Nebraska Retirement Systems Committee

Addendum to
Legislative Resolution 542
Interim Study Report

Public Pension Obligations

Senator Dave Pankonin, Chairperson
Kate Allen, Committee Legal Counsel

December, 2010

Table of Contents

EXECUTIVE SUMMARY

Nationwide states are struggling with over a trillion dollars in unfunded public pension obligations. Though Nebraska has a long tradition of making annual payments for pension systems at the levels recommended by the actuary, Nebraska is facing significant unfunded pension liabilities in the coming years. Significant investment losses during 2008 and 2009 due to the tremendous downturn in the stock market resulted in a $2.1 billion loss in market assets of the defined benefit plans – a decline of 27.8%.

The Nebraska Public Employees Retirement Systems agency administers public pension plans for county, state, judges, state patrol, and school employees (except Omaha school employees). The state General Fund is responsible for financing any actuarial shortfalls in the defined benefit plans which include the judges, state patrol and school employees plans.

Each year actuarial reports are issued on each of the state-administered retirement plans. Losses are amortized over a 30-year period and a smoothing method is applied that spreads variances from the 8% expected rate of return over five years to avoid the year-to-year ups and downs due to marketplace volatility. Over one billion dollars in investment losses from 2008 and 2009 will be reflected in the pension funding obligations over the upcoming years when the high investment returns from previous years drop out of the five-year smoothing period.

The Nebraska Supreme Court has determined that pension benefits are contractual rights, protected under the federal and state constitutions that vest upon the acceptance and commencement of employment. Therefore, pension benefits for current members of defined benefit plans may not be eliminated or reduced. As a result, legislative options to reduce funding obligations in the short-term are limited.

If an actuarial determined funding need exists, then the Legislature has the following options in meeting the immediate funding obligation:

(1) fund the obligation with a budgetary expenditure paid out of general fund revenues,
(2) increase the contribution rate paid by employees in the plan;
(3) increase the contribution rate paid by the employer; or
(4) a combination of the above options.

Public Pension Obligations

This addendum LR 542 report of the Nebraska Retirement Systems Committee describes the pension funding issues facing the Nebraska Retirement Systems Committee and the Legislature not only in the next biennium, but for many years to come.

As part of the framework for understanding the pension obligations, the report presents a brief overview of state pension obligations throughout the country, describes the various state-administered public pension plans, and the constitutional limitations that restrict the Legislature's ability to decrease or eliminate the state's public pension funding obligations. The report also reviews the impact of the 2008 and 2009 investment losses on pension funding requirements, and provides information on the annual actuarial valuations that identify pension funding needs.

National Overview of State Pension Obligations

In February 2010 the Pew Center on the States issued a report about the underfunding of state retirement systems.[1] The report describes a trillion dollar gap, as of fiscal year 2008, in what exists between the $3.35 trillion in pension, health care and other retirement benefits that states have promised current and retired workers, and the $2.35 trillion states have on hand to pay for these obligations.

As stunning as these figures are, the figures are conservative since they are based on pension assets as of the end of fiscal year 2008 – June 30, 2008. As a result, the figures do not represent the devastating market downturn that occurred at the end of 2008 and into 2009.

The Pew Center Report points to a number of factors that have created this trillion dollar gap.

> "To a significant degree, the $1 trillion gap reflects states' own policy choices and lack of disciple; failing to make annual payments for pension systems at the levels recommended by their own actuaries, expanding benefits and offering cost-of-living increases without fully considering their long-term price tag or determining how to pay for them; and providing retiree health care without adequately funding it."

The Pew Center graded all 50 states on how well they are managing their public sector retirement benefits. Nebraska was rated as one of 16 states assessed as a solid performer, which means it had funding levels over 80 percent threshold, manageable unfunded liabilities, and had contributed on average at least 90 percent of the actuarially required contribution during the past five years.

