NEBRASKA RETIREMENT SYSTEMS COMMITTEE

INTERIM REPORT
Legislative Resolution 391

Comparison of Law Enforcement Retirement Plans and Benefits

Senator Elaine Stuhr, Chair
Jason W. Hayes, Legal Counsel

January 5, 2005

INTRODUCTION

The Nebraska Retirement Systems Committee was designated by the Legislature to conduct an interim study, as proposed in LR 391, 98th Neb. Leg., 2nd Sess. (2004). (See LR 391 attached hereto). The Committee was further instructed upon the conclusion of its study, to make a report of its findings, together with its recommendations, to the Legislative Council or Legislature. The following constitutes the report of the Nebraska Retirement Systems Committee.

PURPOSE

The purpose of this study is to provide an analysis and comparison of other state and political subdivisions' law enforcement retirement plans and benefits.

METHODOLOGY

Given the broad scope of this study, the focus of the findings has been narrowed to include only local law enforcement agencies, and those state and political subdivisions in the region surrounding Nebraska.

An Interim Hearing was held on November 17, 2004, to discuss law enforcement retirement plans and benefits in Nebraska and compare those plans to other regional state and political subdivision's law enforcement retirement plans and benefits.

The findings and recommendations of this interim report arise out of information and testimony given at that hearing. Testimony was presented at the hearing by: Senator Phillip Erdman from Bayard, Nebraska; Steve Grabowski, president of the Nebraska Fraternal Order of Police; Mark Overman, police detective from Scottsbluff and vice president of the Nebraska Fraternal Order of Police; Chuck Nichols from North Platte and vice president of the Nebraska Fraternal Order of Police; Russell Zeeb, deputy sheriff from Sarpy County; and James Cavanaugh representing area law enforcement officers.

FINDINGS

The purpose of this study is to provide an analysis and comparison of other state and political subdivisions' law enforcement retirement plans and benefits. Given the broad scope of this study, the focus of the findings has been narrowed to include only local law enforcement agencies, and those state and political subdivisions in the region.

1. EXISTING NEBRASKA LOCAL LAW ENFORCEMENT RETIREMENT PLANS

A. <u>Cities of the First Class – Police Officer Retirement</u>

Contribution Rate:	**6.0% Employee** **6.0% Employer**
Benefit for DB:	**Floor plan – 40 to 50% of salary**
Benefit for DC:	**Full value of account holdings if vested**

The first class cities police officers retirement system for Nebraska is a two tiered plan since it provides different benefits for two groups of police officers, those employed on January 1, 1984, and those employed after January 1, 1984. *See generally* Neb. Rev. Stat. §§ 16-1001 to 16-1019. This plan covers all police officers of a city of the first class (population of 5,001 to 100,000) in Nebraska. Neb. Rev. Stat. § 16-1001.

Police officers in first class cities that were employed on or before January 1, 1984, receive benefits under a hybrid defined benefit plan, which is a floor plan. For officers employed on January 1, 1984, and continuously employed from that date through retirement, the pension benefit cannot be less than the following:

(a) After age 60 plus 25 years of service with the city or 20 years if hired prior to November 18, 1965 - 50% of regular pay; or,

(b) After age 55 but before age 60 plus 20 years of service with the city - 40% of regular pay.

Police officers in first class cities that were employed after January 1, 1984 receive benefits under a defined contribution plan which is designed as a qualified plan under § 401(a) of the Internal Revenue Code. The employee contribution is 6% of a member's salary, with a matching employer contribution rate being 6% of salary.

In addition, for officers employed on January 1, 1984, the city must contribute an amount equal to the employee contributions made prior to January 1, 1984, without interest. Such contributions are to be made at the time of retirement or termination, but the city may contribute amounts prior to termination/retirement or the city may credit interest on such contributions. If the officer's retirement value is not sufficient to provide the required minimum pension benefit or death/disability benefit, the city must transfer funds necessary to provide such benefit. See Neb. Rev. Stat. §§ 16-1006, 16-1607(3), and §§16-1009 to 16-1011.

As to the Retirement Benefit for members in the defined contribution plan, the officer's retirement value is determined as of the date the annuitant receives their first payment. The retiring officer may defer the date to the first day of any month prior to age seventy. Also, the retiring officer may elect to receive a pension benefit in either a straight life annuity or any other form established by the retirement committee. Optional forms must include the following:

1. Straight life with 5 year certain;

2. Joint & Survivor annuity – 100%, 75% and 50%;

3. Lump Sum – plan is required to offer after January 1, 1997, and is optional prior to January 1, 1997. *See* Neb. Rev. Stat. § 16-1007 (1).

Investment of funds is under the general direction of the retirement committee. The city or committee overseeing the retirement plan may contract with investment managers. All funds must be invested pursuant to policies established by the Nebraska Investment Council. Neb. Rev. Stat. § 16-1016.

Finally, if a police officer terminates employment for the purposes of becoming a police officer with another first class city in Nebraska, and their new employment commences within 120 days of termination, the officer may transfer the amount of their employee account and the amount they are vested in the employer account to the new city. The new officer will be a new employee for all purposes of the retirement system to which they transfer. Neb. Rev. Stat. § 16-1018.

B. County Employees Retirement System

Contribution Rate:	**5.5% to 6.5% Employee** **7.75% to 8.75% Employer**
Benefit for DC:	**Full value of account holdings if vested**
Benefit for CB:	**Fed Midterm Rate + 1.5%, guaranteed 5%**

County law enforcement officers, including those members who are employed by county sheriff departments, are members of the County Employees' Retirement Plan. The County plan is a two-tier benefit system. For law enforcement employees who were employed prior to January 1, 2003, and who did not elect to join the cash balance benefit option, they are participants in a defined contribution benefit option. All new hires to the plan and those members who made the election prior to January 1, 2003, are participants in the cash balance benefit option.

The Cash Balance benefit was added by the passage of LB 687 on April 18, 2002. As of January 1, 2003, members who began participation in the County plan participate in the Cash Balance benefit. See Neb. Rev. Stat. § 23-2308.01. Cash Balance participants receive an "interest credit rate" (rate of return) based on the Federal Mid-term rate plus 1.5%, and are guaranteed a minimum annual rate of return of 5 percent.

Participation is mandatory for all permanent employees who work one-half or more of the regularly scheduled hours during each pay period and have completed twelve continuous months of service. Participation is voluntary for permanent fulltime or permanent part-time employees, age 20 or older, who have completed a total of twelve months of service within a five-year period. This service need not be continuous, and would apply to employees who are permanent but work on a seasonal basis.

