[LB499 LB508 LB596]

The Committee on Nebraska Retirement Systems met at 12:15 p.m. on Tuesday, February 20, 2007, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB499, LB508, and LB596. Senators present: John Synowiecki, Chairperson; Tom White, Vice Chairperson; Philip Erdman; Lavon Heidemann; Russ Karpisek; and LeRoy Louden. Senators absent: None. []

SENATOR SYNOWIECKI: I'd like to welcome you to the public hearing for the Nebraska Retirement Systems Committee today. I'm John Synowiecki. I'd like to first introduce members of the committee. To my far right is Mr. Donn Jones. He serves as the committee actuary. Next to him is Senator LeRoy Louden. He'll be joining us as the hearing proceeds. Next to Senator Louden's chair is Senator Tom White. Senator White serves as vice chairperson of this committee. To my immediate right is Jeremy Nordquist. He serves the committee as research analyst. To my immediate left is Senator Phil Erdman. He serves Bayard, Nebraska and the surrounding area in the Legislature. Next to Senator Erdman is Senator Lavon Heidemann from Elk Creek. And next to Senator Heidemann is Senator Russ Karpisek from Wilber, Nebraska. Laurie Vollertsen, to my far left, serves as the committee clerk. Appreciate you attending the hearing today. If you do plan to testify on a bill, I would ask that you fill out the sign-in sheets that are located on the tables by both of the entrances to the committee room. If you do testify, please place that sign-in sheet in the box there on the testifier table. Print your information legibly please. Following the introduction of each bill this afternoon--we have three bills that we will hear: LB499, LB508, and LB596--I will ask for a show of hands to see how many people plan to testify on each bill. We will first hear proponent testimony, followed by opponent testimony, and then any neutral testimony for each individual bill. When you come forward to testify I would ask that you please spell your first and last names. We are developing a record and that assists Laurie with the development of that record, if you could please spell the spelling of both your first and last names. I would remind you that this is a public hearing. Cell phones are not allowed. If you have a cell phone, please disengage the ringer mechanism. Reading someone else's testimony is not allowed; however, we will accept any written testimony from the public. With that, we will proceed to our first bill this afternoon. It's LB499 introduced by Senator Tom White. Senator White. [LB499]

SENATOR WHITE: Good afternoon, Senator Synowiecki, members of the committee. Thank you for allowing me the opportunity to introduce LB499. The following constitute the reasons for this bill and the purposes which are sought to be accomplished by it. Section 1 of LB499 would correct an inequity that arose five years ago with the state's treatment of the Omaha School Employees' Retirement System, OSERS, relative to the state treatment of the Nebraska School Employees' Retirement Systems--I'll call it the Nebraska system. It had been the practice of the Legislature for over 60 years that when General Fund revenues are contributed to the Nebraska system, the Omaha system would be treated equitably since those were state funds, not district and member contributions. But in 2002, a law was passed--it's now in statute, 79-966.01--which stated that if the Nebraska system board certifies that it does not have sufficient contributions to cover the actuarially required contributions that the state will, from the General Fund, provide supplemental funding to the Nebraska system, but it does not so provide for the same consideration to the Omaha system. The effect of this is that the state collects tax revenue from the Omaha Public School residents, but excludes them when distributions are made for the teachers retirement systems. The first section would provide that if the Legislature determines that a payment to the Nebraska system is necessary, that that payment will be computed as a percent of payroll. If the Omaha system certifies that it also needs additional funds to meet its actuarially required contributions then the state will contribute to the Omaha system the same percent of payroll as was paid to the Nebraska system. What this requires essentially is that teachers and the obligations to make sure that their retirements are secure shall be treated equally across the geography of the state. In other words, if we are taking state funds to ensure what is clearly, in my mind, perhaps the greatest priority we have and that is to keep the promises that we make to those who educate our young, then that promise must have the same value whether it is to be kept in Scottsbluff or Lincoln or Omaha. That is the first section of the statute. The second statute is a technical section. Let me explain what we intend by it. But in terms of the actual numbers and how they've arrived at it actuarially, I am not equipped to accurately answer. There will be those who will follow me who can answer such technical questions. Section 2 of LB499 addresses the Omaha system's contribution rates for both the employees and the Omaha School District since these rates are set in state law. And note again, the rates are set in state law even for the Omaha system. Currently, those rates are 6.3 percent for the employees, and for Omaha Public School the greater of 100 percent of the employee contributions or the amount necessary to maintain the solvency of their retirement system. The contribution rates proposed in this bill are 7.3 percent for the employees with the school district contributing the greater of 101 percent of the employees contributions or the amount necessary to maintain the solvency of the system. These amounts have been determined by the system's actuary to provide solvency for the foreseeable future. We ask this committee to advance the bill to the floor. This is a bill that is designed, first of all to keep the promises we have made to those who have taught our young, but also is forward looking and is designed to keep us on a sound fiscal footing, making the investments today that we know are going to be necessary tomorrow. Thank you and I will try to answer any questions to the extent I am able. [LB499]

SENATOR SYNOWIECKI: Thank you, Senator White. Any questions from the committee? Senator Erdman. [LB499]

SENATOR ERDMAN: Senator White, not to bring you into an old discussion, but if we have the philosophy that all employees who are school employees should be treated the same, should the state administer all the retirement plans? [LB499]

SENATOR WHITE: No, I don't think that's necessary and I would say the issue is not that all should be treated the same, but that if we're using state funds and then they should have equal access to state funds since they are all residents of the state. If, for example, OPS wanted, in order to attract and hold teachers in inner city schools which may be less easy than, let's say, in a rural area, they want to offer a higher level of benefit and they're paying for that. I have no problem with that. The concern to me is that all residents should have the same consideration for state funds. [LB499]

SENATOR ERDMAN: And I hear that in your testimony. I know Mr. Smith will be here to share with us the success that the Omaha School Employees' Retirement Systems has experienced compared to probably the state's, but there is that tension of whether someone else is managing the funds and candidly they've done an exceptional job from the information they've shared with the committee. There is some question then about the state assisting in that, but I think it's a fair discussion to have and I'm glad you've brought the bill back since Senator Bourne wasn't able to. [LB499]

SENATOR WHITE: Yes, Senator Bourne lives on I understand. Thank you for your courtesy, Senator. [LB499]

SENATOR SYNOWIECKI: Thank you, Senator Erdman. Any additional questions from the committee? Seeing none, thank you, Senator White. Can I see a show of hands first to see how many people intend to testify on LB499? I see two. We'll now entertain proponent testimony. Proponent testimony for LB499. Mr. Smith. [LB499]