In addition to the measurements used in the Pew Center Report to rank states, several other factors contribute to Nebraska's ranking as a solid performer. Nebraska has made several key policy decisions throughout the years that have limited the state's exposure to growing pension obligations. In addition to Nebraska's longstanding tradition of funding pension obligations, Nebraska is unique in that it is the only state in the country that does not provide health care benefits to retirees.[2] Nebraska is also one of only a few states in the country that does not offer a defined benefit plan to state employees[3]. Nebraska state employees are members of either a defined contribution or cash balance plan. Over 20,000 state employee are members of these plans.

---

1 *The Trillion Dollar Gap: Underfunded State Retirement Systems and the Roads to Reform,* February 2010. http://downloads.pewcenteronthestates.org/The_Trillion_Dollar_Gap_final.pdf

2 Nebraska state employees upon retirement may remain in the state health insurance pool but must pay the full premium.

3 With one exception – Nebraska State Patrol are state employees and are members of a separate defined benefit plan.

Nebraska Public Retirement Plans

Three types of public retirement plans have been established in Nebraska for public employees: defined benefit (DB), defined contribution (DC) and cash balance (CB) plans.[4] The Nebraska Public Employees Retirement Board (PERB) under the Nebraska Public Employees Retirement Systems (NPERS) agency, administers the County Employees Retirement Plan, the State Employees Retirement Plan, the Judges Retirement Plan, the Nebraska State Patrol Retirement Plan, and the School Employees Retirement Plan[5].

Employee Plan	Year Plan Established	Type of Plan	Current Number of Members*
Schools	1945	Defined Benefit	74,593
State Patrol	1947	Defined Benefit	851
Judges	1955	Defined Benefit	319
State	1964 2003	Defined Contribution Cash Balance	7,161 14,393
County	1973 2003	Defined Contribution Cash Balance	2,887 6,651
Total Plan Members			106,855

* membership numbers are based on reports from the most recent plan years; DB plan years are July 1 through June 30; CB & DC plan years are January 1 through December 31

Defined Benefit (DB) Plan: DB plans define the amount of the retirement income or benefit to be received based on a formula, typically related to age, length of service, and compensation level (salary). For example, Social Security is a defined benefit plan. The state General Fund is responsible for financing any actuarial shortfalls in the defined benefit plans. The Schools, Judges and State Patrol plans are defined benefit plans.

<u>School Employees Retirement Plan</u>

In 1945 the Legislature established the School Employees Retirement System for Nebraska school employees. All permanent public school employees who work at least 15 hours per week on an ongoing, regular basis, except Class V (Omaha) school employees, are members of the plan. Currently, the plan contains approximately 75,000 members. Employees contribute 8.28% of their gross compensation through August 31, 2014 and then their contribution rate returns to 7.28%. The employer (school district) matches contributions at the rate of 101%.

In 1998, legislation for a "Rule of 85" benefit was passed. The legislation allows a member who is at least 55 years of age to retire with an unreduced benefit when the member's age and years of total service equal 85. A member may retire with reduced benefits at age 60 if the member has 5 or more years of creditable service.

As a defined benefit plan, lifetime monthly retirement benefits are based on this formula:

Average 3 highest 12-month Periods of compensation	X	Creditable Service Years	X	Formula Factor (currently 2%)

[4] The Public Employees Retirement Board also administers a voluntary Deferred Compensation Plan for state employees. The State of Nebraska does not match employee contributions to the Deferred Compensation Plan.

[5] The School Employees Retirement System includes all school employees in the state of Nebraska except Class V (Omaha) school employees.

Class V School Employees Retirement System (OSERS)

Omaha school employees are members of a separate defined benefit plan which was originally created in 1909 for Omaha teachers. The system has since been expanded to include other Omaha school employees. In 1945 when the School Employees Retirement Plan was created by the Legislature for all of Nebraska's school employees, Omaha school employees chose not to join the statewide school system, and instead retained their separate retirement system which is known as the Class V School Employees Retirement System (OSERS).