Employees contribute 4.5% of compensation each payroll period during the plan year. The county employer matches the member's contribution each payroll period at the rate of 150%. The member must be fully vested in order to receive the full amount of the employer account upon termination. The member is vested after three years of participation in the system, including eligibility and vesting credit. See Neb. Rev. Stat. § 23-2319.

In addition to the employee contribution and employer matching rates mentioned above, certified law enforcement officers also receive a supplemental benefit. In counties under 85,000 in population, certified law enforcement officers who possess a valid law enforcement officer certificate or diploma have an additional, supplemental contribution of 1% of compensation each payroll period during the plan year, which is matched at 100% by the county. In counties with over 85,000 in population, the additional rates for law enforcement officials is 2% of compensation, matched at 100%.

The law does not allow a plan member to contribute more than the amount specified in the County plan. However, most Nebraska counties do offer a deferred compensation plan for to allow the member to voluntarily defer an elected amount from compensation, thereby reducing the member's current federal and state income taxes.

C. Retirement Plan for Omaha law enforcement

Contribution Rate:	**13.14% Employee (in 2006 – 13.86%)** **18.76% Employer (in 2006 – 19.48%)**
Benefit for DB:	**49 to 69% of salary based on service years** **Avg. High 26 bi-weekly periods final 5 years**

The retirement plan for officers in the Omaha Police Department is a defined benefit plan. Employees are required to contribute 13.14 percent of their gross salary (increasing to 13.86% in 2006, and 14.55% in 2007), and the employer contribution is currently 18.76 percent (increasing to 19.48% in 2006, and 20.17% in 2007).

Pensions are calculated using the applicable percent of the member's pay from the highest consecutive 26 bi-weekly payroll periods within the final five years of service. The maximum retirement benefit payable is 69 percent of the retiree's final average monthly salary if the member has at least 25 years of service. The earliest a member may retire is at age 45. Members may retire with a normal service retirement between twenty and twenty-five years of service, and receive 49 percent of salary with twenty years of service, and 69 percent with twenty-five years of service. On January 1, 2006, this will increase to allow a member to receive 52 percent of salary with twenty years of service, and 72 percent with twenty-five years of service.

D. Retirement Plan for Lincoln law enforcement

Contribution Rate:	**8.0% Employee** **Employer Taxpayer contribution fluctuates**
Benefit for DB:	**64% of sum of high 26 bi-weekly base pay divided by 364 days multiplied by 365.25 then divided by 12**

The retirement plan for members of the Lincoln Police Department is a defined benefit plan. The employee contribution is eight percent of base pay for their entire career. The base pay is the sum of hourly, shift and longevity pay. Average monthly base pay used to calculate the retirement benefit is the sum of the highest consecutive 26 bi-weekly base pay amounts, divided by 364 days, multiplied by 365.25 days, then divided by twelve months. The employer or "taxpayer" contribution rate fluctuates based on the amount of tax revenue received by the city during its fiscal year.

With twenty years of service at age fifty or older, the regular retirement benefit is a monthly pension equal to 64 percent of average monthly base pay. Early retirement is permitted at age fifty or older with twenty-one years of service, and the member may receive a monthly pension equal to 64 percent of their average monthly base pay multiplied by the ratio of completed years of service to twenty-five years. Benefit percents are pro-rated to provide members credit for partial years of service.

Members vest after ten years of service. If a member resigns or is terminated after completing ten years of service and has not attained age fifty, he or she is entitled to a deferred annuity benefit. For a deferred annuity benefit, beginning at age fifty, the member is paid a monthly pension equal to 64% of their average monthly base pay multiplied by the ratio of completed years of service to twenty-five years.

2. REGIONAL LOCAL LAW ENFORCEMENT RETIREMENT PLANS

A. Wyoming

Contribution Rate:	**8.6% Employee** **8.6% Employer**
Benefit for DB:	**2.5% x service years x high average salary for 5 years, not to exceed 75% of salary**

On July 1, 2002, Wyoming created a new law enforcement retirement system, which is a section of the statewide system establishing additional benefits and contributions for law enforcement officers. All active law enforcement members of the state patrol, law enforcement personnel of cities, investigators, university police, police academy instructors, correction and detention officers are included in the system.

The contribution rate for the law enforcement plan requires the member and employer to each contribute 8.6% of the officer's gross pay, for a total of 17.20%. The member must contribute a total of 48 months into the plan before he or she is vested.

A member must have at least four years of service and be at least age 60, or they can retire at any age with twenty years of service. If the member does not have twenty years of service, they can take early retirement at age 50, but the benefit is reduced 5 percent per year under age 60.

The formula used to calculate the defined benefit is 2.5% times years of service, times the highest average salary, not to exceed 75%. The highest average salary is the average of the highest five continuous years. Members of the plan will also receive a 2% COLA on July 1st each year after being retired two full years.

B. <u>Colorado</u>

Contribution Rate:	**16% between Employee and Employer**
Benefit for DB:	**1.5% x service years x high average salary for 3 years**

Law enforcement officers may join the Fire and Police Pension Association of Colorado. The statewide plan covers police officers from departments that elect coverage under this plan after January 1, 2004. This hybrid plan is made up of two components: 1) the Defined Benefit Component, which pays a monthly benefit for a member's lifetime; and 2) a Money Purchase Component, which is an individual, self-directed account that is available to a member until the account is depleted.

The mandatory contribution rate for the plan is 16 percent of the member's base salary. Of that 16 percent, 14 percent goes towards the defined benefit component and 2 percent is contributed to the money purchase component of the plan. If a department has a higher mandatory contribution rate, the excess goes towards the money purchase component of the plan. Member mandatory contributions are submitted pre-tax.

The requirements for normal retirement are twenty-five years of service at age fifty-five or older. The benefit calculation is a 1.5% benefit for each year of service worked and purchased in the plan. The benefit is based on the average highest three years of salary. The defined benefit component is payable immediately upon retirement.

Early retirement may occur with thirty years of service or at age fifty. The benefit calculation for early retirement is a 1.5 percent benefit for each year of service worked and purchased in the plan and is based on the average highest three years of base salary. The early retirement benefit that a member would have received at normal retirement (age fifty-five) then is reduced on an actuarial equivalent basis to reflect the early receipt of the benefit.