MICHAEL SMITH: (Exhibit 1) Good afternoon, Senator Synowiecki, members of the committee. My name is Michael Smith, M-i-c-h-a-e-l S-m-i-t-h. I'm the executive director of the Omaha School Employees' Retirement System and I'm here on behalf of the Omaha School Employee's Retirement System and the Omaha School board and members of that retirement system to ask your support for LB499. Since 1995, contributions needed to fund the benefits for the Omaha School Employee's Retirement System have been 6.3 percent of pay made by the employees combined with a matching 6.3 percent of pay by the school board with an additional approximate 1 percent from the state of Nebraska. However, beginning in the 2002-2003 school year, in order to maintain the solvency of the system, the school district has been faced with a steadily rising contribution rate starting out at 7.23 percent of contributions of pay going up to the current year of 9.3 percent of pay in order to maintain the solvency. This dramatic rise in funding has been the direct result of the investment market declines that we all experienced in that 2000-2003 period. Historically, the members and the school district have shared the funding of the retirement benefits on a more or less equal basis and LB499 would restore that balance between member and school district. This legislation request beginning with the September 1, 2007 year, member contributions will go up to 7.3 percent of pay. School district contributions will be not less than 101 percent of member contributions. And that would provide the resources necessary to provide for the funding necessary to maintain the solvency of the plan. Another portion of LB499 requests equity for the taxpayers within the city of Omaha. Five years ago, the Unicameral passed into law changes to Section 79-966 and 79-966.01. These changes you've already heard indicate that if the state retirement system certifies that they do not have sufficient contributions from the members and the school districts to provide for the actuarially required contribution rate that the actuary indicates then state dollars--income, sales tax, general revenue dollars--will be paid into the plan. And over the last two years that's exactly what happened with $28 million of sales and income tax revenues contributed to the state plan. The inequity has arisen because these taxes are also paid by Omaha as well as they are by the rest of the Nebraskans. And yet, no comparable supplementary payment was made to the Omaha plan. In other words, the taxpayers of the city of Omaha provided supplemental funding to the Omaha plan through their taxes to the Omaha Public School District and they provided supplemental funding to the state teachers' plan through their general sales and income taxes that they paid. In other words, they had the privilege of contributing twice. LB499 would establish both the Omaha plan and the state plan on the same basis. If at some point in the future the Unicameral determines that a supplemental payment to the state plan is required, then that same contribution as a percent of payroll will be made to the Omaha plan. Now I think you're aware that the state's actuary has indicated that there is no supplemental funding needed for this year for the state plan, and therefore there is no fiscal impact of this particular equity provision. And if in the future, member and school district contributions continue to be sufficient so that the state doesn't need to put any supplemental money in, then this provision has no future fiscal impact either. The basis for this request is quite simply equity. The equitable funding that began 60 years ago with both the Omaha and the state plan and that had continued without exception for over six decades until these last two or three years. I urge your advancement of LB499 and I certainly would be happy to address any questions that you might have of me. [LB499]

SENATOR SYNOWIECKI: Questions for Mr. Smith? Senator Erdman. [LB499]

SENATOR ERDMAN: Mike, thanks for coming back. Let me ask you practically on how this works, because either it just dawned on me or I maybe didn't understand it. In the event that OSERS has a shortfall this bill wouldn't give them that contribution. It's only if we have a contribution that's lost or a... [LB499]

MICHAEL SMITH: The Omaha system has never in any of the attempts to move this along ever asked for money on its own--stand alone. This is only an issue of if the state takes dollars and supports the state system then that would trigger a response to the Omaha system, not the reverse. [LB499]

SENATOR ERDMAN: And the trigger doesn't happen regardless of whether...the trigger happens regardless whether you need the contribution or not. Is that accurate? [LB499]

MICHAEL SMITH: That's the request of this bill, because quite simply we are asking for our local contribution rates to go up high enough such that we can see ourselves funding ourselves on into the future. So that's the reason for the first part of the bill is very simply we don't want to depend on state dollars to fund us. We're depending on member and school district dollars to fund us. And the trigger is based on what happens at the state level not what happens at the Omaha level. [LB499]

SENATOR ERDMAN: And in the bill, as I understand it, you're asking for an additional contribution from the employees? [LB499]

MICHAEL SMITH: Correct. [LB499]

SENATOR ERDMAN: And there is no subsequent benefit begin provided to them? [LB499]

MICHAEL SMITH: That is correct. [LB499]

SENATOR ERDMAN: And I'm assuming that's something... [LB499]

MICHAEL SMITH: Well, let me I guess adjust that. If you believe that a well-funded solvent perpetually well-funded plan is a benefit as I do, then there is a commensurate benefit. There is not a benefit enhancement as it would normally be interpreted... [LB499]

SENATOR ERDMAN: There you go. [LB499]

MICHAEL SMITH: ...but there is a benefit because we're going to have a plan that can pay for itself. [LB499]

SENATOR ERDMAN: It's a good argument. I don't think the courts bought it in the judge's case, but a certain senator that's with us can speak more of that. But as I understand it then, is there a need because I don't believe we receive a copy of your actuarial studies, is there a need currently for the OSERS plan to have a contribution or is this...I guess I'm seeking to understand typically the bills like this come trying to enhance the equity issue of if we put in money for the Nebraska retirement system something should go into Omaha's plan. Now you have a contribution rate increase as well. I'm having a hard time tracking on the fiscal note whether you actually require a contribution rate to be solvent or not. And so I'm just trying to... [LB499]

MICHAEL SMITH: Understood. And the easiest way to look at that is this year the school district is having to contribute 9.3 percent of payroll to maintain the solvency. Therein is the inequity that we're attempting to solve with the employees at 6.3 and the school district up to 9.3. We've done the long range studies and it shows us very simply that we do need to move this up to a 7.3/7.37, which is the 101 percent level, in order to maintain that equitable balance between employee and employer contributions, and the funding necessary to maintain the promises that we've made. [LB499]

SENATOR ERDMAN: And those rates accomplish that goal? [LB499]

MICHAEL SMITH: That is correct. [LB499]

SENATOR ERDMAN: That reduces the disparity between the 6.3 and the 9.3. Those two numbers--the 7.3/7.37 and the 7.3 get you to where you need to be. [LB499]

MICHAEL SMITH: That is correct. Yes. [LB499]

SENATOR ERDMAN: Okay. Thank you. [LB499]

MICHAEL SMITH: You're welcome. [LB499]

SENATOR SYNOWIECKI: Mike, is there a sense of urgency here relative to the solvency issues with the Omaha plan in Section 2 on the participants' increase, contributions? [LB499]

MICHAEL SMITH: I would say yes. Right now, this 9.32 percent of pay that the district is faced with that means that this year in addition to the 6.3 percent of pay that they're contributing, they're going to have to come up with another $7.5 million from some source. That's difficult in a situation where you have a lid placed on all districts throughout the state in terms of what they can not only receive, but also what they can spend. So to continually be faced with these supplemental payments from the school district, at the same time they're having a difficult time with the notion of where the funding is going to come from. Yeah, there is an urgency aspect to it. [LB499]