NPERS does not administer OSERS; it is administered by a separate Omaha retirement board. The Omaha Board of Education appoints ten trustees to serve as members of the Class V Retirement Systems Board. The trustees, under the direction of the Omaha School Board, contract with their own actuary and make investment decisions regarding the assets of the Omaha school retirement system. The statutes provide that the Omaha school districts, not the State of Nebraska, are responsible for contributing the amount necessary to maintain the solvency of the Omaha retirement system, i.e. the actuarially determined unfunded liability.

Throughout the years, the Legislature has enacted a number of statutes that provide specific annual contribution amounts to the state-administered School Employees Retirement Plan – for example, the service annuity, purchasing power cost-of-living adjustment (COLA) and 1% of compensation. As a matter of equity, the Legislature has determined that these annual general fund contributions should also be appropriated for members of OSERS, though the state does not bear any ongoing funding liability for the Omaha school plan members. NPERS does not administer the OSERS plan, however, it serves as a "pass-through" agency and forwards OSERS' portion of the appropriation to the OSERS Retirement Board.

Judges Retirement Plan

In 1955 the Legislature created the Judges Retirement Plan. Membership for district, Supreme Court, and Workers' Compensation Court judges became effective in 1957. County and separate juvenile judges were added in 1961; municipal judges were added in 1967 and Court of Appeals judges were added in 1991.

Contribution rates for judges vary from 1% to 9% depending upon years of service and selection of optional benefits. Current rates are in effect until 2014 then each rate is reduced 1%. Court fees are currently $6.00 on each cause of action filed in district or county court. Fees revert to $5.00 in 2014. Fees constitute the "employers" contributions to the plan.

As a defined benefit plan, lifetime monthly retirement benefits are based on this formula:

Average 3 highest 12-month Periods of compensation	X	Creditable Service Years	X	Formula Factor (currently 3.5%)

Nebraska State Patrol Retirement Plan

In 1947 the Legislature created the State Patrol Retirement Plan. State patrol employees can retire at age 55 with full benefits if the member has 10 or more years of service. Members may retire at age 50 with reduced benefits but must have at least 10 or more years of service. All members must retire at age 60. Current employee and employer contribution rates are 16%. Contribution rates are higher for State Patrol members because they do not pay into Social Security.

In 2008 the Legislature adopted a voluntary Deferred Retirement Option Plan (DROP) which is available to members who are at least age 50 but less than age 60 with 25 years of service. In exchange for working up to 5 years, DROP allows members to receive a lump-sum amount at retirement in addition to their monthly retirement benefit. Upon entering DROP, a member's retirement benefit is calculated and the member and employer cease making monthly contributions. During DROP, the monthly retirement benefits are deposited into a DROP account and invested.

As a defined benefit plan, lifetime monthly retirement benefits are based on this formula:

Average 3 highest 12-month Periods of compensation	X	Creditable Service Years	X	Formula Factor (currently 3%)

Defined Contribution (DC) Plan: DC plans provide individual accounts for both employee and employer contributions plus earnings for each plan participant. The plan provides benefits solely based upon the value of the employee/plan member's account at termination or retirement. [A DC plan is similar to a 401(k) plan] The state does not guarantee any specific funding amount upon retirement so the employee/plan member bears the full risk for investment decisions and earnings. State and county employees hired prior to 2003 were members of defined contribution plans.

State employees contribute 4.8% of their annual salary. The state contributes 156% of employees' contributions. Currently approximately 7,100 state employees are members of the DC plan.

County employees contribute 4.5% of their annual salary. The county contributes 150% of employees' contributions. County law enforcement officers contribute an additional 1% if they reside in a county with population under 85,000 and 2% if they reside in a county with population greater than 85,000. The supplemental contribution rate is matched 100% by the county. Currently approximately 2,900 county employees are members of the DC plan.