If a member terminates service after completing five years of service, the member contribution, plus five percent as interest, may be refunded. If the member terminates service after completing five years of service, then the member contribution, plus five percent as interest, may be elected in place of electing a retirement benefit from the defined benefit component.

C. South Dakota

Contribution Rate:	**8% Employee** **8% Employer**
Benefit for DB:	**70-85% of final salary, plus social security, with 25 years or more of service**

Public safety workers are able to participate in the South Dakota Retirement System. This group includes state law enforcement officers, municipal police officers, county sheriffs and deputies, penitentiary staff, parole agents, and campus security officers. Each year, the total contribution equals 16 percent of a member's salary, with 8 percent contributed by the employee and 8 percent contributed by the employer.

A member can retire as early as age forty-five as long as the member has three years of contributory service. If payment begins immediately, the member's monthly lifetime retirement benefits will be reduced.

The member may take normal retirement at age fifty-five, with at least three years of contributory service, or may retire later. The monthly lifetime retirement benefit payment depends on the member's age, credited service and final average compensation at retirement. The benefit is calculated as follows: an enhanced benefit of 2.325% times final average compensation, times credited service before July 1, 2002, plus a base benefit of 2.0% times final average compensation, times credited service after July 1, 2002.

Lifetime retirement income will replace 70 to 85 percent of final salary, including primary social security, for a career employee with twenty-five or more years of credited service. Benefits are also protected against inflation and are increased by an annual cost-of-living adjustment.

If a member terminates employment after three years of contributory service, the member is entitled to a vested monthly lifetime retirement benefit, payable as early as age 45, and increased by a cost-of-living adjustment,

D. Iowa

Contribution Rate:	**9.35% Employee** **17% Employer**
Benefit for DB:	**Average of high 3 years, 22 years of service not to exceed 82% of salary**

The Municipal Fire and Police Retirement System of Iowa covers police officers in forty-nine employing cities across Iowa. The retirement system is a defined benefit plan. The contribution rate for employees is 9.35 percent of the earnable compensation of the members. The employer's contribution is defined as not being less than 17 percent of the earnable compensation of the active membership.

Average final compensation is the average earnable compensation of a member during the three years of service that the member earned their highest salary as a police officer, or if the member has less than three years of service, then the average earnable compensation of their entire period of service.

The retirement benefit is determined by taking the average final compensation (three high year average), and then multiplying that number by the benefit percent permitted based on the number of service years. At the low end of the scale, members with twenty-two years of service will receive 66 percent of their average final compensation, and at the high end, members with thirty years of service will receive 82 percent of their average final compensation. A member must be at least age fifty-five or over with twenty-two years of service at the termination of employment in order to be eligible for the service retirement benefit. A member must have at least four years of service in order to receive any benefits upon retirement.

SUMMARY OF RETIREMENT PLANS REVIEWED

Nebraska Cities of the First Class – Police Officer Retirement

Contribution Rate:	6.0% Employee 6.0% Employer
Benefit for DB:	Floor plan – 40 to 50% of salary
Benefit for DC:	Full value of account holdings if vested

Nebraska County Employees Retirement System

Contribution Rate:	5.5% to 6.5% Employee 7.75% to 8.75% Employer
Benefit for DC:	Full value of account holdings if vested
Benefit for CB:	Fed Midterm Rate + 1.5%, guaranteed 5%

Omaha law enforcement Retirement Plan

Contribution Rate:	13.14% Employee (in 2006 – 13.86%) 18.76% Employer (in 2006 – 19.48%)
Benefit for DB:	49 to 69% of salary based on service years Avg. High 26 bi-weekly periods final 5 years

Lincoln law enforcement Retirement Plan

Contribution Rate:	8.0% Employee Employer Taxpayer contribution fluctuates
Benefit for DB:	64% of sum of high 26 bi-weekly base pay divided by 364 days multiplied by 365.25 then divided by 12

Wyoming

Contribution Rate:	8.6% Employee 8.6% Employer
Benefit for DB:	2.5% x service years x high average salary for 5 years, not to exceed 75% of salary

Colorado

Contribution Rate:	16% between Employee and Employer
Benefit for DB:	1.5% x service years x high average salary for 3 years

South Dakota

Contribution Rate:	8% Employee 8% Employer
Benefit for DB:	70-85% of final salary, plus social security, with 25 years or more of service

Iowa

Contribution Rate:	9.35% Employee 17% Employer
Benefit for DB:	Average of high 3 years, 22 years of service not to exceed 82% of salary

RECOMMENDATIONS AND CONCLUSION

Based upon the information provided in this report, the following recommendations are presented for legislative consideration:

1. Approve a statutory change to allow an increase in both the employee and employer contributions for retirement plans under the Nebraska Cities of the First Class – Police Officer Retirement System. This should include an increase in the contribution rates in order to make such rates similar to the rates provided in the Nebraska County Employees Retirement System, and in the cities of Lincoln and Omaha.
2. Approve statutory changes to implement a statewide law enforcement retirement system similar to the retirement system in place for the Nebraska County Employees Retirement System. Such plan should include a hybrid defined benefit program similar to the Cash Balance benefit currently being offered to county law enforcement officers, with an increased employee and employer contribution rate.

SUMMARY OF ATTACHMENTS

1. Legislative Resolution 391, 98th Neb. Leg., 2nd Sess. (2004).

2. Transcript of the Committee on Nebraska Retirement Systems, Interim Hearing on LR 391, held on November 17, 2004.

ACKNOWLEDGEMENTS

The Committee acknowledges the following individuals and groups who provided information for this interim study:

Senator Phillip Erdman;
Steve Grabowski, president of the Nebraska Fraternal Order of Police;
Mark Overman, vice president of the Nebraska Fraternal Order of Police;
Chuck Nichols, vice president of the Nebraska Fraternal Order of Police;
Russell Zeeb, deputy sheriff from Sarpy County;
James Cavanaugh; and,
Bernard Scherr, Legislative Research Office.

NINETY-EIGHTH LEGISLATURE

SECOND SESSION

LEGISLATIVE RESOLUTION 391

Introduced by Erdman, 47

PURPOSE: The purpose of this study is to provide an analysis and comparison of other state and political subdivision law enforcement retirement plans and benefits.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE NINETY-EIGHTH LEGISLATURE OF NEBRASKA, SECOND SESSION:

1. That the Nebraska Retirement Systems Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.

2. That the committee shall upon the conclusion of its study make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

COMMITTEE ON NEBRASKA RETIREMENT SYSTEMS
November 17, 2004
LR 391, 322
ROUGH DRAFT

The Committee on Retirement Systems met at 1:30 p.m. on Wednesday, November 17, 2004, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR 391 and LR 322. Senators present: Elaine Stuhr, Chairperson; Roger Wehrbein; Marian Price; Phil Erdman; John Synowiecki. Senators absent: Pat Bourne, Vice Chairperson.