SENATOR SYNOWIECKI: And is there a level of buy-in from the rank and file teachers in Omaha... [LB499]

MICHAEL SMITH: Absolutely. [LB499]

SENATOR SYNOWIECKI: ...to this increased rate? [LB499]

MICHAEL SMITH: Yeah, nothing comes down here until we have consensus at the local level. [LB499]

SENATOR SYNOWIECKI: Okay. [LB499]

MICHAEL SMITH: That's the nature with which we operate the plan. [LB499]

SENATOR SYNOWIECKI: Senator Erdman had questioned relative that we have two existing state retirement plans. Omaha is separated out. For the benefit of particularly the new members of the committee, can you give us a quick thumbnail perspective? As I understand it, Omaha has predated the state retirement system relative to... [LB499]

MICHAEL SMITH: I can. As I understand, the Omaha School Employees' Retirement System is the oldest operating school retirement system in the United States. It started in 1909. There have been others that predated us. They no longer exist. That's why I referred to it as an operating system. The state of Nebraska chose to start a retirement system for school employees, if my memory is correct, in 1945. Now at the time that the state chose to start their retirement system, the decision was made that the Omaha system was capable of sustaining itself on a stand alone basis. It wasn't too small to be efficient and that's really the issue at hand, and we continue to operate on a very independent basis in the sense of being able to be responsive to the needs of our members. As an example, in addition to what you see me doing here and in addition to my involvement in administering the investments for the plan, I counsel with every single member before they retire as to what their benefits are, whether this is the right year for them. I mean, it's a very personal kind of operation. And the district and the employees have benefitted as a result of that personal nature of the retirement plan. As Senator Erdman had commented, our investments have been very, very successful. Through December 31, just to give you a case in point, our trailing one year numbers were 16.8 percent on our portfolio. And that's been what has been helpful to us to be able to help fill in the gap that occurred in that 2000-2003 period as the investments were not what they needed to be. We've been able to turn that around and actually start filling that hole in with good investment performance. But the history of it is very simply we've been in existence for 98 years at this point in time and have been able to provide the benefits to our members, provide the personal service to our members, provide the efficiency of government. There are literally...I mean, we have a billion dollar plan. We've got 10,000 members and there are four of us. Four of us who administer the plan. So we work our tails off to try and be efficient. Simple as that. [LB499]

SENATOR SYNOWIECKI: Mike, I just have one more question. The proposed contributions rate for the teacher under Section 2 of the bill, how does that compare with the state plan? [LB499]

MICHAEL SMITH: Currently, the state plan has what I'll refer to as a base rate of 7.25 percent of pay. Over these last two years, the state plan had a temporary increase in the employee contribution. See if I have that. It looks to be 7.98 this particular year. Last year, the state was 7.83. Starting in '07 that will drop back to 7.25 barring any changes that this body chooses to make. And that's factually the issue. Practically speaking, the reason that we're asking for these rates really has nothing to do with what the state is doing or not doing. It has everything to do with the actuarial evaluations that we've produced and the forward funding analysis that we've produced ask us how can we provide the appropriate funding to make this plan long run solvent. [LB499]

SENATOR SYNOWIECKI: Thanks, Mike. Any other questions from the committee? Senator Heidemann. [LB499]

SENATOR HEIDEMANN: I'm one of the new ones to the committee so I'm trying to get up to speed and understand things. You had mentioned that you're at 9 percent right now? [LB499]

MICHAEL SMITH: The school district is going to need to contribute 9.32 percent of pay this year in order to keep us in balance, in solvency. Now the employee is at 6.3. [LB499]

SENATOR HEIDEMANN: And when you think about TEEOSA wouldn't that be picked up as on the needs side and factored into the needs calculation, and in essence, the state is picking up part of that anyway? [LB499]

MICHAEL SMITH: Currently, I don't understand that that is the case, but I would defer to Dennis Pool who would be the chief finance officer of the district and I don't believe that he's here today to address that question, so I'm going to have to unfortunately just say I don't know. [LB499]

SENATOR HEIDEMANN: Okay. [LB499]

SENATOR SYNOWIECKI: Thank you, Senator Heidemann. Any additional questions from the committee? Seeing none, thanks, Mike for your testimony today. Additional proponent testimony on LB499. [LB499]

HERB SCHIMEK: Mr. Chairman, members of the committee, my name is Herb Schimek, H-e-r-b S-c-h-i-m-e-k. I represent the Nebraska State Education Association and also approximately 3,000 of our members are in Omaha in the Omaha system. So we are here in support of the bill. That's my testimony. [LB499]

SENATOR SYNOWIECKI: Thanks, Herb. Any questions from the committee? Seeing none, thank you for your abbreviated testimony today. [LB499]

HERB SCHIMEK: Thank you. [LB499]

SENATOR SYNOWIECKI: Additional proponent testimony for LB499? Seeing none, opponent testimony? Seeing no opponent testimony, neutral testimony, LB499? Seeing none. Senator White waives closing. That concludes the public hearing for LB499. We'll now move to LB508, Senator Pahls to introduce. [LB508]

SENATOR PAHLS: (Exhibit 2) Good afternoon, Chairman and members of the committee. My name is Rich Pahls, R-i-c-h P-a-h-l-s. I represent District 31. Today I come forward to discuss LB508. We believe an adequate competitive salary is important when trying to recruit and retain good employees, but benefits must also be competitive. We have a responsibility to ensure the benefits provide some flexibility for members who become disabled. We have responsibility to adequately provide for surviving spouses who may rely on benefits that become available. It has come to my attention that the time lines we provide in statute for teachers and judges are not adequate for individuals who must make decisions regarding benefits for surviving spouses or for members who have become disabled. LB508 extends the time line for these decisions to be made from 120 days to 12 months. We also make adjustments to the options that are available to conform to the time line changes. Since I introduced this bill, I have been contacted by persons who have requested that the provisions of the bill relating to surviving spouses be made retroactive 12 months. I have drafted the amendment and I offer it to the committee for your fair consideration. Now if you have any detailed questions about the bill I invite you to experts who will follow my testimony. You may also hear some stories of the individuals who missed out on the current deadline because of their unfortunate circumstances. As you probably understand this is a time of stress when some of these decisions must be made. That would conclude my... [LB508]

SENATOR SYNOWIECKI: Thank you, Senator Pahls. Questions from the committee? Does your bill allow for a level of retroactivity to... [LB508]

SENATOR PAHLS: The amendment. [LB508]

SENATOR SYNOWIECKI: The amendment does. [LB508]

SENATOR PAHLS: Yes, yes. [LB508]

SENATOR SYNOWIECKI: Okay. All right. Thank you. Seeing no questions, we'll...first of all, how many individuals plan to testify on LB508? Can I see hands please? Seeing two. Now we'll accept proponent testimony for LB508. Proponent testimony. Welcome. [LB508]

