

**CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
MARCH 18, 2008 AGENDA**

Subject:	Type:	Submitted By:
RESOLUTION — LB 371	► RESOLUTION ORDINANCE RECEIVE/FILE	BRENDA S. GUNN CITY ADMINISTRATOR

SYNOPSIS

A resolution has been prepared to oppose LB 371 with proposed standing committee amendments — AM 1857, which would adopt the Nebraska Peace Officer Retirement Act.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval.

BACKGROUND

LB 371 with proposed standing committee amendments — AM 1857 would enact the Nebraska Peace Officer Retirement Act (NPORA), an unfunded statewide defined benefit retirement plan for all law enforcement personnel not currently enrolled in a defined benefit retirement plan.

Introduced by Sen. Phil Erdman of Bayard in 2007, LB 371 did not advance from committee in 2007, but did carryover to the 2008 legislative session. The Legislature's Retirement Committee held an Interim Study Hearing on December 14, 2007. Milliman Consultants and Actuaries presented to the Committee an "Actuarial Study of Nebraska Law Enforcement Retirement System". (*The study was funded by proponents of LB 371*). The Committee advanced LB 371 with Standing Committee Amendments — AM 1857 as a priority bill.

The Milliman study indicated that the projected "Unfunded Actuarial Accrued Liability" (UAAL) would at minimum create an unfunded accrued liability of \$88 million. To the best of our knowledge there has not been an actuarial analysis regarding the impact of AM 1857.

LB 371 with AM 1857 provides that the State of Nebraska would administer, invest and govern the statewide peace officers retirement system and obligates the respective political subdivision to provide supplemental appropriations sufficient to pay for the difference between what would be in the officer's account and what is needed to fund their annuity.

To truly understand the far-reaching impact of this proposed legislation on the City of La Vista, our own actuarial analysis would be needed. We can easily calculate that the annual cost of increasing the City's pension contribution from 6% to 9.25% on today's payroll would be \$61,420. What cannot simply be determined is the amount the City would be required to appropriate in order to fund each officer's annuity upon retirement. This

is dependent upon a number of factors including but not limited to the age and number of dependants of the officer and interest rates and market conditions. We can report that the City's financial obligations for our (2) two pre-1984 officers who retired was \$406,000. Additionally, it is impossible to predict the modifications that could be made by the Legislature from time to time.

History

In the early 1980's the Legislature changed police and fire retirement benefit plans for first class cities from defined benefit plans to defined contribution plans in order to address problems faced by first class cities. The majority of first class cities faced large unfunded pension liabilities at that time. For your information, the following is a description of the two types of pension plans.

Defined Benefit – This type of plan provides a benefit for the retiree at a fixed amount, for example, one half (or some other percentage) of their highest yearly salary. The City would be responsible for funding these benefits, as in the case of our pre-1984 police officers. When they retired they were guaranteed 50% of the average of their highest five years of annual salary for the remainder of their life. Even though the City and the employee had been contributing to the City's 401 pension plan, there was not enough money in these accounts to fund the lifetime benefit. The City had to invest additional funds to purchase annuities to fund this benefit. Obviously, this would continue to increase with higher salaries and if the percentage was greater than 50%.

Defined Contribution – This type of plan provides a benefit for the retiree based on the amount of money they have accumulated in their pension plan. Basically, what you have in the pension fund when you retire is what you get. The City and the employee both contribute to the fund while the employee is working and after an established number of years (in our case seven) the employee is fully vested. If the employee separates from the City after seven years or waits until retirement all of the funds and whatever interest they have earned belong to the employee.

Copies of LB 371 and AM 1857 are attached for your review.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA, TO OPPOSE LB 371 WITH PROPOSED STANDING COMMITTEE AMENDMENTS — AM 1857, WHICH WOULD ADOPT THE NEBRASKA PEACE OFFICER RETIREMENT ACT.

WHEREAS, LB 371 with proposed standing committee amendments — AM 1857 would enact the Nebraska Peace Officer Retirement Act (NPORA), an unfunded statewide defined benefit retirement plan for all law enforcement personnel not currently enrolled in a defined benefit retirement plan; and

WHEREAS, the report funded by the proponents of LB 371 indicates that the projected "Unfunded Actuarial Accrued Liability (UAAL) would at a minimum create an unfunded accrued liability of \$88 million"; and

WHEREAS, there is no knowledge of an actuarial analysis regarding the impact of AM 1857; and

WHEREAS, LB 371 with AM 1857 provides that the State of Nebraska would administer, invest and govern the statewide peace officers retirement system and obligates the respective political subdivision to provide a supplemental appropriations sufficient to pay for the difference; and

WHEREAS, the State of Nebraska moved away from a defined benefit pension plan requirement for law enforcement officers in 1984; and

WHEREAS, municipalities across the country have financial problems rooted in similar pension programs as evidenced by the City of Omaha; and

WHEREAS, LB 371 with AM 1857 will create a significant financial burden for the City of La Vista, likely resulting in a reduction of services to the taxpayers of La Vista.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Council of the City of La Vista, Nebraska, hereby expresses its opposition to LB 371 with proposed standing committee amendments — AM 1857, which would adopt the Nebraska Peace Officer Retirement Act.

BE IT FURTHER RESOLVED, that the Mayor is hereby directed to communicate this position to our representative in the Legislature and such other parties as may be desirable to further these purposes.

PASSED AND APPROVED THIS _____ DAY OF _____, 2008

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, CMC
City Clerk