SENATOR STUHR: ...for today. And I'd like to start with introductions first and I am Elaine Stuhr and I serve as Chair of the committee. And to my far right is Don Jones and he is our newly-appointed actuary for the Retirement Committee. And next to him is Senator John Synowiecki from Omaha and to my right, Senator Phil Erdman from Bayard and our legal counsel, Jason Hayes. And Senator Wehrbein, I understand, is on his way so I think he'll be joining us very shortly. And Senator Marian Price from Lincoln and our committee clerk, Kathy Baugh. So with that and then also our Page; I'd like to introduce our Page is Stacey. Is she over there? Stacey Brummett from Omaha and she's a senior at UNL. And she is majoring in political science and sociology so we're pleased that she can help us out this afternoon. We have a few rules that I would just like to briefly go over in regards to testifying. First of all, please turn off all your cell phones or pagers that you might have. Make sure that they are off. Since this is an interim hearing, we are not as pressed for time as we usually are during our regular session. So we certainly want to hear from everyone that has a comment on the resolution that we are studying today. So please feel free, if you have anything to say, to come on up. If you have hand-out material, please give it to the Page and she will distribute it to the rest of the committee. And if there are members of the committee may ask questions of the testifiers in order to clarify any information. But testifiers usually do not ask questions of the committee members. Questions and comments from observers are not allowed. Also any display of action is frowned upon. So when you come up to testify, please relax and try not to be nervous. And if you need a drink of water I'm sure that the Page will assist you. First of all, our legislative resolution that we will hear today is LR 391 and it was introduced by Senator Erdman and he is going to open with a few opening remarks on this resolution. So, welcome, Senator Erdman.

LR 391

SENATOR ERDMAN: Thank you, Senator Stuhr, members of the Retirement Committee. I'm a little nervous. It's been so long since I've been before the committee, I don't know how to act.

SENATOR STUHR: Right (laugh).

SENATOR ERDMAN: Here today to introduce LR 391. LR 391 was an effort that was brought to my attention by a resident of the Panhandle and after we had some discussions and found out that I was on the Retirement Committee, seemed like something that would be worth our committee's review to determine what we in the state are doing in regards to retirement plans, specifically for law enforcement. And the testimony that you're going to hear today will relate and have a lot of background information and so I've heard some of that information. I believe it's valuable for the committee. I will also have an opportunity, I understand, to hear from the legal counsel on some of the other research so I'm looking forward to hearing that. One of the things that I found in representing the district that I do is the number of small communities and how...I guess they serve a vital role for some of the larger communities and that they're feeder houses into those communities. A lot of those small communities will pay for the training of those law enforcement officers only to find that they've moved on to a community that may offer better benefits or other opportunities for them. And generally you come back to the reality that a lot of these small communities don't have any type of retirement benefit for those officers. And so you see a lot of them move to neighboring communities. An example of Scottsbluff and Gering for some of the communities that I represent. And so, based on some of those concerns, in the meeting that I had with Mr. Overman I felt that it was important for this committee to review some of these issues and with that, I will reserve the time for the people who have all the information to present. And, if necessary, I will try to give more information at closing.

SENATOR STUHR: Okay, thank you. And when the testifiers do come up, if you haven't signed the sign-up sheet be sure that you do that and as you open, please give your name and spell it so that it can...the recorder will be able to decipher that. And Senator Wehrbein has joined us. Welcome and thank you. And, first of all, I do want to say thanks to everyone that is in attendance today. I think that certainly shows the interest that we have in this resolution. So I believe our first testifier is Steve Grabowski so if you'd like to introduce yourself.

STEVE GRABOWSKI: Good afternoon, Senator Stuhr and members of the Retirement Committee. My name is Steve Grabowski. That's G-r-a-b-o-w-s-k-i. I'm the president of the Nebraska Fraternal Order of Police and on behalf of the over 2,400 members of the Nebraska Fraternal Order of Police from Sidney to Dakota City and from Omaha to Scottsbluff, I would like to thank Senator Erdman for introducing this legislative resolution. I would also like to thank the other members of the committee for taking their valuable time to listen to the retirement concerns of Nebraska's law enforcement officers. This room is full of law enforcement officers who have taken their own time to attend this important hearing. Mark Overman, the vice president of Nebraska Fraternal Order of Police will be giving you information on police retirement systems in states surrounding Nebraska. Russ Zeeb will also be giving information on his status as it pertains to retirement in the current system he's in. There are also members of the Omaha Police Union, Police Officers Association of Nebraska, the Police Chiefs Association of Nebraska, and the Nebraska Sheriffs' Association are in attendance. And I'm sure they too will voice a concern on this important topic. Again, Senator Stuhr and members of the committee, I would like to thank you for taking time to listen to those who probably protect Nebraska's citizens. Thank you.

SENATOR STUHR: Okay, thank you. Are there any questions? Are there any questions of the committee? Okay. John? All right, John.

SENATOR SYNOWIECKI: Thank you for your testimony.

STEVE GRABOWSKI: Thank you.

SENATOR SYNOWIECKI: Thank you, Senator. Senator Erdman spoke to the problem in Nebraska with our small jurisdiction, our small departments, police officers leaving for better benefit packages relative to retirement, better salary structures and larger departments. And I recognize a very, very large turnover in our smaller departments but aren't there other collateral reasons for that turnover other than monetary or benefit oriented in terms of protections for officers relative to working conditions and so forth?

STEVE GRABOWSKI: Generally, what we've seen along with the benefits, Senator, and again first...most of it is the money but again, the second thing that we found in the FOP is that some places that happen to have maybe a contract or an agreement with the governing body seem to have a little bit better or a little less turnover rate than do those who don't, just simply because there's an avenue for appeals and grievances and things like that during that. But, again, that...it all ties in, even the benefit if I may expound a little bit. Sarpy County Sheriff's Department where I worked and I've worked for 24 years, we have a good pay. In fact, we start our officers at more than what Omaha makes but we have just lost six of our deputies who have been in our department for five years and they went to Omaha mainly because of the retirement benefit that's offered in Omaha. And they would have a chance at a lot better retirement, again, starting at less money than what we start them at. But, again, eventually because of the retirement system they end up with a better retirement.