GREG FOX: (Exhibits 3 and 4) Thank you. My name is Greg Fox, G-r-e-g F-o-x, and first of all, I'd like to thank you for the opportunity to be here today. I do have a couple of handouts. This is really not so much about me, but more about my wife who died of ovarian cancer. In September 2005, my wife Mary had been in hospice care for about five months. At that time, we received a letter from PERB and some enclosed materials that outlined a monthly payment program along with a possible lump sum. This was for disability. And the letter stated we had one year to make application for benefits. On January 30, after almost 10 months in hospice care, my wife passed away. I had spent about 10 months being with her on a daily basis, sometimes even sleeping in her room. After her death, I turned my attention to family matters and medical bills and things that I had kind of let go for 10 months. We weren't two people planning a retirement at our leisure. We were two people dealing with death. In late February 2006, another PERB letter arrived with similar monthly payment plan information. A letter, two pieces of paper, along with some accompanying pages that outlined the monthly payment plans, along with information on lump sum settlement. In March, I took these materials to two people who are involved with Millard who are investment advisors to get some recommendations. In late May, I asked for those materials back. At that point, in early June, I discovered that there was a May 29 deadline. At that point I had missed the deadline by, I believe, four to five days. So I immediately contacted the Nebraska Public Employees Retirement System Office and spoke from one person to another until after about a week I ended up speaking to Anna Sullivan. I thought that based on the first letter, my error, that there was a one-year time period to make the decision between lump sum and monthly payments. I did not realize--and you have a copy of the first piece of paper of the two pieces of paper letter--I did not realize that on the back side of that letter was the indication that there was 120 day deadline. Neither the envelope mentioned time sensitive materials nor was that mentioned on the first page of that letter. If you look at the flip side of that letter, the most prominent copy on the back of that page has to do with three lines that are not related to the deadline. I had missed the deadline by only a few days and am simply asking for the freedom to choose between the two options--between lump sum versus monthly payment. I understand the statute. I understand that I missed it. I'm not arguing that at all. The materials received in that February letter are not really consumer or user friendly in terms of warning of a deadline. Again, time sensitive materials is not imprinted anywhere on the first two items. In other words, the envelope or the front of the first page of the letter. The pagination doesn't even direct the reader to a flip side. And just as a sample, I took this letter to two attorneys to see how they reacted to it. They missed that flip side of the first letter as did the investment people. So in short, all those who reviewed these documents missed that. PERB, I think, represents all of its members and stands to benefit its members. The end result of this is that someone gets penalized. If you used a metaphor of does the punishment fit the crime, I think missing a four day deadline and what that ends up meaning to me is pretty severe. My wife and the district paid in and it's my hope that we can receive. I've already lost my wife. We met in high school. We were together almost 40 years. I really don't want to lose what her life's work represents. A $74,000 lump sum sounds like an attractive amount of money, but a $1,600 monthly payment would come to me and that $74,000 would come to me in less than four years. So it's a significant loss. Lastly, and I know this was already spoken to, I initially started this process because I didn't want this to happen to anyone else, but recently I understand that it could benefit me. And I think in order for that to happen--I would have to check this out on a calendar--that it might have to be retroactive to January of 2006. I'm not positive. Maybe not. Maybe the May 29 deadline would kick in. Maybe the original amendment would help me. But in summary, those are my comments. I don't think that when the statute was made, I don't think any legislator knew that this would be the fallout. And I don't expect people to be able to look into a crystal ball and know exactly where it's going to go, but this is how it's affected one family and I really appreciate the opportunity to speak to you today and I appreciate the fact that hopefully this will be changed. And I'd entertain any questions. [LB508]

SENATOR SYNOWIECKI: Thank you, Mr. Fox, for your testimony. Any questions? Senator Erdman. [LB508]

SENATOR ERDMAN: Thank you for your testimony. Appreciate you being here and we're sorry for your loss. [LB508]

GREG FOX: Thank you. [LB508]

SENATOR ERDMAN: As I understand the amendment, it only goes back 12 months from the effective date of the act. And this is probably more for Senator Pahls than you, but just so that it's on the record. There is no emergency clause in the bill. And so realistically we're looking at September 1 of 2007. So that means that anybody that would have found themselves in the circumstance that you are after September 1, 2006 would be eligible for this option, but anybody prior to that, as I read the amendment, still wouldn't have the option to rectify the situation you find yourself in. So maybe the amendment needs to be looked at. And obviously there's some considerations there. But I think your understanding of the bill is accurate that it may not reach as undoing the situation you find yourself in, but I wanted to make sure that at least from my non-legal reading that I seem to share your observation. [LB508]

GREG FOX: Thank you. Thanks. [LB508]

SENATOR SYNOWIECKI: Any additional questions from the committee? Mr. Fox, just so I understand, as a result of your inaction within that 120 day deadline, you received automatically the lump sum payment rather than the monthly payment? [LB508]

GREG FOX: I haven't taken it yet. [LB508]

SENATOR SYNOWIECKI: Okay. [LB508]

GREG FOX: So I've been operating a two-income household on one income while this has been pending. No, I did not take the lump sum. [LB508]

SENATOR SYNOWIECKI: Okay. So what, can I ask, what is the status now then with the balance of your wife's funds? [LB508]

GREG FOX: Rather than take that lump sum, I decided not to take it yet while I tried other avenues including the legislative solution. [LB508]

SENATOR SYNOWIECKI: I see. Okay. [LB508]

GREG FOX: For others. [LB508]

SENATOR SYNOWIECKI: Okay. Thank you, Mr. Fox. [LB508]

GREG FOX: Thank you. [LB508]

SENATOR SYNOWIECKI: Appreciate your testimony today. Thank you. [LB508]

GREG FOX: Thank you very much. [LB508]

SENATOR SYNOWIECKI: Additional proponent testimony for LB508. [LB508]

HERB SCHIMEK: (Exhibit 5) Members of the committee, my name is Herb Schimek, again representing the Nebraska State Education Association. That's spelled H-e-r-b S-c-h-i-m-e-k. We want to speak in favor of LB508. We think that new deadlines that are in the bill make sense. We'll be very willing to work with the committee if they need to make small amendments to the bill and would work on the bill when it comes out of the committee. If you have any questions I'd be glad to answer those. We saw in the fiscal note that they thought there might have to be a actuary report. We've answered that question, we think, in the written testimony so not to take your time. [LB508]

SENATOR SYNOWIECKI: Thank you, Mr. Schimek. Any questions? Senator Erdman. [LB508]

SENATOR ERDMAN: Herb, is this situation that we find ourselves in with this option, is this a, more than Mr. Fox's circumstance, obviously representing teachers you would hear some of these... [LB508]

HERB SCHIMEK: There have been some other people that have fallen through the cracks. I think we had one individual who actually was in a coma for over a year and so couldn't apply within that year. So there's different things of that type to come up. Now this is not many people. This is really unusual. [LB508]