Cash Balance (CB) Plan: CB plans are "hybrid" defined benefit plans that provide for individual accounts which contain both employee and employer contributions. Members receive a rate of return based on the Federal Mid-term rate plus 1.5%. Members are guaranteed a minimum annual rate of return of 5%. The state bears the funding obligation to state employees (not county employees) if investment returns fall below 5%. All state and county employees hired after 2003 are enrolled in CB plans. In 2003 and again for a brief period in 2007, DC state and county plan members were given the option to join the CB plans. Currently, approximately 67% of state employees and 70% of county employees are enrolled in CB plans.

Contribution rates for state and county CB members are the same as state and county DC members. Currently approximately 14,300 state employees and 6,600 county employees are CB plan members.

Legal Analysis of Public Pensions as Contractual Rights

As a framework for reviewing pension funding obligations and the Legislature's limited options to address these funding needs, it is necessary to have an understanding of the constitutional protections that have been afforded members of public pension plans.

Historically, most states, viewed public pensions as mere gratuities that do not vest and could be withdrawn or amended at any time. Today, nearly every state, including Nebraska, has abandoned the gratuity theory and embraced public pension plans as contractual in nature, which provides significantly more protection to public pension plan participants. In some states, a constitutional provision specifically provides that public pension plans create a contract between the state and participant. In other states, like Nebraska, courts have inferred legislative intent to create a contract through an examination of the relevant facts and circumstances. In states where a contract for pension benefits is created by statute or implied by facts and circumstances, courts must analyze any proposed changes to public pension plans under the federal constitution's contract clause or the relevant state constitution's contract clause. [6]

Contract Rights Theory in Nebraska

In 1982, the Nebraska Supreme Court determined that state retirement systems create contracts between the state and its employees who are members of the system. The Court also determined that employee's reasonable expectations of pension benefits are contractual rights, protected under the federal and state constitutions, which vest when the employee remains working or becomes employed under such benefit provisions. [Calabro v. City of Omaha, 247 Neb. 955, 965 (1995) and Halpin v. Nebraska State Patrolmen's Retirement System, 211 Neb. 892, 320 N.W.2nd 910 (1982)].

In Halpin, the Court held that public employees' rights in their pension plans vested prior to their becoming eligible to receive pension payments, based on the fact that other terms and conditions of employment, like salary, were directly affected by the pension plan in effect when the employee took the job. The Calabro Court adopted the California rule as the rule in Nebraska and held that a public employee's constitutionally protected right in his or her pension vests upon the acceptance and commencement of employment, subject to reasonable and equitable unilateral changes by the Legislature.

Impairment of Contract 3-Part Analysis

In determining whether a legislative act or an administrative action unconstitutionally impairs employees' contractual rights under the United States and Nebraska Constitutions the Court undertakes a three-part analysis as described in Calabro. The Court determines "(1) whether there has been impairment of a contract; (2) whether the provisions of the act or the administrative action, in fact, operated as a *substantial* impairment of the contractual relationship; and, if so, (3) whether that impairment is nonetheless a permissible, legitimate exercise of the state's sovereign powers. [Citation omitted.]" Calabro at 968.

Reasonable and Necessity Test

Even if an act or action is deemed a substantial impairment of contract, such impairment may not necessarily be unconstitutional. Halpin, at 901. The act may be constitutional if it is both reasonable and necessary to serve an important public purpose. *Id*. "[T]he application of the tests of necessity and reasonableness requires a much greater degree of judicial scrutiny in cases involving state action which purports to abrogate the state's own financial obligation than in cases involving an impairment by the state of purely private contracts." Calabro, at 969, *citing* Halpin, at 901. "That the maintenance of a retirement plan is heavily burdening a governmental unit has not itself been permitted to serve as justification for a scaling down of benefits figuring in the 'contract' . . ." Halpin, at 902. [Other citations omitted.]