SENATOR SYNOWIECKI: Thank you.

STEVE GRABOWSKI: You're welcome.

SENATOR STUHR: Okay. Are there any other questions? If not, thank you very much.

STEVE GRABOWSKI: Thank you, again, Senator.

SENATOR STUHR: Next, Mark Overman. Welcome.

MARK OVERMAN: (Exhibit 1) Good afternoon, ladies and gentlemen. My name is Mark Overman, O-v-e-r-m-a-n. I'm a Scottsbluff police detective with more than 25 years of service and a senior agent on a regional drug task force. I'm also the vice president of the Nebraska Fraternal Order of Police, representing over 2,400 law enforcement officers in the state. Thank you for Senator Stuhr and the committee for giving us this opportunity and to Senator Erdman for introducing the study. I'm here to explain the desperate need for a statewide law enforcement retirement system in Nebraska, a system that will include officers from every county, every first- and second-class city and village and our conservation officers. Right now the officers in second-class cities and villages have no mandated retirement plan. We believe a statewide defined benefit system makes far sense than many small systems. Apparently, the vast majority of other states agree. So let's address the merits of the defined benefit retirement system. There are plenty of examples in Nebraska, Omaha Police, Lincoln Police, Lancaster and Douglas County Sheriff Departments, the

Nebraska State Patrol, Nebraska judges. And the best example of a group that exists in every community just like law enforcement officers, Nebraska teachers. These groups have not been before their governing bodies or this committee seeking a change from a defined benefit to a defined contribution retirement plan. Defined benefit is also overwhelmingly prevalent in nearby states, South Dakota, Missouri, Minnesota, Iowa, Kansas, Wyoming, Oklahoma. In fact, one of the retirement committees' own surveys did not find a single statewide law enforcement retirement system utilizing a defined contribution system. Over the years, this committee has conducted benefit review surveys of law enforcement retirement systems. Those surveys often show adequate retirement benefits using a defined contribution system. However, all of those surveys have the same fatal flaw. They use unrealistic annual yield projections for retirement accounts. A 2000 study used a 7 percent rate of return. A 2001 study used an 8 percent rate of return and also assumed a 5.5 percent annual salary increase. Those rates of return are not realistic and neither are the salary increases. According to economics editor, Chris Farrell on national public radio's Sound Money program, 4 percent is a realistic rate of return. And a transcript of his comments from that program are included later on in this document. This flawed assumption is very evident in the real world of retirees. The committee's 2001 survey shows that an officer with 30 years of service at age 60 in the defined contribution system should have enough money in his account to pay him 67.9 percent of his salary for the rest of his life. A recent retiree in a first-class city had more than 30 years of service yet only enough in his account to fund 20 percent of his salary at age 62. Fortunately, he was covered under a grandfather clause and his employer used unallocated funds to bring him to 50 percent but that only applies to officers in first-class cities hired prior to January 1, 1984. That same officer could have retired with much more income under any of the defined benefit plans described above. Does the Legislature really want a population of destitute police retirees? Nebraska's communities must be able to recruit and retain top quality officers. To do that, we need a competitive retirement system. We have some excellent young officers in the state and some of them are here today. Many have been promoted, serving as supervisors and leaders in their departments. Many are considering leaving Nebraska simply because they have virtually nothing to look forward to at retirement. Today officers in their late thirties can start over in almost any surrounding state and still have a much better retirement in 20 years than if he or she stays with their Nebraska department. It is not only the officers that are losing out here; it is the state and its citizens that stand to lose such quality people. FOP has surveyed surrounding states and we propose that the Nebraska Law Enforcement Retirement System include the following: Key provisions of the proposed Nebraska law enforcement retirement system, who is covered? All law enforcement officers in Nebraska includes counties, first- and second-class cities and villages and conservation officers. It would specifically exclude Omaha PD, Lincoln PD, Douglas and Lancaster County and the Nebraska State Patrol. Contributions to be determined: The state of Wyoming implemented a similar plan in 2002 that requires an 8.6 percent employee-employer match based on total compensation. And employers may pay some or all of the employees' contributions. That's something that's negotiable. The retirement benefit, 2.5 percent of salary per year, can retire after 20 years of service. No minimum retirement age, maximum benefit of 80 percent based on total compensation, average as high as three years of service. The Cost Of Living Adjustment, a minimum of 2 percent per year or more, depending on the fund performance. A delayed retirement option program, officers may enter the DROP Program for a maximum of five years. An officer must retire at the end of five years but may retire at his or her option any time during the five years. Employer contributions to retirement plan suspended when officer enters DROP. The retirement plan begins paying the officer his full benefit into a separate account. The officer's retirement contribution also goes into that account and the account will be guaranteed to yield a minimum rate of interest. The officer would receive his entire DROP account value upon retirement and this is modeled after a provision with the Lincoln Police Department. And those provisions are becoming very prevalent across the country. Their disability, job related 62.5 percent; nonjob related 50 percent. Survivors benefits, job related death 62.5 percent for spouse plus 6 percent for each child under 18. Nonjob related death 50 percent for spouse plus

6 percent for each child under 18. Surviving spouse after retirement 75 percent member benefit. Vesting after seven years. Health insurance: ability to participate in employer sponsored health insurance until eligible for Medicare benefits and pay the same rate as active employees. By the end of today I will have driven over 800 miles but it was worth it so you could hear our message. We're asking for fairness and comparability with officers within our region and within Nebraska. Once again, ladies and gentlemen of the committee, thank you for listening and particularly, thank you, Senator Erdman, for introducing this resolution. I'd be happy to answer any questions.

SENATOR STUHR: All right, are there questions by the committee? Senator Erdman.

SENATOR ERDMAN: Thank you, Senator Stuhr. Mark, the last couple of pages are a questionnaire I believe that you conducted.

MARK OVERMAN: Yes, I've attached a questionnaire that I conducted. It's a law enforcement retirement questionnaire and it was for the Wyoming Retirement System. The reason I did that, Senator, is because we have modeled a lot of what we are seeking after Wyoming because Wyoming passed this legislation and implemented it in 2002. And many of the best defined benefit systems exclude Social Security like Lincoln and Omaha and the State Patrol. None of those places pay into Social Security and so a comparison of what we're seeking with those systems is apples to oranges. But in the Wyoming system all of those officers do pay into Social Security and that's why I have given you this questionnaire because I think it's a fair comparison of what an adjacent state has done and has done recently for their officers.

