEK: That's OK. Bartunek.

BALLARD: Bartunek. This is our last committee-- this is our last committee hearing of the year. I'm gonna get it one day.

SORRENTINO: Maybe you won't get it.

BALLARD: And also assisting is committee clerk, Connie Thomas. The morning will be-- this morning we'll be having one interim study. On the table near the entrance, you will find green testifier sheets. If you are planning to testify today, please fill one out and hand it to our pages. When you come up, this will help us keep an accurate record of the hearing. Also, I would like to note the Legislature's policy that all letters for the record must be received via the online portal by 8 a.m., the day of the hearing. Any handouts submitted by testifiers will also be included as part of the record as exhibits. If you have any handouts, please bring, please bring 10 copies and give them to the page. If you need additional copies, the page will help you make more. Testimony will begin with the introducer's opening statement. And after the opening statement, we'll hear from in-- hear, hear from invited testifiers, followed by public testifiers, and introducers will have an opportunity to make closing remarks if they wish to do so. We ask that if you begin your testimony by giving us your first and last name and please spelling it for the record. We'll be using the 5-minute light system today. When you bring your

testimony, the light will turn-- on the table will turn green, the yellow light is your one-minute warning, and the red light-- when the red light turns on, we ask to finish up your final thoughts. We remind everyone, including senators, to please turn off your cell phones and-- or put them on vibrate. We will begin today's hearing with LR373 and invite up first, Mr. Trevor Fitzgerald. Good morning.

TREVOR FITZGERALD: Good morning, Chairman Ballard and members of the Nebraska Retirement Systems Committee. For the record, my name is Trevor Fitzgerald, T-r-e-v-o-r F-i-t-z-g-e-r-a-l-d, and I'm introducing LR373 on behalf of the committee. LR373 is an interim study that was introduced by the committee to carry out the provisions of Nebraska Revised Statute Section 13-2402, which requires that the committee monitor underfunded defined benefit plans administered by political subdivisions. In 2014, the Legislature passed LB759, which requires that each political subdivision which offers a defined benefit plan annually file the most recent actuarial valuation report for the plan with the committee no later than October 15th. If either the contributions to the plan do not equal the actuarial fund-- requirement for funding or the funded ratio of the plan is less than 80% according to the most an actuarial evaluation report, then the plan is considered underfunded, and the political subdivision is required to submit a more detailed report to the committee and may be required to present its report to the committee at a public hearing. In 2025, there were 7 political subdivisions with underfunded defined benefit plans which were required to present to the committee, with a total of 8 plans presenting at last year's hearing. Since last year, the Eastern Nebraska Human Services Agency, or ENSA, saw its funded ratio "a-crease"-- increase above the 80% threshold and is no longer required to report this year. A memo briefly summarizing the reports filed regarding each of the 7 plans required to report this year is included in your materials, and a complete copy of all the political subdivision submissions can be found on the committee's drive. Representatives from each of the political subdivisions will be called up as invited testifiers behind me prior to any other public testimony, but I would be happy to answer any questions about the process at this time.

BALLARD: Thank you, Mr. Fitzgerald. Are there any questions? Seeing none, thank you for your testimony. And we will begin with invited

testimony. We're going to start with the Regional Transit Authority of Omaha-- Metro Transit Authority of Omaha. Good morning.

LAUREN CENCIC: Good morning, Chairman Ballard and members of the Retirement Systems Committee. My name is Lauren Cencic. For the record, that is L-a-u-r-e-n C-e-n-c-i-c, and I'm the CEO of the Regional Metropolitan Transit Authority of Omaha, doing business as Metro Transit. Metro Transit is the public transit provider for the Omaha metropolitan area, providing fixed paratransit express services. And we also provide services to the cities of Council Bluffs, Bellevue, La Vista, Papillion, and Ralston, Ralston by virtue of agreed upon service contracts. I want to thank you for the opportunity to address the committee today regarding our collective bargaining employee pension plan, even though I was hoping I wouldn't be here this year and I'd hit the 80% mark. This plan was formerly known as the Metro Area Transit Hourly Employee Pension Plan, but was renamed recently. As a brief overview of the plan, we have 209 active members in the plan, 213 members in pay status, and 56 terminated members and deferred beneficiaries as of January 2026. The actuarial value of the plan as of January 1 is $32,168,724. And we completed an experience study in 2024 that covered 2017 through 2023, and resulted in numerous updates to our assumptions, including pay increases, turnover, retirement ages, plan expenses, and contributions. Our pension plan is governed by a pension committee comprised of Metro Transit leadership, union leadership, a Metro Transit board member, and external experts. The employee and employer contribution rates are subject to the collective bargaining agreement with the Transport Workers Union Local 223. In 2024, both the employee and employer rates increased to 8.25%. As of January 1, 2026, the funding status of our plan is 78.5%. This marks a steady increase in the funding of the plan each year for the last 6 years. And back-- starting-- looking back to 2020, we were at 66.7%, and last year we were at 76.2%, meaning we increased 2.3% since last year. Last year, we contributed 134.62% of the actuarial required contribution. Our improvement year over year since 2020 was accomplished despite a past reduction and by maintaining a very-- and also while maintaining a very conservative assumed rate of return of only 6.25%. Our actual investment rate of turn for last year was 14.94%. And our recent experience study identified an expected long-term return of 6.72, but Metro Transit maintains our more conservative assumption of only 6.25. I would like to thank Metro's Transport Workers Union leadership in sharing my passion for ensuring

that we are actively-- proactively addressing the issues that have led to previous underfunding, and as evidenced by our most recent collective bargaining negotiations in which increased contributions where it focuses to the plan. I'd like to thank you for the opportunity and I'd be happy to answer any questions you may have.

BALLARD: Thank you for your testimony. Are there any questions? Seeing none, we'll let you off easy.

LAUREN CENCIC: Thank you.

BALLARD: So thank you so much for your testimony. All right. Next, we will move on to Omaha Public Power District.

JOHN PETRULIS: Good morning, Chairman Ballard, and members of the Nebraska Retirement Systems Committee. My name is John Petrulis, and for the record, J-o-h-n P-e-t-r-u-l-i-s. I'm the manager of Treasury Debt and Investments for the Omaha Power-- Public Power District. We have provided the committee with information on the district's retirement fund. To summarize the information, the district retirement fund's 2025 annual return was 13.6%, and that's higher than our discount rate of 6.5%. The fund has exceeded our discount rate in 3 of the last 4 years. The retirement plan's January 1, 2025 funded ratio was-- or twe-- yeah-- January 1, 2026 funded ratio was 73.8%, and that was an increase over the '25 ratio of 73.2%. The district is funding its entire annual required contribution of $71.3 million in 2026, as it always has in previous years. Further, the district has made additional contributions, totaling $145 million over the annual required contribution since 2021. The district expects its entire-- its funded ratio to be above 80% within the next 3 years. And with that, I'd be happy to answer any questions regarding the retirement fund. Thank you.

JOHN PETRULIS: Thank you for your testimony. Are there any questions? Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, sir. I see in the last 5 years, it goes-- the ratio goes down, then up, then down, then up. Are you expecting that to continue or are you going to be going up?