SENATOR ERDMAN: Is generally the situation that comes up similar to Mr. Fox's... [LB508]

HERB SCHIMEK: Yes. [LB508]

SENATOR ERDMAN: ...and that is that you miss the deadline as opposed to other circumstances? [LB508]

HERB SCHIMEK: People get wrapped up with their lawyers and all the forms and things they have and they simply do not notice the 120 days. [LB508]

SENATOR ERDMAN: And the one--and just Senator Pahls may be the better person to ask, this is my last question--is the one year consistent with other options? Is that kind of a year that we just pulled out of our head? Is that sufficient time? [LB508]

HERB SCHIMEK: We picked a year out of the air to be blunt. [LB508]

SENATOR ERDMAN: Okay. Thank you, sir. [LB508]

SENATOR SYNOWIECKI: Any additional questions? Senator White has a question. [LB508]

SENATOR WHITE: Mr. Schimek, it doesn't cost the plan anything if this election is delayed as long as the money has remained in the plan. Is that correct? [LB508]

HERB SCHIMEK: That's what we feel. [LB508]

SENATOR WHITE: So really on one level we could simply make it an option that they can elect at any time until such time as they either withdraw the lump sum or they make the election for the annuity. At that point it's irrevocable and it doesn't hurt the plan, correct? [LB508]

HERB SCHIMEK: Correct. [LB508]

SENATOR WHITE: So this could be 10 years and it doesn't negatively affect the plan in any way. [LB508]

HERB SCHIMEK: I don't think so. The plan probably would be collecting interest on that money. [LB508]

SENATOR WHITE: Thank you. [LB508]

SENATOR SYNOWIECKI: Additional questions? Seeing none, thank you, Herb. [LB508]

HERB SCHIMEK: Thank you. [LB508]

SENATOR SYNOWIECKI: Additional proponent testimony for LB508? Seeing none, opponent testimony? Opponent testifiers for LB508? Seeing none, neutral testimony? Seeing no neutral testimony, Senator Pahls do you wish to close? [LB508]

SENATOR PAHLS: I will make this short. Again, I'm willing to work with you on the amendment if it does need. And I like your suggestion, Senator White. Just want us to think about these individuals have contributed a good deal of their life of helping people and sometimes they get caught up in lots of things are going on in a person's life, and I think if we can take a look at the statute and change some of those time lines I think we would make this a better world. Thank you. [LB508]

SENATOR SYNOWIECKI: Thank you. Any questions? Seeing no questions from the committee, that will conclude the hearing for LB508. We'll now begin the hearing for LB596. Senator Kopplin, I did see him. There he is. Senator Kopplin to open on LB596. [LB508 LB596]

SENATOR KOPPLIN: (Exhibit 6) Senator Synowiecki and members of the committee, my name is Gail, G-a-i-l Kopplin, K-o-p-p-l-i-n, and I represent the 3rd Legislative District. I'm before you today to introduce LB596. This bill would provide an increase in benefit payments to retirees of the Nebraska School Employees Retirement System and the Class V School Employees Retirement Plan. As the bill is written, this increase would generally apply to our more elderly retirees whose pensions are wholly inadequate. Statute already provides that current benefits paid to a member are adjusted so that the purchasing power of the benefit is not less than 75 percent of the purchasing power of the original annuity. The increase is tied to the Consumer Price Index for urban wage earners and clerical workers. LB596 would provide a one-time adjustment to 90 percent of the annuity that results when the original annuity is adjusted by the increase in the same Consumer Price Index for the period since the beginning of the annuity in June 30, 2007. This would affect those beneficiaries whose current retirement benefit is below the 90 percent floor which would be those elderly retirees. In the school employee system, this includes 571 retirees over age 90 whose average annual pension is $4,253. As is required by statute, I'm introducing this bill during the 90-day session and an actuarial study has been completed by Buck Consultants, and that was handed to you just now. There's a number of people here to testify including Bob Kuhn who worked with the Internal Revenue Service on this issue and who can probably best answer any technical questions. But, of course, I will try to answer any questions the committee may have of me. Thank you. [LB596]

SENATOR SYNOWIECKI: Thank you, Senator. Any questions from the committee? Seeing none, thank you, Senator Kopplin. How many individuals plan to testify on LB596? Can I see a show of hands, please? I see five, six testifiers. We will now accept proponent testimony on the bill, proponent testimony, LB596. [LB596]

ROBERT BUSSMANN: (Exhibit 7) Senator Synowiecki and members of the Retirement Committee, my name is Robert Bussmann, R-o-b-e-r-t B-u-s-s-m-a-n-n. I am president of the Lincoln Area Retired School Personnel and represent 332 members in our local association. Twenty-eight of our members are in the 88-age-plus category with our oldest member being 100 years young. Affiliated with the Nebraska Association of Retired School Personnel and the National Retired Teachers Association, the educational community of AARP, I'm speaking today in support of LB596 which, if passed through the legislative process, would increase the pension benefits for our older retired teachers who have lost a significant amount of purchasing power with their original benefits. All of us have traveled the education route from youth to our selected vocations. And for each of us in this hearing room today, that route has probably been different. But for each of us there is a commonality in that we have had a teacher or possibly more than one teacher that has had a definite impact on our lives and who and what we are and where we are today. In 2004, AARP Nebraska and the Nebraska Association of Retired School Personnel collaborated on a project and this project is in this booklet entitled "Shortchanged: Living with Low Teacher Pensions in Nebraska." There are profiles of 12 educators from across our state that are cited within this particular report. Today three of those retirees reside in the city of Lincoln, and I would like to give you just a brief thumbnail sketch of each of these individuals and as the 2004 report indicated as to what their pension and benefits were. Evelyn, age 87, has a bachelor of science in education degree. She was an educator for 27 years and her monthly pension is $160. Quoted in the booklet, Evelyn says there is a great need to increase pensions. Without my husband, who is on a federal retirement plan, I would not be able to live in this nice home in this nice community. Nebraska is not treating its teachers well. Edna, in 2004 was 95 years of age, has a bachelor's degree, and was an educator for 32 years and her monthly teacher pension is $186.96. Quoted in the booklet, I don't see why there's not enough money that we would get more. There's just a small group of us. And the third individual residing in Lincoln is Bill, age 85 in 2004, with a master of secondary education degree, an educator for 35 years, and a monthly teacher pension of $560. All these, of course, again are in 2004 and we're at three-plus years later. Bill quoted in the booklet, it's not fair, that is of his pension. I grew up with the concept of fairness. You'll have an opportunity in a few minutes to hear more from this former football coach, history and driver's education teacher, director of activities, dean of boys and vice principal. Still referred to today, you will hear Bill's name mentioned as Coach Pfeiff, definitely a name synonymous with Lincoln High School, a highly respected educator that has touched many lives, just like Evelyn, Edna, and many other of our older retired educators across this state. Most recently, the Lincoln Board of Education approved the naming of the football field at Lincoln High School just due east of this Capitol as Bill Pfeiff Field. In conclusion, just as Edna indicated, there's a small group of us. If an increase for these individuals' retirement pensions doesn't come soon, for most of them it will be too late. Is this the concept of fairness that Bill grew up with? [LB596]