The state may make reasonable changes or modifications to public retirement systems in which employees hold vested contract rights, but changes that result in disadvantages to employees must be accomplished by offsetting or counterbalancing advantages. Calabro, at 970; Halpin, at 901. [Other citations omitted.] In other words, to be reasonable, modifications of the retirement system that result in disadvantages must also confer comparable new advantages. *Id*.

As a result, legislative options to reduce funding obligations in the short-term are limited.

---

[6] *Public Pension Plan Reform: The Legal Framework,* Amy B. Monahan, University of Minnesota Law School Legal Studies Research Paper Series; Research Paper No. 10-13; 2010.

Current Funding Status of Defined Benefit Plans

Recent Investment Losses

Significant investment losses were experienced in 2008 and 2009 due to the decline in the stock market. By the end of calendar year 2008, the market assets of the defined benefit and cash balance plans invested by the Nebraska Investment Council and administered by the Public Employees Retirement Board (PERB) lost $2.1 billion -- a decline of 27.8%. The losses were first reflected in the defined benefit plan year ending 2009 (defined benefit plan years begin July 1 and end June 30). The annual rate of return on market value in plan year 2009 was -19.1%.

Because losses are amortized over a 30-year period, the actuarially determined funding status of the defined benefit plans does not immediately reflect losses (or gains). In addition, a smoothing method is applied, which is an averaging technique used by actuaries to spread variances from the 8% expected rate of return over five years to avoid the year-to-year ups and downs due to marketplace volatility.

Over one billion dollars in investment losses from 2008 and 2009 will be reflected in the pension funding obligations over the upcoming years when the high investment returns from previous years drop out of the five-year smoothing period. These losses are of immediate concern to the legislature because, as noted, pension obligations are contractual rights and thus must be funded.

Actuarial Analysis of Defined Benefit Plans

The state annually appropriates statutorily required contribution amounts to NPERS Program 515 for the defined benefit plans. The annual appropriation is approximately $25 million and includes contributions for benefits such as purchasing power cost-of-living adjustments, service annuities, and 1% of compensation of all school employees.

The PERB is statutorily required to contract with an actuary to conduct annual actuarial analysis of each of the state-administered retirement plans. The annual defined benefit plan actuarial reports are released and presented to NPERS, the Nebraska Investment Council and the Retirement Committee in November.

If the actuarially required contribution rate for a defined benefit plan exceeds the rate of all contributions, the actuary determines the additional funding need. This amount is the difference between the actuarially required contribution rate and the rate of all other required contributions, which include the annually scheduled state general fund contributions which are approximately $25 million, the employee contributions, and the employer contributions.

In 2010 the Legislature appropriated approximately $27.4 million for pension obligations. Based on the defined benefit plan actuarial reports issued in November 2010, which reflect a slightly higher actual rate of return than projected, the pension obligations for the next biennium are $127.8 million.

Five Year Projections of Pension Funding Obligations

Because of the recent investment losses, in addition to the annual actuarial analyses, the Retirement Committee has asked the actuary to annually provide a 5-year projection of funding obligations using modest recovery assumptions.[7]

---

[7] Modest recovery rate of return estimates are: 13.5% in FY2011; 10.0% in FY2012; and 8.0% thereafter.

The projections for 2012 through 2016 reflect the 5-year smoothing of the more than $1 billion in investment losses which have yet to be recognized. The actual amount of the funding obligation in each fiscal year may increase or decrease depending upon the actual rate of return in each fiscal year.

Based on modest recovery assumptions, the projections[8] of state contributions and appropriations for the defined benefit plans are as follows: (These amounts include the annual state contributions of approximately $25 million plus projected unfunded actuarial accrued liabilities.)