JOHN PETRULIS: We, we expect it to continue, continue to go up if we meet our 6.5% discount rate. We would expect to, within 3 years, to be at 80%. We had a loss in 2022 of about-- I think it was negative

14.4%, and that is amortized over a 5-year period, and that's caused the ratio to, to go down and -- or it's-- it-- it's fluctuated depending on what our returns are, but that did affect it. Any negative return would negatively affect our, our, our pay-- our-- the, the funded ratio going forward, but it wouldn't the market rate.

CLEMENTS: Oh, yeah. OK. Yeah, that's right. The actuary spreads that over a number of years. In addition--

JOHN PETRULIS: Over 5 years. All losses and gains are spread over 5 years.

CLEMENTS: That losses should be out of there, then, next year.

JOHN PETRULIS: Yeah. So we, we expect our ARC payment to increase from $71.3 million to about $73 million next year, and then it will, it will go down after that. So.

CLEMENTS: Thank you.

BALLARD: Thank you, Senator Clements. Any additional questions? And then you said you're expecting to be over 80%?

JOHN PETRULIS: Right now, at 3 years, so given--

BALLARD: 3 years?

JOHN PETRULIS: In 2029, given things work out, things work out. the markets cooperate and so forth.

BALLARD: OK.

JOHN PETRULIS: Yes.

BALLARD: Absolutely.

BALLARD: All right, seeing no questions, thank you for being here this morning. I appreciate it.

JOHN PETRULIS: Thank you.

BALLARD: All right. Next up, it will be the city of Lincoln. Good morning.

TYLER CUMMINGS: Good morning, Chairman Ballard and members of the committee. My name is Tyler Cummings, T-y-l-e-r C-u-m-m-i-n-g-s, and I am the pension officer representing the City of Lincoln Police and Fire Pension Plan. I want to provide a summary of the pension plan. This plan covers all commissioned police and fire employees for the city, except for the police and fire chiefs. And as of the last valuation report, it held assets of $361 million, had 628-- 28 active members and 475 retirees. The membership between police and fire employees is split approximately 50-50. The funded status decrease only slightly from the previous valuation report and currently sits at 78.8%. There are currently 2 plans with active members, Plan A and Plan B. There were only 7 remaining active members in plan B as of the last valuation report. Also, beginning September 1 of 2027, there will be a new plan called Plan D, which I will revisit in a moment. And finally, the plan members are afforded an opportunity to enroll in a Deferred Retirement Option Plan, otherwise known as DROP. And as of August 31, 2025, there were 53 active DROP members. As I mentioned, the city is implementing Plan D in 2027. And as of this time, this plan will only cover commissioned police officers. This new plan will include an automatic COLA up to a maximum of 2%, increased member contributions, tiered contribution rates, and change in the final average salary to include the 3 highest years, lowering vesting from 10 to 7 years and a maximum benefit up to 75%. Though several provisions for the new Plan D differ from the current Plan A, the normal cost for Plan D is comparable to the normal costs of Plan A. The city continues to contribute more than the actuarially determined contribution and for the valuation date of August 31, 2024, the city contributed nearly $1.5 million more than the actuarially determined contribution, which equates to 110% of the actuarially determined contribution. And as you can see from our responses provided to the committee, the city continues to contribute more than the actuarially determined contribution. Finally, the plan has lowered its assumed rate of return, stepping it down from 7.25% as of its August 31, 2024 valuation, to 7% with the August 31, 2027 valuation report. Also, the last experience study was completed in 2023. Therefore, the next experience study is slated to be published in 2027. This concludes my testimony. I'm happy to answer any questions you may have.

TYLER CUMMINGS: Thank you, Mr. Cummings. Appreciate your testimony. Senator Sorrentino.

SORRENTINO: Thank you, Chairman Ballard. Thank you for your testimony. A question on the transfer to the, the new B plan. I'm assuming all current officers will be transferred over to that plan. No change investing, new officers coming into that one?

TYLER CUMMINGS: So no, the, the officers that are currently active in Plan A will remain in Plan A. Anyone hired on or after September 1 of 2027 will go into the new plan.

SORRENTINO: OK. So that plan initially will be a fairly small plan--

TYLER CUMMINGS: Yes.

SORRENTINO: -- in comparison. Investment, actuarial assumptions all the same?

TYLER CUMMINGS: Yes.

SORRENTINO: All right. Thank you.

TYLER CUMMINGS: Yes.

BALLARD: Thank you, Senator Sorrentino. Senator Conrad.

CONRAD: Thank you so much. Senator Ballard. Hi. Good to see you, Mr. Cummings. Welcome back to the committee. I was hoping that maybe you could help to just broaden the lens a little bit on this issue, because-- and I know you're new to your role and grateful to have your expertise at the city of Lincoln. But I hear about these issues a lot from my constituents in Lincoln who are impacted by these plans. Police, firefighters, their families, et cetera. Could you help us to just paint a, a better picture about kind of exactly where we are with the deficiencies and then exactly where we want to get with the goal of addressing that, and kind of what the timeline is for the city of Lincoln or the mayor? Because I think there's been a lot of conversations to figure out how to remedy some of the, the present issues, and there is modest progress, I think, moving forward, which is good. But it seems like there are still some frustrations that perhaps the city could be doing more, or doing more quickly. Do you want to just help the committee understand that a little bit?

TYLER CUMMINGS: Are you speaking in regard to the unfunded liability or-- to the unfunded liability? Well, as you can see, the city has

continued to put in more than the actuarially determined contribution. So-- and there's a funding policy that the city has implemented as well that they will contribute the normal, normal rates or the normal, normal rate plus the actuarially determined contribution rate for the unfunded liability, whichever is higher, until it reaches 115% funded. So the city has, you know, set a, a strong investment policy to ensure that the funding of the pension plan is, is, you know, well suited that it will get to fully funded by-- right now, it's projected to be fully funded by 2045.

CONRAD: OK. Is there any discussion or exploration of, you know, trying to allocate resources within the city budget to provide kind of a more significant one-time infusion to meet those goals more quickly?

TYLER CUMMINGS: That I, I do not know.

CONRAD: OK. Very good. Thank you so much.

BALLARD: Thank you, Senator Conrad. Any additional questions? I do have one, kind of going off of what Senator Conrad-- it-- we've seen, from the state level, from-- and even individuals testifying in this room, the upward, the upward percentage of unfunded, but the city of Lincoln's been relatively flat in the, in the last several years. Can you explain why, even though you-- you've att-- you've addressed some of the issues of additional payments? We have not seen that bump up even past 82% in the last decade.

