

not included as gross income of the employee until they are distributed or made available upon termination. And it is sometimes referred to as an employer pickup provision. I don't like that term, personally, because it is really not a pickup of anything by the employer, it is simply that they are going to make that payment for the employee before the employee has the taxes withheld. But it is called a pickup provision because the school employee's contribution is picked up by the employer before federal and state income taxes are imposed during the year the contribution was made. When the employee retires, however, those picked up contributions are, and I emphasize they are subsequently taxed, just as the state's contributions and interest are taxed to the employee at retirement or termination. In essence, this is a tax shelter for the employees and employee contributions provide an employee increased after tax income without supplemental financing by the State of Nebraska. And I think this is an important point because it does provide an additional benefit for employees without increasing our immediate outlays by government. In 1984 five employee retirement systems began to use the pickup provision through the passage of LB 218. That is in 1984 last year. These systems were the state employees, judges, the State Patrol, county employees and Omaha school employee systems. First class police and firefighters were included in previous legislation. In addition, Douglas and Lancaster have expressed an interest in this option. And I have handed out an amendment which will be presented on Select File, if we advance this bill, which will allow for the bringing in of Lincoln and Omaha police and firefighters, and this is so that we go ahead and get this thing done so we don't have to come back and work with it every year, we get all of the systems under the pickup and we get it over with. And we would have this amendment ready for this stage of debate but we simply don't have it back from bill drafters yet, so this is a proposed amendment that we will be putting up on Select File. So I just want to tell you that it is coming. This bill will not affect the total amount of employee contributions that can be included in income for Social Security tax and other benefits. In other words, everything else remains the same. I think it is a good bill. It is a way to allow an opportunity for employees to be accumulating money and accumulating benefits for future use and at that point they will be taxed. So it is really not a pickup of contribution by the state. It is simply having the state make that contribution up front and