SENATOR STUHR: Okay. Senator Wehrbein, do you have any other...?

SENATOR ERDMAN: I have more.

SENATOR STUHR: Okay. You have one more question?

SENATOR ERDMAN: Yeah.

SENATOR STUHR: All right, go ahead with that.

SENATOR ERDMAN: Follow-up and I believe you answered this prior to the hearing but is it possible for us to get a number of how many law enforcement officials were covered in Wyoming when they implemented this?

MARK OVERMAN: I believe there were around 450, but I can get the number.

SENATOR ERDMAN: Okay. Thank you.

SENATOR STUHR: Okay. Any other questions?

SENATOR ERDMAN: I'm done now. Thank you.

SENATOR STUHR: All right. Senator Wehrbein.

SENATOR WEHRBEIN: Well, I'm not really ready but now that you called me, I'll ask (laugh).

SENATOR STUHR: Okay (laugh).

SENATOR WEHRBEIN: Has there been a proposal before on...?

MARK OVERMAN: Not as detailed as this. No, Senator, there has not. We've been actually working on this for about four years.

SENATOR WEHRBEIN: Well, I may not understand but under the DROP Program, you have an accounted guaranteed to yield minimum percent. Is that for just the DROP or is that for all...?

MARK OVERMAN: Just the DROP. That would be just the DROP, yes, sir.

SENATOR WEHRBEIN: I was going to say, (inaudible) with 8 percent too. We've had quite a few retirement plans coming through and the now undefined contribution but we still count on 8 percent. And I'm becoming very uncomfortable with that. But on the other hand, we can't...it's hard to guarantee the benefit is a form of guarantee. Somebody's got to make up the difference. I mean, we've having to contribute millions this year on many of those accounts that you referenced.

MARK OVERMAN: Yes, sir, I understand that, Senator. And that's why I...when all of these projections have come, all of the committee studies that have shown the committee that the system that some of us are under in first-class cities and counties is just fine because the projection uses 8 percent to show oh, they're going to have plenty of money at the end when, in fact, we don't. And so, when I intentionally left that blank on the DROP of what the percentage is guaranteed because in some of the cities that I've surveyed there is a percentage guarantee. It's not 8 percent. It may be 3 or 4 percent. And I've also included those comments from Chris Farrell, the economics editor...

SENATOR WEHRBEIN: Yes, I...read those.

MARK OVERMAN: ...on Sound Money...

SENATOR WEHRBEIN: Yes.

MARK OVERMAN: ...and that's a verbatim transcript.

SENATOR WEHRBEIN: I appreciate that. We had quite a bit of debate on this, you realize, a year or two ago on the 8 percent. And several were uncomfortable but we didn't have this type of thing. But we sure...the last five years certainly hasn't been 8 percent in the market. Thank you.

SENATOR STUHR: That's right. I have one question. Are you planning to do any actuarial study to show us what the cost might be?

MARK OVERMAN: I think that's up to the professionals. If that's required, it's certainly something we'll do.

SENATOR STUHR: Okay. All right.

MARK OVERMAN: I'm just not real sure what exactly is required, Senator.

SENATOR STUHR: All right. Now, is it my understanding that Wyoming just passed this in 2002?

MARK OVERMAN: It was implemented and it became law in Wyoming in 2002.

SENATOR STUHR: And '02 so we haven't had a lot of time to see how it's playing out yet.

MARK OVERMAN: I have some anecdotal information on that from officers that I know in Wyoming...

SENATOR STUHR: Okay. Um-hum.

MARK OVERMAN: ...since we're so close we tend to work with them fairly frequently.

SENATOR STUHR: Yes.

MARK OVERMAN: So it was one of the things that really opened my eyes to this. When I was talking to an officer that I know he's younger than I am and he was from Wyoming and does what I do. And I called him one day and he says, "I'm thinking about retiring." And I just thought, you know, my gosh, here I am another six years away from 40 percent and I'm fortunate. I'm in a first-class city, I'm a pre-'84 hire so I do have some sort of a guarantee there but this man who is younger than I was could retire at more than 50 percent. And so that was just so eye opening and he said, "Yeah, this law just passed." And they had spent some years, you know,...

SENATOR STUHR: (inaudible)

MARK OVERMAN: ...guiding it through the Legislature.

SENATOR STUHR: Right. Okay. Yes, Mr. Jones.

DON JONES: I have a question. Upon adoption, would it be your expectation that all service prior to adoption of the plan would be considered to determine the benefit amount?

MARK OVERMAN: We would...

DON JONES: And my kind of a corollary question is, say...

MARK OVERMAN: ...well,...

DON JONES: ...for example, the first-class police contributions have been being made during that period so there would seem to be some necessity to offset one against the other?

MARK OVERMAN: We would certainly hope that this plan...in our best case scenario it would just grandfather everyone in.

DON JONES: Okay.

MARK OVERMAN: In perhaps a realistic scenario, you'd certainly hope that it would grandfather everyone in that's been making contributions...

DON JONES: Okay.

MARK OVERMAN: Over that period of years and that to make it a state plan the plan would absorb those contributions.

DON JONES: For example, someone that has been in the first-class city not hired prior to '84, the cities have been supporting that with contributions and the members have been supporting that with contributions.

MARK OVERMAN: Yes.

DON JONES: Would you be able to give recognition that the contributions made on the part of the city?

MARK OVERMAN: We would hope...

DON JONES: Yeah.

MARK OVERMAN: ...yes...yes, sir, we would...

DON JONES: Because, I mean, that...

MARK OVERMAN: Yes, sir.

DON JONES: ...could become a part of the fund...

MARK OVERMAN: Yes.

DON JONES: ...to establish the program going forward.

MARK OVERMAN: Yes.

DON JONES: Okay.

MARK OVERMAN: Yes, yes. That is our suggestion...

DON JONES: As you know, that would be very important because adopting a system, giving recognition for prior service creates an immediate obligation. Having some money to offset that...

MARK OVERMAN: Yes, and, in fact, that what other states have done.

DON JONES: Yes.