TYLER CUMMINGS: Yeah. That's a fair question. I mean, part of it, as you all know, the, the assumed rate of return has been lowered over the years, so that's some downward pressure. One thing I want to note is that prior to 2016, I do believe, any, any returns above the assumed rate was going into a separate COLA fund. The intention at that time was-- eventually that money would be used to pay an automatic COLA. And in our responses in question 2, you see a jump of the funded status in 2015 from 63.9%, up to 79.9% in 2016, so a, a significant jump, and part of that is because the money that was being deferred from those investment gains was then put back into the pension plan. So the way I see it is all those years where there was investment gains above the assumed rate of return was not being invested in the pension plan at that time. It was in a separate fund. And I guess I don't know exactly how that was invested in that separate fund, but it wasn't a part of the pension plan, so it, it

wasn't in the market, it wasn't, you know, being invested in hopes of having returns over those years. So I think that's a piece of it, but I think most of it's just the downward pressure of lowering the assumed rate of return. And then, hopefully, with these additional contributions by the city, we can get above the 80% and closer to 100% with time. Yeah.

BALLARD: OK. Thank you, Mr. Cummings. Any additional final questions? Seeing none, thank you for being here.

TYLER CUMMINGS: I just want to-- one more comment. I just want to thank Senator Clements. I believe this is his last Retirement Systems Committee hearing. As you all know, I worked for the state for many years, and I've watched a lot of these hearings over the years, and I appreciate his insight and his knowledge, and he's been a good fit for this committee, and he'll certainly be missed. So thank you, Senator Clements.

BALLARD: We share those comments. Yes.

CLEMENTS: Thank you, [INAUDIBLE].

BALLARD: Thank you, Senator-- or thank you, Mr. Cummings. All right. We'll move on to Douglas County. Good morning.

LORI PIRSCH: Good morning, Chairman Ballard and members of the committee. My name is Lori Pirsch. That is L-o-r-i and the last name is P-i-r-s-c-h. I am CFO for Douglas County and chair of the Douglas County Retirement Plan Committee. So I'm here today to talk to you a little bit about the Douglas County Retirement Plan, and I'll give you a little background. Back in the late-- mid to late '90s, we were basically fully funded-- like 99% funded. And then in '96, the Douglas County Board implemented a rule of 75, so age and years of service, you know, and they increased the retirement benefit from 1.5% of your pay per year of service to 2% of your pay per year of service, meaning that you're annual-- when you retire, your annual max, instead of being 45% of your pay was now 60% of your pay. So we, we implemented these changes in '96 for law enforcement and in '97 for all other plan participants. In '98, they did a COLA of 3%, followed by another COLA of 4%, and another COLA of 3%. And so, in, you know, 6 short years or so the funding ratio fell from almost, you know, fully funded basically, 99, 98%, down to 64%. That's by 2004. And then, with the

impact of the Great Recession in 2008, you know, continued negative impact there. We reached a low point of 57.8% funded in 2010, and that is where the board, you know, said, this is obviously-- we've got to look at the long-term viability of the plan. How do we make some changes? And so, accordingly, effective for all employees hired after December 31 of 2011, so 2012 forward, there-- no rule of 75, the benefit formula was reduced back from the 2% of pay per year of service to 1.5% of pay per year of service, which means the annual max retirement income is reduced back from 60% of your pay to 45% of your pay. And then both member and employer contributions were increased to 8.5% of your pay. At one point, they were 4%. And then, I think by-- in 2005, they increased it to 5.5. Now, the employees have to pay 8.5% of their paycheck, and then the county matches that. So it-- I don't-- it's by statute or by bylaw that the county and the employee have to pay the same percentage. So we are slowly but surely trying to climb our way out of what was a very generous but not financially feasible policy change that was made. So we'll take a look at the funding status. Last year was 68.6%. This year is 70.9%. Our assumed rate of return, we have kept flat at 7.5%. And that's because we've continued to exceed that. The actual market return was 12.4% this year and 10% last year. And even the actuarial investment return, which has always smoothed a little bit, as you all know, was 7.8% for our plan last year and 10.1% this. As I discussed, the member contribution rates and em-- and employer contribution rates are now 8.5%. It's been that way for, for a number of years now. And then, Senator Clements, this is one you've asked me about in previous years. The actuarial required contribution is $35.3 million, and that is what we expect to contribute. Because I know in the prior 2 years we've come in just shy of that, but the 5 years prior to that, we have come in actually over the arc. So I think the main upshot of what, what we're at is just staying the course, not making any more changes to the plan that would negatively impact it in any way, and hoping that the market helps us out. Nobody look at what it's done in the last couple days, of course. But if we kind of stay the course, the current estimate is that we would reach 99% funding by 2041. And somewhere in 2042, we'd hit that, you know, coveted 100% funded mark. I think that is all I have for today. Any questions?

BALLARD: Are there any questions? I do have one-- 7-- the 7.5 assumed rate of return. Did that-- as we-- as we've seen across the state,

people pushing that down. Is there any thought of Douglas County adjusting that?

LORI PIRSCH: You know, we look at that every year because it is high compared to many other plans, but we have been able to sustain it. You know, when rates were low, wait, which is not the case anymore, but we had a like a fixed income-- a, a fixed contract with Mutual that kept a, a good chunk of ours at 4%, even when rates were lower than that, so that helped us keep, keep that return up. I mean, we'll revisit that every year. If it looks like it's not reasonable, we will adjust it, of course. So.

BALLARD: OK. And then I do have one more. 8.5 employee contribution. Do you have any problems with recruitment and retention, just employees saying that's too much of my paycheck?

LORI PIRSCH: You know, I, I don't think that they love that-- a contribution that high, but I don't know. I'd have to talk with HR if that's been a big issue, but I certainly don't want to raise it any higher. I know there's a lot of-- you know, we have a, a very large pool of retiree that this plan supports, because a lot of these folks retired early. They got to retire at like 50 or whatever, in-- like 60% of their pay. And they're wanting COLAs. And I'm like, I-- you know, I can't do a COLA when we are not fully funded or even 80% funded. But yeah, there has-- I do get phone calls several times a month probably, from retirees, saying I need a COLA-- then increase the contribution to 10% or something. And I'm like, I cannot take 10% out of these people's paycheck. 8.5 is all we can do right now. I mean, luckily, I don't have to argue too much because I can just say, well, it's-- we have-- we're not fully-funded, so that's where we're at.

BALLARD: OK.

SORRENTINO: Just a comm--

BALLARD: Senator Sorrentino.

SORRENTINO: Thank you, Chairman Ballard. Just, just a comment, Ms. Pirsch. Thank you. I know we can't reverse the actions of the board during the roaring '90s. [INAUDIBLE] can remember those. But I do

appreciate your fiduciary oversight over some of the things to get pitched. So thank you.

LORI PIRSCH: Thank you for that.

BALLARD: Thank you, Senator Sorrentino. Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Could you tell me how many active employees there are and how many retirees?

LORI PIRSCH: Yes.

CLEMENTS: It sounds like maybe you have a excess of retirees?

LORI PIRSCH: No. I should know those numbers off the top of my head, but I, I don't. I have them here in the report, though. Let me see if I can find them. If I can't find them off the top of my head, could I-- would it be OK if I email those to you?

CLEMENTS: Certainly.

LORI PIRSCH: OK.

CLEMENTS: All right. And so you're-- you were able-- you think you'll be able to avoid the pressure for increasing benefits and keeping the plan stable for the time being?

