

May 26, 1981

LB 387

SENATOR FOWLER: Seeing the great attention here, we will proceed. The....

PRESIDENT: (Gavel). Let's have a little attention.

SENATOR FOWLER: Okay. This bill is probably the least significant of all the retirement bills introduced, although it may be one which you have been more extensively lobbied. The Retirement Committee believes that one of the basic principles we should operate under is a certain amount of equity and uniformity among retirement systems, that is that a privilege or benefit that is available to people in one category in one system, should be available to people and category in another. 387 deals with what is known as termination benefits or what might be known as termination rights, and that is when you leave employment, when you leave a retirement system, how much right you have to what you have contributed and what the employer has contributed. Now, what the bill will call for, if adopted, for first class police and fire, which is a separate retirement system adopted under state law, it says that if you leave for whatever reason, terminate before retirement, that you will be able to get the money you paid into the retirement system, the money you paid back to you plus five percent interest. Now that is less than the going rate on interest but we felt that that was a figure that probably is the average, it's one that is easily calculated. Other systems have a little more complicated formula, but this one allows it to be taken out at five percent. Now currently first class police, if they leave, get their money but they get no interest. The city gets to take that interest, and for that reason we feel that there is a definite inequity there. If somebody has been paying money into a retirement system, their own contribution, we feel they should be able to get back the interest on their money. Now what happens after a certain point of service is that you start earning a right to the employer's share, available not as a cash withdrawal but available as a retirement benefit when you retire, what's known as deferred annuity. And so this bill allows that after ten years' service you can...if you leave before retirement age, you can take that deferred annuity prorated on the number of years of service. Now if you choose not to take that, then you can withdraw your contribution plus the five percent interest. Now, basically, no one is getting something that they have not earned. An employee is getting back the money they contributed plus interest or they are getting this deferred retirement benefit. And this is a very common, accepted principle in retirement systems, and that is that a retirement system should not profit excessively from anyone who terminates