FY 2012	$ 80 million
FY 2013	$115 million
FY 2014	$129 million
FY 2015	$142 million
FY 2016	$136 million

Legislative Actions

If an actuarial determined funding need exists, then the Legislature has limited options in meeting the immediate funding obligation:

(1) fund the obligation with a budgetary expenditure paid out of general fund revenues,
(2) increase the contribution rate paid by employees in the plan;
(3) increase the contribution rate paid by the employer; or
(4) a combination of the above options.

Nebraska has a long-standing history of meeting the actuarially-determined unfunded liabilities of each of the state-administered retirement plans. In order to fund increased benefits and meet the funding obligations for each plan throughout the years, contribution rates have been adjusted[9] – most recently in 2009.

School: In 2009, employee contribution rates increased 1% for 5 years from 7.28% to 8.28%, and the corresponding employer/school district contribution rate increased from 7.36% to 8.36% for 5 years. The employer/school district contribution rate is 101% match of the employee contribution rate. The employee and employer contribution rate increases result in approximately $30 million in additional revenue each year.

State Patrol: Member contribution rates increased from 13% to 15% in 2009 and increased again in 2010 to 16%; the employer match was increased from 15% to 16% in 2010. Contribution rates for State Patrol members are higher because they do not pay into Social Security. Each 1% increase in the contribution rate generates approximately $280,000 per year.

Judges: In 2009, employee contribution rates increased 1% for 5 years. The employer contribution rates are funded by fees assessed on causes of action filed in district and county courts. Fees were increased from $5.00 to $6.00 and will revert to $5.00 in 2014. The 1% contribution rate increase generates about $200,000 plus the $1 increase in the filing fee generates approximately $4 million per year.

[8] Appendix A – Five Year Projections of NPERS Program 515 – Defined Benefit Plans
[9] Appendix B – History of Contribution Rates for Judges, State Patrol and School Employees.

Conclusion

Nebraska public pension plans sustained significant losses as a result of the tremendous downturn in the stock market in 2008 and 2009. Remaining losses of over one billion will be reflected in the pension funding obligations over the upcoming years when the high investment returns from previous years drop out of the five-year smoothing period.

These losses are of immediate concern to the legislature because the Nebraska Supreme Court has determined that pension benefits are contractual rights, protected under the federal and state constitutions. The fact that maintenance of a retirement plan is heavily burdening a governmental unit has not itself been permitted to serve as justification for a scaling down of benefits figuring in the contract.

The state may make reasonable changes or modifications to public retirement systems in which employees hold vested contract rights, but changes that result in disadvantages to employees must be accomplished by offsetting or counterbalancing advantages. As a result, legislative options to reduce funding obligations in the short-term are limited.

Appendix A

Five Year Projections** for
NPERS Program 515 --
Defined Benefit Plans

	2010 Approp.	FY 2011 Actual	FY 2012 Proj.	FY 2013 Proj.	FY 2014 Proj.	FY 2015 Proj.	FY 2016 Proj.
SCHOOLS							
Addit. State Contrib	0	18,881,000	48,500,000	81,245,000	99,435,000	116,597,000	112,254,000
Omaha Serv Annuity	919,000	967,000	1,021,000	1,107,000	1,111,000	1,066,000	1,019,000
COLA State^	5,639,235	5,639,235	5,639,235	5,639,235	0	0	0
COLA Omaha	973,301	973,301	973,301	973,301	973,301	973,301	973,000
1% Salary State~	14,857,011	15,439,000	16,057,000	16,699,000	17,367,000	13,546,000	13,149,000
1% Salary Omaha~	2,877,703	2,993,000	3,113,000	3,237,000	3,367,000	2,626,000	1,912,000
Lump Sum	48,674	0	0	0	0	0	0
Retired School	22,042						
Total Schools	**25,336,966**	**44,892,536**	**75,303,536**	**108,900,536**	**122,253,301**	**134,808,301**	**129,307,000**
JUDGES							
Addit. State Contrib	0	0	0	338,000	828,000	1,406,000	1,496,000
Judges COLA^	72,244	72,244	72,244	72,244	0	0	0
Total Judges	**72,244**	**72,244**	**72,244**	**410,244**	**828,000**	**1,406,000**	**1,496,000**
STATE PATROL							
Addit. State Contrib	1,696,000	2,770,000	4,075,000	5,516,000	6,372,000	5,751,000	5,366,000
Patrol COLA^	210,220	210,000	210,000	210,000	0	0	0
LB 137 Appropriation	104,580	105,000	105,000	105,000	105,000	105,000	105,000
Total Patrol	**2,010,800**	**3,085,000**	**4,390,000**	**5,831,000**	**6,477,000**	**5,856,000**	**5,471,000**
TOTAL PROG 515**	**27,420,010**	**48,049,580**	**79,765,580**	**115,141,780**	**129,558,301**	**142,070,301**	**136,274,000**