LORI PIRSCH: I think so. I mean, I'm hoping to retire in 15, 16 years from now, and I want this thing to be fully funded by then.

CLEMENTS: Well, we hope so, too. Thank you.

BALLARD: Thank you, Senator Clements. Any final questions? Seeing none, thank you for being here this morning. I appreciate it.

LORI PIRSCH: OK. Thank you.

BALLARD: All right. Next, we'll move on to the city of Omaha.

BERNARD in den BOSCH: Good morning.

BALLARD: Good morning.

BERNARD in den BOSCH: Senator Ballard, members of the Retirement Committee, my name is Bernard in den Bosch, spelled-- first name,

B-e-r-n-a-r-d. Last name is 3 words. First word is lowercase i-n, second word is lowercase d-e-n, and third word is capital B-o-s-c-h. First, I'm here to talk about-- on behalf of the City of Omaha Employee Retirement System. That's the plan that we maintain for civilian employees. And I think I've been here for every year that Senator Clements has served on the committee. So that particular plan has a funded ratio of 55.2% as of January 1 of 2026, an increase from 54.3% in 2025, and 54% the year before. The plan is projected to be fully funded in 2044, which is the same projection as last year. And I-- because the-- apparently it's an area of in-- interest, it has, currently, approximately 1,400 active members and approximately 1,250 retirees as of January 1 of 2026. Obviously, no one is happy about a 55.2% funded ratio, so I will go a little bit into the background. It's something that those of you that have been on this committee before have heard, but I, I will go through it. The plan, much like this-- the county's plan, was fully funded in the late 1990s. There were a number of pension changes made. The actuary did provide information as to what was needed to fund those particular pension plan-- pension changes. Those change-- those additional contributions were made. But for whatever reason, that and then the financial hardship of 2027-- of 2007 and 2008 led to the civilian plan going from 100% funded to approximately 15%-- 50% funded. Our contribution rates are negotiated with our coll-- in our collective bargaining agreements. Those-- there was a point in time, in approximately 2013, that the pension-- civilian pension system in particular, it was estimated in this year, in fact, that in 2027 there would not be enough assets to pay for the pension benefits that were due. So that was a wakeup call to-- the, the city had already been aware of the issue, but it was a wakeup call to the union and allowed us an ability to negotiate change-- substantial changes with the union in the grounds of pension reform. The city's contributions to that pension reform was in the nature of additional contributions. The employees' cont-- the employees' contribution were some slight increases in contributions, but more importantly, some significant reductions in benefits, as well as the creation of a new plan. Unlike what the city of Lincoln talked about, we didn't create different plans. We have, in our civilian plan, basically 2 tiers of people in that particular plan. But the pension reduct-- benefit changes that occurred in 2015 changed the yearly accrual from 2.25% per year of service to 1.9%, changed the rule of 80 to the rule of 85, increased the minimum retire-- retirement age from 60 to 65, and instead of your final

average compensation being based on your last year of service, it smoothed it out over a period of 5 years. And then, any employee who was hired after March 1 of 2015 became a member of the Cash Balance Plan, which is still a defined benefit plan, but is tied more to the investment returns that are realized by the system as far as the benefits an employee received. And at this point, we've had more people-- we've had about 65% of our employees, as of January 1 of 2026, are in the Cash Balance Plan, a little higher-- ahead of where I think people projected, which is one of the reasons-- and I appreciate it's-- you're saying you're ahead of schedule. When this pension reform was originally discussed, it projected being fully funded in 2048, so albeit still funded at a ratio that's not acceptable, we're ahead of what was presumed and what-- the plan that was put in place in 2015. The rate of return for the system is 7 point-- assumed rate of return is 7.5%. It was 8% until it was, it was modified as a result of not the most recent experience study, which was performed last year, but the experience study that was done before that. And the experience study that was done last year, all the modifications requested by the actuary were made, but there was no recommendation to change the assumed rate of return. The rate of the return for 2025 was 8.36%. And Milliman, as you'll see in the actuarial report that I provided, based on the portfolio of this-- the cores of the employee retirement system, estimates an 8.2% return over a 30-year period. The market value of the plan assets as of January 1, 2026, were $288 million. The actuarial determined contribution rate, as, as you'll know by reviewing the report, report, there was a slight increase in the deficit. And I probably-- I meant to say this, the contributions for the city of Omaha for this plan are 18.83% of income, and for employees, it's 10.13%. There was a slight increase. The normal cost of providing the pension is 9.834%, so frankly, even less than what you're seeing employees con-- contribute when you look at the system as a whole. Obviously, the actuarial determined contribution rate is made up of 2 numbers. One is the normal rate and the second is the amortization of the unfunded liability. We have that, that system, and they're different for the 2 systems. We'll talk about that in a moment. Back in 2014, the shortfall on funded liability was amortized over a 25-year period. And then since then, any additional short-- any additional shortfall has been amortized over a 20-year period, so we have not met the actuarial determined contribution rate. If we did, we would, frankly, expect the [INAUDIBLE] plan to be fully funded sooner than the 2044 projection. But I think the important thing is it--

because it's based on that amortization of the unfunded liability, it doesn't mean that you're not moving in the right direction. It just means that you maybe would move more quickly. And part of the limitation-- we've had this discussion ev-- every year, pretty much, is there is a charter provision in the City of Omaha Charter that indicates that contributions to fund the system are supposed to be made from substantially equal contributions from the city and the employees, and I appreciate you look at the, the numbers. But as I have explained before, the contributions were roughly equal before we did pension reform, and the city participated by putting in more money, the employees participated by a reduction of benefits. So the message that I, that I give-- and it's not a great-- it's-- I appreciate the concern that the committee has with the funded ratio of 55.2% is, is that we put a plan together 11 years ago. That plan is working. You've seen slow and steady growth in the funded ratio. If you talk to the actuaries, they will tell you that that's expected. And then, as we get closer to that 2040-- 2037 to 2040, that ratio, instead of going up a portion of a percentage, that funded ratio is going to go up multiple percent per year as we get closer to that, that 80%. In this plan, we're talking about being over 100% funded by 2044. So we're on track. It's a slow process, one that will-- but by the time you no longer see me anymore, you'll-- and you see the next person, it will still be at a number that will-- is going to cause you to ask questions. I appreciate that. But what I-- all I would say is the hole was pretty deep. The, the plan was put in place and the plan is working, and I guess we ask for your patience in that regard. So I'm happy to answer any questions.

BERNARD in den BOSCH: Thank you for your testimony. Are there any questions? Senator Sorrentino.

SORRENTINO: Thank you, Chairman Ballard. Thank you for your testimony, Mr. in den Bosch. We have an 18-year runway, we hope, before we get to 2044. And you know the city of Omaha better than we do, but are there any events that we should be thinking about or listening for that could potentially derail this 18-year runway? I mean, what are the risks? I'm not familiar, you know, so much with being in the city of Omaha, as far as just other than being a resident. What, what am I looking for that could be a warning sign?

BERNARD in den BOSCH: I, I think there's a, a couple risks, some which are unlikely, some are which-- I think it's, it's harder to control.