SENATOR SYNOWIECKI: Thank you, Mr. Bussmann, for your testimony. Any questions on behalf of the committee? Seeing none, thanks again for your testimony. [LB596]

ROBERT BUSSMANN: And I introduce to you Bill Pfeiff. [LB596]

SENATOR SYNOWIECKI: Coach Pfeiff to testify as a proponent to LB596. [LB596]

BILL PFEIFF: My name is Bill Pfeiff, Bill you can figure out, Pfeiff, P-f-e-i-f-f. I've been called a lot of things so there's no matter too much. I appreciate your taking time and concern, people in my classification and so on. I'm one of the old-timers that would experience some relief in regard to this. I spent a lot of years in the education field, and if I had it to do over again, I'd do the same thing. The next best thing to being young is to be around young people I assure you that. I won't go through my various assignments and so on, but a good share of the years were spent in regard to behavior. And I found out one major conclusion: that young people were concerned about being treated fairly. That's something that has hit me and through my life was very important. When I did retire in 1980 after I believe it would be 40 years, I got hit with the retirement system that kind of benched me that I didn't qualify. I couldn't figure out why. I'd had ample years surely, and they were pretty positive years. I look at some young people now, I call them young because they're a lot younger than I am, that are drawing twice what I am drawing in retirement. And I'm probably one of the highest in the age bracket that I represent and yet these people did not have the positions or so on that are retiring much earlier and so on. My comment again is toward the word fair. And I would certainly be one of those that would appreciate your positive consideration in terms of that. If all goes well, next month I'll cross the 89-yard line, and I hope there's a couple more yards ahead, and I won't be bothering you much more because I was here about four or five years ago. And I'd like to think I might get back so I would appreciate your positive consideration. You're the first group that's listened to me for a long time. (Laughter) I appreciate that. Thank you. [LB596]

SENATOR SYNOWIECKI: Coach. Any questions for the coach from the committee? Seeing none, Coach, thanks for your testimony today. Wish we can bring you out of retirement. We need you at South High on the football team, needs a lot of work. Thank you. Additional proponent testimony. [LB596]

JANET HIBBS: Senator Synowiecki and rest of the people on the committee, Senators, I'm Janet Hibbs, J-a-n-e-t H-i-b-b-s, and I am from Hastings, Nebraska. And I'm copresident of the Nebraska Association of Retired School Personnel, and I'm here to bring out some of the personal issues involved with this bill also. I retired after 43 years in education, most of them in kindergarten, then I went into the opposite end into administration. And, you know, they say that you know you're growing old when you get the same sensation from sitting in a rocking chair that you used to get from a roller coaster. But I don't feel that way and you're going to find out most of these retired teachers are not sitting in rocking chairs and they are out doing things. And that's what I really want to present to you is some of the things that these teachers are doing. And I'm going to tell you a little bit about one of the teachers in my hometown, Tillie Stevens, and she's in the book that you will be receiving. I went out to see her Sunday and talked to her a little bit. She's 91 and she's still very active and does lots and lots of things. She'd do more except that she has got a problem and has to use a walker and she can't get around. She can't drive anymore so she can't do some of those things. But in the book it will tell you that she had done 30 years of volunteer work. She had a 2,000-hour pin from Mary Lanning Hospital for volunteer work and the Hastings Museum, the YWCA, the Shrine Auxiliary. And although she can't do as much of those as she used to, she still is interested in those organizations. Then on the national level, the teachers in Nebraska have been recognized for a program with AARP called "With Our Youth" and these are community service projects that the teachers in Nebraska have done--reading in schools, transporting children to different activities. Two of the, well, the co-president of my local association in Hastings were honored just this last year because they have done so much and contributed so many hours. And this Retired Teachers Association, the committee of judges, there's at least one from every state in the United States, and Nebraska has had a winning entry of the three awarded in four of the last five years. And the year that we didn't have the winning entry, we were second. So...and last year we presented Senator Stuhr with a check for, let's see, it was for $1.3 million that she would have gotten if they'd have been paid for the volunteer service that teachers in Nebraska have been doing. So and that's just a small portion of the kinds of things that the teachers in Nebraska are doing. So they contribute. They're asking you for a little help with their retirement, and Bob will go over some more of the statistics of that. But they don't have enough money. Tillie that I'm talking about, you know, her check is like a little over $500 a month and she lives in an assisted living home. Those are expensive. That doesn't come anywhere near what she needs to have to live on. And like she said, if she had a little more money, she'd put it back into the economy because she'd probably buy things for her grandchildren and her great-grandchildren so they'll put it back into your economy. I want to just quote two real short things and then I'm finished here. But Tom Brokaw in his book<u>The Greatest Generation</u>, which I found to be an excellent book, said that it was because of the dedication and the willingness to give and serve that that was the greatest generation. And I think that these older teachers belong in that. They weren't in a war, they were at war in the schools I guess, but they certainly have done their contribution. And then the other thing is right now all the talk that we have, you know, on the national level is No Child Left Behind. Well, I guess I think that we ought to think about no teacher left behind, too, and we've left a lot of the older ones behind. So I hope you can find it this year in your budget. This isn't a huge money bill, and I think we have good statistics for it. So I hope you can find it to be a bill you're interested in and that we can get it enacted. As he said, we've had this booklet you're going to get, I think we've had, what, five teachers already pass away since we did the book. And, you know, they are getting up there where they're not going to be around much longer. So we hope a lot of them can benefit in this next year. Thank you very much. [LB596]

SENATOR SYNOWIECKI: Thanks, Ms. Hibbs, for your testimony. Any questions from the committee? Seeing none, thank you. We appreciate you coming down to testify. [LB596]

JANET HIBBS: You're welcome. [LB596]

SENATOR SYNOWIECKI: Additional proponent testimony on LB596. [LB596]