MARK OVERMAN: Oklahoma passed a similar plan in the eighties and brought everybody under one...all law enforcement under the state even the largest cities, Tulsa and Oklahoma City, came under that plan. And they just...they had a hodgepodge of retirement plans across the state very similar to Nebraska and they established a state plan and said, okay, everybody send your money. Everything that's in your retirement plan, send it to the state creating a state system and this money goes to fund it.

SENATOR STUHR: Okay. Are there any other questions of the committee? If not, thank you very much..

MARK OVERMAN: Okay. Thank you.

SENATOR STUHR: ...for presenting this proposal. Next, either Chuck Nichols or Russell Zeeb, it doesn't matter, I guess. Okay. Welcome.

CHUCK NICHOLS: Senator Stuhr, ladies and gentlemen of the committee. Senator Erdman, thank you. My name is Chuck Nichols, N-i-c-h-o-l-s. I'm vice president of Fraternal Order of Police Lodge 26, Lincoln County, North Platte, Nebraska. I began my law enforcement career in 1982 in Lincoln County. And in 1985, I moved to Ft. Collins, Colorado along with my family and took a job with the Larimer County Sheriff's Department there. There I spent 11 years. I guess I'm what you'd call a classic example of one that used a smaller community in Nebraska as a stepping stone to a larger sheriff's office or law enforcement agency out-of-state. And I left Nebraska for three primary reasons. One was better retirement, more money, and more action. As a young law enforcement officer, that's something that I sought. Well, I'm proud to say that I received all three, a lot better retirement, more money, and a heck of a lot more action. But I'm one of the lucky ones that has moved back to the fine state of Nebraska. And the only way I was able to do that is the retirement that I was able to amass in the state of Colorado working for Larimer

County. In 11 years that I spent out there I cashed out my retirement early and after paying the penalties and paying the taxes on that, I returned to Nebraska with more retirement in 11 years than I would have garnered working for Lincoln County for 20. Quite frankly, that's the only reason that I'm able to come back to Nebraska and work in my chosen profession in Lincoln County once again is the retirement that I was able to earn there in Colorado. Now, that was a defined contribution retirement, not a defined benefit so it is a little bit different. But I wanted to bring this to your attention because I like so many others saw the need, especially raising a young family, for more money and a better retirement. Unfortunately, a lot of the officers that we lose to other states and to larger agencies that offer better benefits, they do not come back to our state. They stay gone. So I just wanted to share that personal experience with the committee members and I would be happy to answer any questions.

SENATOR STUHR: Okay. Are there questions by the committee? I just have one. In Colorado, was there just one system for all of the officers or did the retirement systems vary?

CHUCK NICHOLS: The retirement systems varied at that time.

SENATOR STUHR: They did vary.

CHUCK NICHOLS: So I spent from 1985 until 1996 there. Now they may have changed since then.

SENATOR STUHR: Okay.

CHUCK NICHOLS: I'm not aware of any changes or if there have been any but the retirement was just so much better there even in a defined contribution over what we have now that I thought it was sad that I could come back after 11 years with more retirement than...and that retirement, the lion's share went into purchasing a small ranch outside of Brady and the rest into a nest egg. And...but, as I said again, I wouldn't be able to work in Lincoln County in a career that I still love had it not been for the money that I garnered out there. I was able to come back here and live comfortably.

SENATOR STUHR: Okay.

CHUCK NICHOLS: Thank you.

SENATOR STUHR: Thank you. Russell?

RUSSELL ZEEB: Good afternoon, Senators, members of the committee and staff. My name is Russell Zeeb, Z-e-e-b. I'm a deputy sheriff with the Sarpy County Sheriff's Department and I'm also in my twentieth year as an executive board member for Fraternal Order of Police. What I would like to do today is paint a little picture maybe and compare some apples to apples here of where we're at. Next month I finish my thirty first year with my department. I've been there since...my entire career. If I belonged to any other department in the metropolitan area, I would have been gone years ago. As it is, I'm not even eligible to retire for another three years and three months to be even eligible. I'll have 35 years almost by the time I'm even eligible to draw a pension. At that time it'll depend upon what the stock market is. In the last five years my defined contribution account with the state is just now up to where it was five years ago and that's after putting 14 percent of my salary into it for all those months. With the stock market, as all of you probably are in the same boat, we've all seen drastic problems with that. The problem is is that's what pays our retirement. I know members of our department that have not been able to retire, you know, because of it. Fifty, sixty thousand dollars is a lot of money out of people's pockets to worry about on a retirement situation. The other thing is is that, you know, here I am, I'm still...I'm 52 years old or will be 52. I'm still driving a patrol car, answering calls, patrolling your streets. I was just involved several days ago with a mentally ill individual who took the Creighton Medical Center in Bellevue and barricaded himself, I was one of the first officers on the scene. So I'm still out there every day, you know, patrolling the streets and doing it. Former senator Withem, I used to...he was my state senator, and I used to tell him that, Senator, do you want me patrolling your streets when I'm 55, 60 years old? You know, and when it hits home with something like that, that's something you have to think about. We're out there protecting as everyone is that is sitting here, you know, protecting everyone, your families, our families, everything every day. And we need to be eligible for retirement at a decent age. This isn't a young man's job. The way I gauge people that come to work for me today as a commander is I gauge the people that come to work for me as how many years I've been on the department when they were born, and that is a true fact. You know, I have several individuals that are 24, 25, 26 years old, you know, and they all look at you like, you know, you had five, six, seven years on the department when I was even born. We're still there; I still serve very proudly. I could have left years ago and gone to Omaha or anything else and worked for better retirement. But Sarpy County is my home. I was born less than a mile from my office, the courthouse and so that's my home. And that's where I want to be. The (inaudible) of the state retirement system are long and go back many years. I've sat in this chair for the last twenty-some years testifying and asking for better pension systems. We were successful about 20 years ago on changing some of the retirement system for the sheriffs in the state. Before that it was option for counties to even be involved.