If, if the-- there was a significant decrease in the number of employees, that would obviously cause a big problem. There's no anticipation that that occurred. Frankly, as the city continues to grow each year, you still need people to fix potholes, and repair streets, and clean parks, and, and do the things that are, are, are done primarily by the civilian employees that we're talking about. Obviously, the most significant risk is the financial, whether or not you're going to meet the assumed rate of return for the system. Historically, the, the system has, much like the previous discussion, is the rate of return is smoothed at an actual basis over a 5-year term. It's under 7.5% for the 5-year term because of the negatives from 2022, which was one of probably the, the second or third worst year that's occurred in the last 30. But that is the biggest risk, sir, I think is the-- whether or not you, you meet the assumed rate of return. That's one of the reasons that the system has a fairly diverse portfolio to try to [INAUDIBLE]-- it's not all in one particular fund versus the other, but-- and if we want to get into more specifics of that I can-- we have an investment manager which I'm happy to facilitate discussions with any member of the committee for.

SORRENTINO: And similar to Douglas County, if indeed you have a, a loss year, your amortization is a 5-year runout?

BERNARD in den BOSCH: If we have a loss, it's-- they actually-- it's added to the unfunded liability and it's amortized over a 20-year period each year.

SORRENTINO: Oh, oh-- OK. I, I--

BERNARD in den BOSCH: Yeah. So the-- for, for purposes of looking at the act-- rate of return for the system, it smoothed over a 5-year basis.

SORRENTINO: That's, that's what I'm referring to. Thank you.

BALLARD: Thank you, Senator Sorrentino. Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you, Mr. in den Bosch. Good to see you again.

BERNARD in den BOSCH: Good to see you as well.

CLEMENTS: Unfortunately. You mentioned the Cash Balance Plan since 2015. Is that mandatory or is that optional?

BERNARD in den BOSCH: It-- it's, it's mandatory. Every new hire since March 1 of 2015, that's the system that they're in.

CLEMENTS: So all of your active employees were hired before 2015.

BERNARD in den BOSCH: Well, no, the, the-- that act-- list of active employees includes both. We don't have separate pension systems. We only have one system, but 65% of that 1,400 active employees is in the Cash Balance Plan, so. Roughly.

CLEMENTS: OK. Only 35% are still in the Defined Benefit Plan.

BERNARD in den BOSCH: Yeah. The Legacy Plan as well.

CLEMENTS: And they're getting older and they're going to be saving benefits without contributions. It looks like that's going to be a problem.

BERNARD in den BOSCH: Well, I, I know the actuary is certainly aware of that. I think some of the other things that occur, particularly the smoothing, where you average out the last 5 years of someone's income and make people work a little bit longer, has helped. That's-- I think when I say that the, the benefit for the plan for more people in the Cash Balance Plan is because the Cash Balance, there's-- the Cash Balance Plan-- the normal cost for people in Cash Balance Plan is a little bit lower.

CLEMENTS: Right.

BERNARD in den BOSCH: So that increases the amount that's put into the system to fund the unfunded liability.

CLEMENTS: Well, some of those employee contributions contribute to the defined benefit.

BERNARD in den BOSCH: The-- yeah. The 8-- the city's 18.83 and the employees' 10.13, regardless of whether you're in the Cash Balance Plan or the Legacy Plan, you're making the same contributions. So as the, as the city workforce moves to the Cash Balance Plan and the normal cost lowers-- and if you look at some of the historical data,

you'll see that the, the normal cost has, has lowered, you are actually going to see there's more money available to help fund the unfunded liability.

CLEMENTS: All right. Then the percent of the ARC paid was 96.4% in 2025. What do you expect the 2026 percentage to be?

BERNARD in den BOSCH: I, I don't have any-- that ratio goes up and down a little bit based on what the rate of return is. And as-- the rate of return, at least based on the investment manager when he spoke on Wednesday, he was pretty optimistic. We've obviously had a couple days where, where, where some things have been, been interesting. And the other thing that tends to be is the number of employees. I think we have-- and when I say that, we're usually better off when we're fully-- when we have a full workforce. We've had some years where that workforce was down and that's had a negative effect on what it is. I would anticipate a slight improvement in the actuarial determined rate of contribution. I, I wouldn't-- I don't think I would be bold enough to predict that we will-- that it will be 100%, because I don't, I don't think that's-- I, I don't, I don't, I don't have a basis to say that, other than I think we'll see some improvement.

CLEMENTS: The comment here is that assuming current plan assumptions are met, you would be 100% in 2044.

BERNARD in den BOSCH: Correct.

CLEMENTS: Is that contributing 100% of your ARCs or 96% of your ARCs every year?

BERNARD in den BOSCH: It's, it's not tied to the ARC at all. It's contributing 18.83, 10.13, and the resumed rate of return. Because when you say ARC, and, and I'll, I'll say the phrase, actual determined contribution rate, because it's a little bit different, our actual determined contribution rate is based on the normal cost as well as the amount needed to fund the unfunded liability. And, and the amount needed to fund the unfunded liability is not amortized over the 20-year period. It's-- we-- we've done it on specific periods of time. So it makes it a little bit more difficult to consider that to be-- same, same that we would normally consider an ARC. It's-- the, the actuarial method, I think, is done to put it over a, a specific period of time. So it-- I think traditionally, people would say, if you

didn't meet your ARC, you're not going to be funded. I don't-- that's not accurate. We would certainly be funded sooner-- be fully funded sooner if they met, met the actuarially deter-- determined contribution rate. And it's a little harder in the civilian system because they take the unfunded liability from each year and they amortize that over a 20-year period, so every year it's a little bit different. There's actually a chart in the actuarial report that kind of details that, which is probably more complicated than I, than I can understand, but.

CLEMENTS: All right. Well, the funded ratio is still quite a concern at that low level, but thank you for your testimony.

BERNARD in den BOSCH: Thank you.

BALLARD: Thank you, Senator. Senator Conrad.

CONRAD: Thank you so much, Chair. Hi. Good to see you again, Bernard. Quick question. I know that this issue has come up in similar hearings in the past, and maybe you can help me remember because I know you have a lot of expertise on this. There's perhaps a, a difference of opinion or a point of contention or potential restraint with the city charter language that you've mentioned in years past, and then again today, about the requirement that there's a substantially similar contribution. I think the committee has heard before, from retirees and members of the plan, from Police and Fire, that looking at the city language, looking at related court decisions, et cetera, they think that there perhaps is more of an opportunity there for the city to do more. And your position is there's a restraint there in, in, in the city charter.

BERNARD in den BOSCH: It does say substantially equal, which obviously doesn't mean equal.

CONRAD: Right.

BERNARD in den BOSCH: But what, what the difference is, isn't, isn't clear. And I, and I would challenge anybody to identify a court decision in the state of Nebraska that provides any guidance on that topic.

CONRAD: Sure. Sure.

BERNARD in den BOSCH: So we, we do negotiate contributions, we do rates for the city and the employees when we are in negotiations, the negot-- I mean the employee, the employee unions are fully aware of the funding of the system. And frankly, we both have a vested interest, the city as well as the employees have a vested interest. And I am one, so--

CONRAD: Yeah.