BOB KUHN: Good afternoon, Senator Synowiecki and members of the Retirement Committee. I'm Bob Kuhn, B-o-b K-u-h-n, and I represent the Nebraska Association of Retired School Personnel. This last week I think most of you, everyone except Senator Heidemann, got a copy of the folder that includes a lot of the information that you're going to get right now. We've been working on this issue for a long time. And, you know, I would like to just go through the folder when you get them, and I would like to be brief. We do have some new senators that haven't seen this before so I'd like to be complete, but will try to do this as briefly as possible. On the first page in the folder is a pension benefit comparison done with eight other states in proximity to our own state. And if you notice the bottom part of the profile shows that the 90-plus age group their average pension benefit of the eight comparative states was $11,637 a year. In Nebraska, it was $3,861. This was done two years ago and now in Nebraska that number is $4,200 and something a year. So we're a long ways from just the average of those eight states, comparative states. And the next page, this, you know, is a list of sources from the information that was obtained for these charts. We got the information from those people on that page. On the third page, it shows since we did this two years ago, we took all those states in the comparison and showed what happened since the 2003 or 2004 year in terms of what they've done with like COLAs, cost of living adjustments, or any adjustment that was made in their benefit. And basically what's happening is the discrepancy between our older group and younger group keeps growing. A few years ago like it was 5.2, the ratio of a benefit from, say, a 90-year-old to a recently retired teacher. It just keeps growing every year because when we take our 2.5 percent COLA times an average benefit of, say, $300, you get about $7 and something. Well, in South Dakota when they have a 3.1 percent COLA increase every year and you take their bottom group, it adds up much more. We just don't have a base benefit that's significant to our older retired group so they don't end up with much, even though they get a COLA now. It shows...in a lot of states, and you know, I've heard a lot of things about, you know, well, they didn't put in much money. When we go across the country, that's the same thing with all retired teachers across the country. They didn't put in much money at that time, and that dollar at that point was worth a lot more than that dollar is now.

And so we were one of the later pension systems to develop a cost of living increase. South Dakota, for example, started their COLAs in 1974. Most of the states' pension systems started in the seventies. Our first COLA, cost of living increase, was done in 2000. So most of our retired teachers that retired, the longer they were retired before 2000, the bigger the problem with our benefit. The next page shows the history of inflation protection in teacher retirement systems in Nebraska, New Mexico, South Dakota, and Wyoming. And South Dakota, the line is 1979, but I didn't have enough room to get it all on one page so I cut a few years off of South Dakota. They actually started in 1974 with their COLA. But you can see that other states have had various mechanisms involved to protect the benefit of the retired teacher and to help out with the purchasing power of that benefit. South Dakota has a retroactive benefit formula. Whenever the benefit formula changes for the newly retired teachers, they go back and they reassess all the retired teachers and use the same benefit. In Nebraska now it's 2.0 at the present time for all new retirees and back when a lot of these teachers retired, you know, it was 1.0 or less. So in South Dakota, for example, if we had a new benefit formula that said 2.0, it's going to be the factor for when you retire, then all older retirees would get that 2.0 factor also. So there are a lot of issues here and it's a complicated issue. But I think, you know, we have to be careful so that we don't blame the victims here. This was a problem all over the country with older teachers. The money that they put in was not near enough to sustain them, you know, with no kind of a COLA. And so what's happened here in Nebraska, we've just fallen way behind as you can see from the first chart that I handed out. I'll go from the history of inflation protection to the COLA structure and funding on the next page. And this is a study that's done by Stan Wyznewski (phonetic), who is a well-known pension researcher in Washington, D.C. And he lists all the different types of funding that all the different pension systems in the United States uses. They'll either use a general appropriation from the state legislature, they'll use existing liability in the trust fund, or they'll raise contribution rates either on the employee, employer, or a combination of all those four. So that's for your consideration. The next page is the last actuarial study and it shows a summary of member data. In Nebraska it shows the breakdown of the numbers of people at each age group. The 90 and over we have 571 people. At 85-89 we have 848 and so forth. I would anticipate with LB596 we would help about 3,500 to 4,000 people would benefit from the passage of this bill. And it would probably fall into that age group in the 75- to 79-year group. And you may wonder, why don't we just target maybe one or two groups that are at the bottom? Constitutionally, we can't do that. So we're faced with constitutional guidelines. We're also faced with some IRS guidelines. And so the bill that Senator Kopplin has introduced will navigate both of those rivers--the IRS guidelines and the state constitution guidelines. The next page shows purchasing power and this would show you that in the third column, the first column that shows some red, when the 75 percent purchasing power floor was initiated in 2000, you can see that those people who retired about 1987 or so or 1988 fell below that 75 percent purchasing power floor. Now if you go back to...you move up to 1995, at that time that would cover 90 percent purchasing power. So anybody that retired before 1995 or 12 years ago would probably be eligible for a benefit increase. The next page is an example of part of the bill which you have a copy that's more complete than that, but that just shows what we propose to do, and that would be to provide a 90...a one-time catch-up provision which would be 90 percent purchasing power floor. The next page is a copy of the Buck actuarial study and his explanation. And then the last page would be the numbers that I've highlighted from the actuarial study. The unfunded actuarial accrued liability under 5(e) with a one-time increase to 90 percent purchasing power floor would be $870 million. The current plan is $845 million so we're talking about a total cost of $25 million. It would be amortized or if we follow that path, it would be amortized over 30 years and it would create a cost of $2.1 million a year for 30 years. Under 8(c) or 8(d), the net contribution amount as a percentage of pay, the current plan is 16.15, the current requirement. With the 90 percent purchasing power in effect, it would be 16.31 so we would need to add, you know, .15 or .16 to the state contribution. And our proposal would be to...presently the state contribution is seven-tenths of one percent. If we would move that to .85, that would fulfill that requirement. There would be no contribution in the first year and the second year, in 2008, it would begin as far as the contribution from the state that would be required. This booklet I would like to...well, are there any questions on numbers or statistics? [LB596]

SENATOR SYNOWIECKI: Are you...is your testimony complete? [LB596]

BOB KUHN: No, no. [LB596]

SENATOR SYNOWIECKI: Okay, go ahead. [LB596]

BOB KUHN: If you would look at this profile, I'll refer you to Doris Voorhees on page one. She's the first person listed. Doris taught 46 years, lives in Grand Island. I know her personally. Her pension at the time we did this was $267 a month. Doris has been working three part-time jobs to support herself. And in the last year, she's had to sell all of her belongings. She had to sell her home. And because she's had some health problems, she cannot afford...she can't go to work and work those three part-time jobs. Doris is one of our many retired older teachers who is probably headed to a Medicaid nursing home. And, you know, for a gal who dedicated 46 years of her life to education, it's a shame that we have to be in that kind of a position for our older retired teachers. Basically, that's what's happening with many of them who don't have a spouse with a good pension. Then I'll refer you to Albert Austin on page 21. Albert was a superintendent in Auburn, Nebraska, very successful, great guy. I've talked to him several times. Albert had a great sense of humor and was a very positive contribution to the town of Auburn and the school system. My brother-in-law knows him well, is a good friend. And he told my brother-in-law that he would never become a ward of the state. Well, about two years ago, Albert was placed in a nursing home. And he was out of money at the end of this January. In January, Albert quit eating. He died on February 3. He did not have to become a ward of the state, but had he lived one more month, he would have been a ward of the state. This is what many of our older retired teachers are facing. You can say, you know, on one hand, you know, as much as it costs to go to a nursing home, you know, this little raise, how would that help? Had Albert had an average pension like all our other states around us for the last seven or eight years, you know, could he have survived this and gone to a nursing home without becoming a ward of the state? And then I'm going to tell you this. The older people that I talk to and excuse me but I'm a little emotional about this, they'll tell you, Bob, they're just waiting for us to die. They know that all the younger retirees, and I'm included, I retired in '99. I have a good pension. This is not a self-serving project...almost everyone that I talk to says the same thing. And I might make an analogy here. Back during the American Indian War, the Cherokee Indians were forced to endure a march of 1,000 miles on foot from Georgia to Oklahoma. Many of them were shot because they couldn't keep up. Four thousand Cherokee Indians died on the way. And the Native Americans use the term, that was their trail of tears. And we have a generation of retired teachers in Nebraska that are walking their own trail of tears. And it's time for someone to step up with a sense of fairness and some compassion for this older group of teachers. They played a very important part in my life. I can say this, that had I not had three or four influential teachers that I had, I would not have become the person that I am. So that's my testimony. If there are any questions, I would... [LB596]