** Assumes rate of return of: 13.5% in FY2011, 10% in FY2012, and 8% thereafter
~ 1% returns to .7% in 2015
^ COLA scheduled to sunset in 2013

Source: Buck Consultants 5-year Projection Nov 2010

Appendix B

History of Contribution Rates
For Judges, State Patrol and School Employees

Judges

	1955	1957	1969	2004	2009	2014
Employee	4%*		6%***	8%**	Rate plus 1%	Additional 1% ceases
Employer+		$1.00 fee		$5.00 fee	$6.00 fee	$5.00 fee

* Original members, i.e. judges who served prior to December 25, 1969 and retired on or before December 31, 1992, contributed 4% for 20 years and 0 thereafter

** Judges hired after 2004 and judges who select Joint & Survivor Benefit contribute 8% first 20 years and 4% thereafter

** * Future members, i.e. all other judges, contribute 6% during first 20 years and 0% thereafter

\+ The "employer" contribution rates are funded by fees assessed on causes of action filed in district and county courts.

State Patrol

	1947	1971	1975	1995	2004	2005	2009	2010
Employee	5%	7%	8%	10%	12%	13%	15%	16%
Employer	5%	7%	8%	10%	12%	15%	15%	16%

NOTE: state patrol members do not pay social security

School Employees *

YEAR	EMPLOYEE	EMPLOYER
1945 -1950	5% of first $2,400, max = $120/yr	None
1951 -1966	5% of first $2,400 or $3,600 max = $120/ or $180/yr	None
1967-1976	3.50% (all compensation)	20% of employee = .70%
1977	3.50%	45% =1.57%
1978 - 1979	3.50%	55% = 1.92%
1980	3.50%	58% = 2.03%
1981	3.50%	41% = 1.43%
1982	3.50%	45% = 1.57%
1983	3.50%	53% = 1.85%
1984 - 1985	4.80%	100% = 4.80%
1986 -1987	5.40%	101% = 5.45%
1988	49.75% of actuarially determined funding rate = 5.40%	101% = 5.45%
1989	49.75% of actuarially determined funding rate = 5.90%	101% = 5.96%
1990	49.75% of actuarially determined funding rate = 6.18%	101% = 6.24%
1991 - 1993	49.75% of actuarially determined funding rate = 6.52%	101% = 6.58%
1994	49.75% of actuarially determined funding rate = 7.73%	101% = 7.81%
1995	49.75% of actuarially determined funding rate = 7.26%	101% = 7.33%
1996 - 2004	7.25%	101% = 7.32%
2005	7.98%	101% = 8.06%
2006	7.83%	101% = 7.91%
2007	7.25%	101% = 7.32%
2008	7.28%	101% = 7.36%
2009 - 2013	8.28%	101% = 8.36%
2014	7.28%	101% = 7.36%

* School Employees does not include members of the Omaha School Employees Retirement System (OSERS)

Source: Legislative Fiscal Office for 1945-1988; Actuarial Reports for fiscal years 1988-1996; Updates by Kate Allen 1997-2014.