BERNARD in den BOSCH: I have the same interest-- have a vested interest in making sure that the system remains. I'll be honest with you. Even in, in negotiations, I have not had proposals from unions to substantially equal-- increase the city's contribution without the union doing the same. I mean, the, the discussion in union negotiations is typically, if there's a need to put more money in, it's going to be split 50%. So I, I'm not-- if there's been some discussions with the unions, I don't think I've been privy to those discussions, but I don't think there's anything that supports that substantially equal means-- it doesn't mean anything. I mean, the language stands for itself. And as I said, that obviously doesn't mean they have to be equal.

CONRAD: Sure.

BERNARD in den BOSCH: But I don't know what, what, what variance means-- causes a problem, I'm not sure.

CONRAD: Because I was wondering if, perhaps-- I, I was just curious as to whether or not any of the discussions at the local level included potential charter amendment to either clarify or change that language if it seems to be a restraint on making more progress.

BERNARD in den BOSCH: Certainly, there's a charter convent-- review that's done.

CONRAD: Right.

BERNARD in den BOSCH: We have to do one every 10 years, and it's usually done about every 8. Does the-- has the conversation arisen? Yes. The, the interesting thing is it really hasn't gone very far in discussions. To some extent-- I think I talked about this last year-- having that provision does provide some level of safety to the city,

in that you don't have the employee unions asking the city to put in-- 30%. Will they put in 5%? But not to say that that's what would occur.

CONRAD: Sure. Right. Just as an example.

BERNARD in den BOSCH: But I mean, there, there is, there is a level of-- and, and so I don't anticipate the next charter convention for 5 or 6 years, but they can do a charter convention anytime they want. So I'm not, I'm not aware of any plan to do it. When it's come up, it really hasn't been something that anybody appears to have been a very fierce advocate to change.

CONRAD: Yeah. I was just wondering if that was perhaps a solution that had been discussed and discarded or is perhaps in need of additional deliberation.

BERNARD in den BOSCH: I mean, the, the thing that it does provide us is when you have employees, for example, in recent-- we don't have a cost of living quote for the people in the City of Omaha Employee Retirement System. So there has been, much like Ms. Pirsch discussed, some retirees who have desired to, to put a COLA in, and there's a cost to that. And the, the reality is the way our language is written, the, the-- that cost requires us to negotiate that with the unions and come up with something that's going to fund it roughly the-- roughly equally. If you didn't have that provision, maybe somebody would say the city could do that unilaterally, and maybe that's done for political expediency and not necessarily for the benefit of the plan. I mean, I, I will tell you that I am probably, having been with the city a long time, being fairly familiar with the systems, I'm probably the biggest impediment to anybody wanting to increase benefits, in part just because it: one, it doesn't make any sense; and part because I know-- I really want to come down here and tell you that we increased benefits. It makes this-- but, but there really hasn't been much desire to do so, and I don't anticipate that there is, but that is certainly something, and that would facilitate, presumably, the city putting in more money, if that's-- but, you know, that's--

CONRAD: OK. That's helpful. Thank you. Appreciate it. Thank you.

BALLARD: Thank you, Senator Conrad. Any additional questions? I do have one. The 8.36 is your assumed rate of return, correct?

BERNARD in den BOSCH: No, that's-- that was the rate of return for 2025.

BALLARD: What, what is your--

BERNARD in den BOSCH: 7.5%.

BALLARD: 7.5? OK.

BERNARD in den BOSCH: Yeah.

BALLARD: And then, so the-- in conversation with-- you have a pretty aggressive asset allocation, which is great, for the growth and where you need to be. Is there any concern from the investment manager on-- I think-- you're heavily in private equity, in large U.S. caps?

BERNARD in den BOSCH: Yeah, and, and, and obviously, the 2 systems both have different investment because they have different investment managers and different investment committees. And I think the police investment portfolio is probably a little more aggressive than the, the civilian one. The, the investment manager is part of every one of those decisions. Even when there was-- we moved the investment assumption from 8% to 7.5% in 2018, that was over the objection of the investment manager, so I think it's fair to say the investment manage-- the, the firm that's-- the investment manager is very, very, very comfortable with the rate of return, actually. Thinks it's probably lower than it should be.

BALLARD: OK. Any--

BALLARD: Gave you an honest answer.

CONRAD: Yeah.

BALLARD: OK. Any, any additional questions? Seeing none, thank you for being here. You got next, next plan.

BERNARD in den BOSCH: I do.

BALLARD: Whenever you're ready.

BERNARD in den BOSCH: Good morning, Mr. Ballard, again, members of the committee. My name is Bernard in den Bosch, spelled-- first name is capital B, capital B-e-r-n-a-r-d. Last name is 3 words, lowercase i-n,

second word is lowercase d-e-n, and the third word is capital B-o-s-c-h, and I'm here on behalf of the City of Omaha Police and Fire Retirement System. I'm going to look up the number because I know you're going to ask, and I didn't have it in my notes. The funded ratio for the Police and Fire Retirement System as of January 1 of 2026 was 58.5%. That is an increase from 58.2% the year before, which had been a decrease from the 58.4% that was the year before that. The system is projected to be fully funded in 2052, which is an increase from 2050, and I'll discuss that a little bit later. But the most significant contribution to that is that our police staffing, particularly on January 1 of 2026, because we hired a class 3 days later, our police staffing goes below projections. We are in-- looks like we're in-- likely to be fully staffed as of the middle part of next year, which would be the first time in, in quite some time. The number of active members in the plan as of January 1 of 2026, and again, is a little lower than what we would assume, is about 1,350 people. The numbers in pay status is roughly 1,700, and that includes retirees, disability retirees, and beneficiaries. Much like the civilian plan, the police and fire plan was fully funded in the late 1990s. There were a series of changes made, much like the civilian plan. Those were evaluated by the actuary at the time and there were some additional contributions made. But for whatever reasons, those contributions were not sufficient. And then you had the market crash that occurred in 2007, 2008, which resulted at, at its low time, this particular system being funded approximately 37% in 2008, I believe. In 2008, the Bates Commission was formed. That was formed by then-Mayor Mike Fahey and included business leaders, union leaders, and city employees. And basically, the purpose of that particular commission was to attempt to address the issues with the police and fire pension system. That led to pension reform that was implemented with the Police Officers Association in 2010, and implemented with the Fire Union at the end of 2012-- really went into effect in the beginning of 2013. That particular system, at its first point, created 3 tiers. Tier 1 were those who were, for police, within 5 years of retirement, for fire, within 10 years of retirement; Tier 2 covered all the remaining active employees, and Tier 3 were any employees that were hired after the, the change went into effect, so any police employee after-- hired after January 1 of 2010, and any fire employee hired after January 1 of 2013 are Tier 3, so similar to what you heard from Lincoln where they have separate plans. We don't have separate plans, but we have different tiers within our existing plan. As part