SENATOR SYNOWIECKI: Thank you, Mr. Kuhn. We do have to move. We appreciate your heartfelt testimony. Any questions from the committee? Mr. Kuhn, as you very well know, our state retirement system for the teachers is funded by school boards and the teachers. And have...what have you done in terms of overtures to both those organizations that are represented down here in Lincoln to see what we can do in terms of what they're willing to do in terms of funding for this group of teachers that you speak of so eloquently? [LB596]

BOB KUHN: I've met with NSEA and the Nebraska Council of School Administrators and John Bonaiuto with the State School Boards. And you know, I can't speak for them, but I think with...I think there's a little shortfall in the system right now. And I think that they would prefer, and I probably should let Herb speak to that issue, but I think they would prefer that we have an appropriations bill or an A bill written. And I think that's in process at this time through Senator Kopplin. [LB596]

SENATOR SYNOWIECKI: Okay, thank you, Bob, appreciate all the work you're doing on this issue. Thank you. [LB596]

BOB KUHN: Thank you. [LB596]

SENATOR SYNOWIECKI: Additional proponent testimony for LB596. We're under a big time crunch here. We'll need to wrap things up. Is there any additional testifiers for LB596? [LB596]

HERB SCHIMEK: Mr. Chairman, members of the committee, my name is Herb Schimek, H-e-r-b S-c-h-i-m-e-k. I've been the lobbyist for the Nebraska State Education Association for 34 years and have worked on retirement legislation all of that time. What these people brought before us today is something that should be done. How the committee can manage this we'll be glad to work with the committee to try and make this happen. If possible, I'll talk with each of you later outside the committee so it would save your time. Thank you very much for your time. [LB596]

SENATOR SYNOWIECKI: Thank you, Mr. Schimek. Any questions? Seeing no questions from the committee, additional testimony in support of LB596. [LB596]

ROGER REA: I have some handouts here. [LB596]

SENATOR SYNOWIECKI: The page will get that for you. [LB596]

ROGER REA: (Exhibit 8) Good afternoon, Senator Synowiecki and members of the committee. For the record I am Roger Rea, R-o-g-e-r R-e-a, from Omaha. I offer a unique perspective to retirement matters in Nebraska since I serve as a trustee for two of the retirement plans in the state. I'm one of the two public members for the Public Employees Retirement Board which oversees the five pension systems for the state of Nebraska. And I also serve as a trustee for the Omaha School Employees Retirement Board. I want to make it clear that I'm not officially representing either of those two boards in my testimony today. I'd like to focus my testimony for LB596 on what the pension income means, not for the individual retiree, but for the economy of the state. I've provided you a recent study of the retirees of the four defined benefit plans, the state judges, the State Patrol, the state school employees, and the Omaha school employees. That study showed that about 90 percent of them stay in Nebraska after they retire. The retirement system provides dependable monthly benefits to all of them, and it pays almost $26 million a month in benefits, with close to $23 million a month staying in Nebraska. I've provided you a copy of that summary showing money goes to each and every one of the 93 counties. It also shows in there how many retirees there are in each county. I would suggest to you that given the amount of money that's pumped into the economy by the individual counties, the retirement system could be considered to be major employer, reaching to every part of the state since the retirement system pumps money in the form of benefit payments into each and every county in the state. Retirees from the four defined benefit plans systems receive most of their income from their retirement pension. Further, retirees generally do not save their retirement pension or spend it frivolously. They use their retirement income to pay for their daily needs. Retirees can be counted on to spend their income on services and goods in the counties where they reside. They buy food, medical care, automobiles, clothes, and household items and more. Many own their own homes and pay their own property tax with their retirement income. If pensions were adjusted to replace 90 percent of the purchasing power at the time of retirement, I can assure you that that additional money would be pumped back into the state economy. This should not be considered an expense. This is an investment. Be glad to respond to any questions. [LB596]

SENATOR SYNOWIECKI: Thank you, Mr. Rea. Any questions from the committee? Seeing none, thank you for taking your time today and provide testimony to the committee. After Mr. Smith, are there any additional testifiers? [LB596]

MICHAEL SMITH: Neutral though. [LB596]

SENATOR SYNOWIECKI: Okay. Any additional proponent testimony? Any opponent testimony? If not, we'll entertain neutral testimony. Mr. Smith. If you have prepared remarks, can you submit them for the record and give us a very abbreviated summation. [LB596]

MICHAEL SMITH: That's what I was hoping to do. You bet. [LB596]

SENATOR SYNOWIECKI: Thank you. [LB596]

MICHAEL SMITH: (Exhibit 9) The essence of what you'll see in the prepared remarks is quite simply that we have at the Omaha plan been providing cost of living raises since 1983 and so we obviously are supportive of the notion. However, we have not been aware that we were included in this bill when it was first drafted, and so we do not have an actuarial valuation to give us any notion as to what the cost would be. We've just asked for an increase in our contribution rates. And until such time as we know what the cost would be from the Omaha side, we really can't support advancement for the Omaha folks because we don't know what the cost is. If the state chooses to be the one to fund it, then we're supportive of it. But if it is the member and the school district that funds it, we first need to get the actuarial valuation completed before we can take a position on this bill. [LB596]

SENATOR SYNOWIECKI: Understood. Thank you, Mr. Smith. Seeing no questions from the committee, any additional neutral testimony? Seeing none, Senator Kopplin, do you wish to close? Senator Kopplin waives closing. That concludes the testimony on LB596 and it concludes the public hearings for the Nebraska Retirement Systems Committee. Thank you. [LB596]

Disposition of Bills:

LB499 - Advanced to General File, as amended.
LB508 - Advanced to General File, as amended.
LB596 - Advanced to General File, as amended.

Chairperson

Committee Clerk