Now at least it's mandatory. But the first four years and three months that I was even on the department not one cent was put into my retirement account because that was state law then is that you couldn't participate in the retirement system until you were 25 years of age. So the 31 years that I have, I have less than 27 of contributions. That's something we can't go back and correct and I know that this is something I'm probably not going to, you know, live to see in my career. But it's something that we need to worry about for the officers coming up and everything else. I'm on vacation today as is Steve Grabowski I know because we're in the same department. Steve and I should be sitting on an interview panel today. I think they said they were hiring several officers. All of them that we're replacing left to go to the Omaha Police Department because of their retirement. I've joked that I have officers that used to work for me that have left and gone to the Omaha Police that will retire before I will. That is a sad situation that we need to be corrected and to make sure that all of us are protected and that our families are protected and that your families are protected by the officers out here. On a different note, currently, I'm serving my twelfth year as city councilman for the city of Papillion. We just realized this also with our police officers and we implemented a supplemental retirement program for our officers because of the same thing. We're seeing officers leave. I think as Steve Grabowski testified on the pay, the pay is good. I have testified up here before that I'd do without a raise if my pension could be changed and I mean that whole heartedly. The pay is good; the retirement is terrible and that's what we need to worry about. I also have the pleasure of serving on the national FOP Board at times and am very active in the national Fraternal Order of Police which represents over 300,000 members. And we see the different retirement programs from around the states and everything else that other departments have and we are way behind, you know, in the system with what we need to do to protect our officers and to give them the benefits and the retirement that they do earn every day and deserve after serving that many years. I'm proud of the 31 years...one month short of 31 years that I've served and, like I said, my health living up to it, I'll be serving, you know, for at least three more years before I'm even eligible. And, again, as we all know, that all depends on what happens then with the stock market.

It's terrible. It's absolutely terrible what we've seen with the financial situation and the cash benefits...I'm sorry, the cash balances of our retirement system over the last five years. And we need to make a change. And, of course, I know that means that we have to come up with money. There's no doubt about that. We have to do it. But we have to make sure that our officers...that we have the officers out there to protect you and your families because a lot of the officers...we've talked about the officers leaving, going to other departments for better retirements and that but we're losing a lot of officers too to the private sector, again, because of some of the systems or benefits and that that they do have with it so it's time for a change and I applaud your time and efforts that you've taken here today and the interest shown and I'll stand for any questions if there are any.

SENATOR STUHR: Are there some questions by the committee? Mr. Jones.

DON JONES: Sarpy County is in the Nebraska County Retirement System?

RUSSELL ZEEB: Yes, sir.

DON JONES: Just to clarify. You remarked twice about eligibility requires you to serve three more years. Could you confirm my understanding of that?

RUSSELL ZEEB: Yes, sir. Eligibility for retirement is 55 years of age before you can start drawing. I'll be 52 in a couple of months so I have another three years before I'm even eligible...

DON JONES: Okay. All right.

RUSSELL ZEEB: ...to do. Thank you.

SENATOR STUHR: Are there other questions? If not, thank you very much...

RUSSELL ZEEB: Thank you very much.

SENATOR STUHR: ...for sharing that information. Are there others? Those were the people that we had formally on the list but anyone is certainly welcome to come up and share any views that they might have. Are there others wishing to testify? Okay.

JAMES CAVANAUGH: Senator Stuhr, members of the Retirement Committee, my name is James Cavanaugh. I'm an attorney and registered lobbyist for the Nebraska Fraternal Order of Police. I just wanted to...

SENATOR STUHR: Could you spell your name, please?

JAMES CAVANAUGH: Oh, C-a-v-a-n-a-u-g-h.

SENATOR STUHR: Thank you.

JAMES CAVANAUGH: In conclusion to our presentation to you today, again, thank you for taking the time and effort to listen to our concerns. We recognize that the process that we are initiating here today will be a long process. But the journey of a thousand miles begins with a single step and we're taking that step today in requesting that you consider legislation in 2005 that would incorporate the ideas outlined for you by our testifiers here today. We're happy to provide you with any additional information that we can. But recognize that this is a problem that won't go away particularly for small town and rural Nebraska. It's a problem that every day takes officers that have been trained locally and removes them at expense to those rural counties and small towns to larger jurisdictions. Part of that is pay. Part of that is retirement. Part of it are contract benefits such as procedural due process that we've been advocating the last few years. And Senator Synowiecki has been good enough to sponsor legislation regarding the peace officers' bill of rights. These are all pieces of the same puzzle. You've heard from officers here today who have gone away but because of their desire to live and work in their home areas of Nebraska, have come back at expense to themselves. We need to foster that type of loyalty and allegiance to our state. Nebraska is a great place to grow, raise a family and work. And we need to make it a fair place as well for those first responders who, you know, protect us day in and day out at the expense of their own lives. We don't need to inflict on them any economic hardship over and above that. And we think that this is a reasonable approach that over time could make for a more equitable or more fair package of benefits for our law enforcement officers all over the state. It doesn't bring anybody down but it does put everyone at a minimum level of parity. And it will save money at the local level in small town Nebraska and rural Nebraska as soon as it's implemented. People will tend to stay in those communities that they grew up in and love if they can make it work for their families and if they can see that there's a reasonable retirement at the end of the day. Again, thanks for your time and effort here today. You see the outpouring of support that we have from all over the state. Departments from border to border have taken time of their own, vacation time of their own, to come here and show solidarity with this idea and we're happy to work with this committee and we thank again Senator Erdman for introducing the legislation resolution that brought this question up. I'd be happy to answer any questions you might have. Thank you.

SENATOR STUHR: Okay. Are there any questions from the committee? I just have one. As a point of clarification, are you including the sheriffs in this proposal?

JAMES CAVANAUGH: The county sheriffs departments?

SENATOR STUHR: Um-hum, yes.

JAMES CAVANAUGH: Yes, um-hum.

SENATOR STUHR: Okay. All right.

JAMES CAVANAUGH: And, again, some of the large jurisdictions, I mean, Douglas County and Lancaster County, you know, have systems that meet or exceed what we're talking about here.

SENATOR STUHR: Right.

JAMES CAVANAUGH: But many of the smaller counties in rural Nebraska don't and those are the counties that lose out twice because they train people at expense to them locally essentially as feeder departments for these larger departments that have, you know, defined benefit packages already. So, you know, you may spend $20,000 in York county to train an individual to serve on the York County Sheriffs Department and in three years have to spend another $20,000 because that person has gone to Douglas County or to Lancaster County. This happens over and over and over again. And it's kind of a hidden, I think, unintended consequence of the current system that we have works to a great disadvantage to rural and small town Nebraska.

SENATOR STUHR: Okay, all right. If there are no further questions, thank you very much.

JAMES CAVANAUGH: Thank you.

SENATOR STUHR: And are there any others wishing to testify? If not, we will close the hearing on LR 391 and, again, I know that the committee expresses their thanks for everyone that attended today. We will proceed on, we'll take just a few minutes if there are some that wish to leave before we consider the next resolution which is LR 322.