of the pension reform that occurred in 2010 and 2012, the city increased contributions by 13-14%, depending on the group, and the employee had a minor increase in their contributions, but also made a number of changes to the benefits. So as we sit here today, the city contributes between 33.09% to 34.61%, depending on which of the 4 members are within-- of the 4, 4 groups within the-- that a person's a member of, and the employee makes contributions of between 16.29% and 17.275%. So the changes that happened in 2010, 2012, we changed the minimum retirement age. It required-- from 30 years to 25-- or from 25 to 30 years to reach its full benefit. We created something called the career overtime average for current employees, so that only applied to Tier 1 and Tier 2 employees. And that basically-- what we were-- you've heard the phrase spiking. What spiking meant was people-- employees were working a lot of overtime in the last year of their career because their base compensation for purposes of pension calculation was that last year of employment. And if you worked a lot over time, you could-- you, you may be contributing your whole career based on getting a $60,000 base-- be the income for your pension, but all of a sudden the last year, it was 80, so you had benefits being paid beyond what was expected, so the career overtime average basically averages your overtime over the course of your career and the contributions that you made on that overtime over the of course of your career. Now when it comes to Tier 3 employees, Tier 3 employees, their pension is calculated solely on their base pay. So Tier 3 employees do not pay pension contributions out of overtime, nor do they receive any benefit for overtime for purposes of their pension calculation. And then the other thing that we did, we did a similar smoothing thing that I talked about before. It used to be your highest one year. It's now smoothed in your highest 3 years. So those were some of the changes that were made. I can certainly discuss the details of those if anybody's interested. I probably already said it in more detail than anybody particularly cares. The resumed rate of return for this particular plan is 7.75%. It was 8% in 2018. It was moved to 7.75% at the request of the actuary in the experience study. We did have an experience study in 2025. The actuary did not recommend changing that assumed rate of return at that point. And the rate of return for 2025 was 8.47%. And if you look at the report based on the portfolio of the City of Omaha Police and Fire Retirement System, Milliman estimates an 8.4% return over the 30-year period. The market value of the plan is $1,090,000,000 as of January 1 of 2026. And I will acknowledge I had a typographical error in the-- in my letter

when I used the word million-- $1.094 million instead of $1.094 billion in one sentence, so I, I apologize for that. And the unfunded liability, and I'll talk about this in a moment, is amortized as a level percentage of payroll over a closed 30-year period starting on January 1 of 2014. And that's important when we talk about the actuarially determined contribution rate, which as I said before, is made up of the normal cost. And the normal cost for active employees of the, of the plan, and that includes people in, in-- Tier 2s and Tier 3s-- there are no Tier 1s left-- is 20.142%. But as I indicated to you when I discussed what people were contributing, you saw the contributions are roughly 50% of payroll. So the, the difference is obviously needed to fund the unfunded liability. The second part of the actuarial determined rate of contribution is the, the, the unfunded liability and how it's amortized. This particular plan shows to amortize it over a 30-year period, and any additional unfunded liability is within that same period. So if we met our actuarial determined contribution rate, the system would theoretically be fully funded in 2044, as opposed to 20-- 2052. So does it make a difference? Yes, but it's not because of how the actuarial determined rate is, is calculated. It's not-- it doesn't-- it's not-- doesn't mean the plan isn't meeting-- moving towards its goal, and actually, is still ahead of the goal that was established when the pension reform was initially put in place. But we did have a-- an in-- or I'll say a decrease or an increase in the negative amount of the actuar-- contribution rate in 2026. In discussing that with the actuary, there were some changes in benefits for Tier 3s, changing some widows' pension, and, and, and the other employees had a COLA, and providing a little bit of a COLA to them, and that required an, an increase in contributions. So--

SIRI: Here's an answer.

BERNARD in den BOSCH: Oops. I apologize. You didn't see me push it. None of those contributions have been made. The fact that we have less officers than were projected was also a problem, and, and that becomes a bigger problem because all our new officers, as I indicated, are Tier 3 employees. So the normal cost for the Tier 3 employees is actually lower than the normal cost for the, the group as a whole, so being-- having a shortage of those employees ends up being a negative to the, the, the pension system. And the third thing that was-- the-- our actuary referred to was there were wage increases that were higher than expected. Again, that had a, a, a-- an effect because it applies across the board, but a little bit higher because it, it, it has more

of a pen-- an impact on pension for those that are in Tier 2, where overtime and everything else is part of the, the rate of pay that they're going to receive. So we expect that rate to come down because we have been fairly aggressive about hiring, hiring police officers, in particular. We've been fully staffed in the fire department, but the police department has been difficult to get. We've had a decrease in the number of people who apply, and frankly, an increase in the number of people who have left unexpectedly since 2020-- 10, 12 a year-- but that's enough to really-- again, some of that may be attributed to burnout, some of it, you know-- there's some things in the police world that talk about reaction to some of the stuff that have happened nationally being as a result where we've seen some people leave. So it's been difficult to get to that ratio. We put a plan in place about a year and a half to increase our police force. That actually is working. We anticipate a class of over 50 being hired in January of 2027, and by the class that we will have in July of 2027, we expect to be close to the-- probably the-- as fully funded as-- you, you have a number in your budget and there's always plus and minus because people retire, people resign, people get hired, but we, we have not been close to the authorized strength. We'll be very-- we should be very close to the authorized strength by the middle of, of 2027, so that, that will help in, in-- the pension plan as well. So again, same message that I-- you've seen me deliver each year. And there's actually a couple of nice documents in the ac-- exp-- in the actuarial study that show the anticipated percentage increases based on where we, where we are, slowing relatively show-- slow-- short-- minor increases on the funding percentage, until you get close to 80% funded, and then those that-- the ARC kind of curves up a little bit. But we put a, we put a plan in place in 2010. That plan is working. We're a couple of years ahead of where it's projected. It's a slow plan. No, no question about it. No one-- as I've said before, and I said today, no one is happy about being funded at 58.5%. That's not something that-- but, but the reality is we, we were in severe straits. We put a pension reform plan in. It's working, and that's the, that's the message that-- I think that's a fair and accurate message. It's just a slow plan. So, happy to answer any questions.

BALLARD: Thank you for your testimony. Are there any questions? Seeing none, thank you for being here.

BERNARD in den BOSCH: Thank you, Senator Clements. You've-- I've appreciated the times-- you've sometimes asked me some of the toughest

questions that I've received. But I appreciate that you've always done it professionally and, and politely. And I know it was never personal, but I, I know because you cared. So I do thank you for your service, and thank you everybody else. And have a, have a good Thanksgiving and Christmas.

BALLARD: Thank you. All right. We'll move on next to Omaha Public School.

CLEMENTS: And I hope my successor continues those questions.

SHANE RHIAN: Good morning, Chairman Ballard and members of the Retirement Committee. My name is Shane Rhian, S-h-a-n-e R-h-i-a-n, and I'm the chief financial officer for Omaha Public Schools and the former administrator of the Omaha Schools Employees Retirement System before it was included in the Nebraska Public Employees Retirement System in September, 2024. Omaha Public Schools is the largest school district in Nebraska, serving more than 50,000 students and their families, and is one of the largest employers in the state, with over 9,000 employees and 5,500 retirees. I want to start my testimony by thanking the members and staff of the committee and the staff at the Public Employees Retirement Board. In my brief time as the administrator of OSERS, I had the opportunity to work with many of you, as we worked to do everything we could to solidify OSERS. As you know, these past several years have been transformational for OSERS. The transfer of management to the PERB successfully occurred on September 1, 2024, and we remain committed to working with the PERP staff as they administer the plan moving forward. Their partnership and expertise have been and will be invaluable. I'm here today to speak about the report submitted for this year for Omaha Public Schools and OSERS. As we shared with you previously, the plan actuary, CavMac, made recommendations to the then-current actuarial assumptions in their 4-year experience study, dated December 6, 2021. Those recommended changes were adopted by the OSERS trustees and by the OPS Board of Education and included a gradual reduction of the assumed rate of return, from 7.5% to 7%, the rate assumed by NPERS, which was fully "implemated" for-- implemented for the January 1, 2025 valuation report. The most recent 4-year experience study for the period ending December 31, 2024, issued by CavMac on January 20, 2026, recommended the assumed rate of return remain at 7%, which was adopted by the PERB at their February 23, 2026 meeting. Obviously, the reduction in actuarial assumptions that have been phased in have resulted in

increases in the actuarially required contribution made annually by OPS. It has also contributed to the decrease in the funded ratio contained in our report. Speaking of the actuarily required contribution, I am pleased to report that our district was once again able to budget for and contribute to OSERS the full amount of the actuarially required contribution. Our district made an ARC payment of $36.1 million in July, the full amount required by the January 1, 2025 valuation report. In 6 of the previous 7 years, budget favorability allowed the Board of Education to approve additional contributions above the required ARC payment amount, totaling an additional $31.1 million. As we noted in previous testimony, we anticipate it will become more difficult for the district to contribute amounts more than what is actuarially required, and that was true for this year. The district remains committed to making the "statuarially" required ARC payments and will consider making additional contributions above that when budget favorability allows and it is prudent to do so. 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 to our duty to OSERS employees and retirees. Thank you for the opportunity to speak with you today. I would be happy to answer any questions you might have.

BALLARD: Thank you for your testimony. Are there any questions? Senator Sorrentino.

SORRENTINO: Thank you, Senator Ballard. You mentioned there's 9,000 employees in the Omaha Public School District. Do you know how many of those are actual teachers, not teachers' assistants, but just teachers?

SHANE RHIAN: Approximately 3,800.

SORRENTINO: 3,800. So approximately 40%.

SHANE RHIAN: Correct. We wish there were more. Unfortunately, the teacher pipeline is very difficult at this point in time, and we're doing everything within our power to attract and retain as many teachers as possible.

SORRENTINO: Further on in your report, you nat-- we noted in previous testimony, we anticipate it will become more difficult for the district to contribute amounts more than what is actuarially required. Could you give me just a synopsis of why that-- you anticipate that?

SHANE RHIAN: Well, so certainly, for the current budget year we're in, we faced a reduction of $50 million in aid from the state of Nebraska due to an error in the calculation of TEEOSA. We were able to pass and adopt a budget with a modest increase that includes the projected ARC payment for the 2027 actuarial study, but certainly state funding, as well as pressures on property tax reduction, are, are a difficult balancing act in the funding of our school district.

SORRENTINO: Thank you. One further question. You mentioned it will-- you'll consider making additional contributions above, above that when the budget is favorable and allows it, and when it is prudent to do so. When would it not be prudent to do so?

SHANE RHIAN: Certainly if our-- after we've made and budgeted the district actuarially required amount, if we were in a period of declining reserves or declining revenues, if we did have some budget favorability, it may be more prudent to put that in the district rainy day fund, rather than a contribution above the actuarially required amount. We were fortunate and unfortunate with some significant vacancy savings over the early 2020s post-pandemic to have budget favorability and chose to use that to make additional contributions to the plan above the ARC payment. Now that we are in a tighter budget situation, we're seeing our reserves for the district between our board policy of 10 and 20% of prior year expenditures, but it has decreased over the last couple of years. And so, if we did have some small amount of budget favorability in future years, it may be more prudent to stay within that board policy level up to 20% of reserves, rather than make an additional contribution above the actuarially required amount.

SORRENTINO: I remember in the report there was a date when you thought you would-- the target dates were being fully funded. I don't see it and I can't remember what it was. Can you remind me?

SHANE RHIAN: 80% in 2041.

SORRENTINO: [INAUDIBLE].

SHANE RHIAN: So my successor won't have to come visit you after that, and then 2049 is when we're projected to be 100% funded.

SORRENTINO: Thank you.

BALLARD: Thank you, Senator Sorrentino. Any additional questions? Senator Clements.

CLEMENTS: Yeah. Thank you, Mr. Chairman. Thank you, sir, for being here. You mentioned the TEEOSA error, the calculation, and it really surprised me that the district wasn't aware that they had been overpaid in the TEEOSA payments. Are you doing anything to monitor that ahead of time now? Have you made any changes in your monitoring of what your payment should have been?

SHANE RHIAN: So as we shared with senators last November when we-- or December when we did a briefing available for all senators, we were actually anticipating that increase 3 years ago. And we anticipated that after consulting with NDE about what impact becoming a district-wide community eligibility provision lunch program would be. And our assumption at that point in time is that would effectively cause us to be-- have 100% of our students considered as in poverty within TEEOSA, and in my discussions with Bryce Wilson and other staff at NDE, they concurred that that seemed right. And so when we received that $30 million bump 3 years ago, that was expected based on our conversations with them. As Auditor Foley pointed out in their audit last year, that was an incorrect reading of statute, and there was some internal data error that caused that miscalculation. No one, probably, other than Bryce Wilson and myself wish more that the error would have been caught 3 years ago, and the data in that internal amount, because certainly, it has been a, a challenge for us to put together a budget with the loss of $50 million dollars in state funding for this school year.

CLEMENTS: Yeah. Well, the statement of blaming the Department of Education on this error still does bother me, that the-- as you just said, you were in agreement with what their calculation was. I think it's an error on both sides, not just on one side, which has been portrayed, but thank you for that explanation.

SHANE RHIAN: You're welcome.

BALLARD: Thank you, Senator Clements. Any additional questions? I do have one, and this may have been a question for [INAUDIBLE]. Is OSERS still holding, we'll call them legacy assets, within their portfolio-- assets that were purchased decades ago?

SHANE RHIAN: So there is still some amount of legacy assets from prior to the Great Recession. It is difficult to offload those assets. And so my understanding is that the Investment Council is reviewing those periodically, and would consider eliminating those from the portfolio when it made fiscal sense to. So the losses on some of those assets could be so great that it would be worse to offload them rather than let them continue and hope for some future returns on them, but that would generally be a question for the Nebraska Investment Council.

BALLARD: OK. I appreciate it. Any additional questions, final questions? Seeing none, thank you for being here.

SHANE RHIAN: You're welcome.

BALLARD: That was our last testifier. We had no ADA testimony or written testimony. That'll end our hearing on LR373 and our hearings for the day Thank you, committee. I appreciate it.