[LB188 LB366 CONFIRMATION]

The Committee on Nebraska Retirement Systems met at 12:10 p.m. on Wednesday, February 11, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB188, LB366, and a gubernatorial appointment. Senators present: Dave Pankonin, Chairperson; Jeremy Nordquist, Vice Chairperson; Lavon Heidemann; Russ Karpisek; LeRoy Louden; and Heath Mello. Senators absent: None.

SENATOR PANKONIN: I want to welcome you to the Retirement Systems Committee. As you're probably aware, if you have cell phones, please turn them off or put them on manner mode. I want to introduce our committee. And then I think I'm going to...we're trying to get things done during the noon hour. I will go ahead and make those introductions. We'll have some other senators maybe coming along the way. Over to my right is our committee clerk Denise Leonard; then we have Senator Karpisek; Senator Nordquist; Senator Mello; Kate Allen, our committee counsel; Senator Louden is just arriving. I'm Dave Pankonin, Committee Chair. The agenda has been posted. And also we want to remind you if you're going to testify, to have testifier sheets filled out so we can turn those in with the committee clerk. And when you come forward to testify clearly state and spell your first and last name for the transcribers and the clerk's benefit. If you are going to testify, if you'd move to the front, that always helps save time. If you have a prepared statement, you want to give enough copies to the pages so we can get those passed out. So with that, we'll begin our hearing today with a confirmation hearing for Janis Elliott who's being appointed by the Governor to the Nebraska Public Employees Retirement Board for a five year term. Ms. Elliott will represent the school retirement plan members on the board. Ms. Elliott, please come forward. Welcome and tell us a little bit about yourself, your background. [CONFIRMATION]

JANIS ELLIOTT: (Exhibit 1) My name is Janis Elliott, J-a-n-i-s E-l-l-i-o-t-t, and I would like to thank members of the committee for the opportunity to tell you a little bit about myself. I'm an educator at the Bellevue Public Schools and this is my 24th year of teaching. I believe that I do have unique qualifications to serve on the PERB board. And as you can see in the retirement section of my biography, which is located at the last page, on the bottom, I have much experience on employee retirement issues. I have hosted retirement seminars. We're one of the largest NSEA locals in the state of Nebraska. I have attended informational sessions regarding state retirement plans, and have been introduced to plans in other states. I have worked at the national level to assist retired educators to pass legislative agenda items and educators representing an assembly. And I currently serve as an executive board member of the Metro Nebraska State Education Association. This affords me the opportunity to have direct communication with representatives for nearly half of the educators in the state of Nebraska. I am a member of the professional Pre-Retired Associations at local and state level. And although I have direct communications with many teachers and have a personal tie to the School Employees Retirement System myself, I intend to act as a plan fiduciary to the members and beneficiaries in all of the plans that are represented by the PERB board. I understand that I will be a school employee. That is as stipulated by law and serves on the board, but I do intend to serve all those plans that have benefits within the system. [CONFIRMATION]

SENATOR PANKONIN: Thank you for your initial comments. Any questions? Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yes, well, thank you for being here to testify. What are your duties as a member of that retirement board? [CONFIRMATION]

JANIS ELLIOTT: Well, first and foremost, I realize I have an awful lot to learn about the other plans that I'm not familiar with. So I have a duty to be familiar with the benefits and the requirements of all of the plans. And obviously to have a handle...my vote, my inquiries, my questions with an panel...a manner of ethics within the state and represent the benefit members and their beneficiaries the best I can. [CONFIRMATION]

SENATOR LOUDEN: Okay. Do you have anything to do with investment of any of the funds, funding or anything like that? [CONFIRMATION]

JANIS ELLIOTT: I have input in that. But I, personally, won't be an investor, you know, as per se to direct the investment of the funds personally. But, yes, I do have a responsibility to know where those funds are invested and to do the best that I can do for those members. [CONFIRMATION]

SENATOR LOUDEN: And this is a new appointment. [CONFIRMATION]

JANIS ELLIOTT: This is a new appointment. [CONFIRMATION]

SENATOR LOUDEN: Okay. Have you ever been on any kind of a...you mentioned you had been in other states and stuff. Have you ever been in any position where you were doing some of the investing or anything like that? [CONFIRMATION]

JANIS ELLIOTT: No, only personal investments. [CONFIRMATION]

SENATOR LOUDEN: Okay. Thank you. [CONFIRMATION]

JANIS ELLIOTT: Um-hum. [CONFIRMATION]

SENATOR PANKONIN: Thank you, Senator Louden. And Senator Heidemann is joining us. Any other questions for Ms. Elliott? Seeing none, thank you for being with us today. Are there any supporters who wish to testify? We have one. [CONFIRMATION]

JESS WOLF: Thank you, Senator Pankonin and members of the committee. My name is Jess Wolf, J-e-s-s W-o-l-f. I'm the president of the Nebraska State Education Association. I'd, first of all, like to thank Governor Heidemann (laugh), excuse me, Senator... [CONFIRMATION]

SENATOR HEIDEMANN: I don't want to go there. (Laughter) [CONFIRMATION]

JESS WOLF: Yeah, I know. Your name was just mentioned...Governor Heineman for making this appointment. Jan is a member of the NSEA. She comes with our high regard. She's done many things in our association. I think the thing that you would find most interesting about here is that she's a very quick study and very interested in doing a good job on those things that...those topics that she's been following for us over the years. I think that this is an instance where you can easily give her a unanimous approval. I'm not familiar with all the other members of the PERB board, but I'm sure that her appointment and eventual confirmation will improve that board substantially because she's that kind of a quality person. So I thank you. [CONFIRMATION]

SENATOR PANKONIN: Thank you, Mr. Wolf. Any questions for this testifier? Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yes, you're president of the Nebraska State Education Association? [CONFIRMATION]

JESS WOLF: That's correct. [CONFIRMATION]

SENATOR LOUDEN: Then I presume you're keeping a close monitor on the teacher retirement fund and that sort of thing? [CONFIRMATION]

JESS WOLF: We have people who are doing that, yes. [CONFIRMATION]

SENATOR LOUDEN: What's the health of it? [CONFIRMATION]

JESS WOLF: I understand that there's actually a report that's going to come out in about next month, where they're actually doing an actuary...preliminary actuary study. I imagine that, you know, based on the economic situation in the country there probably has been some loss of dollars there. But we'll have a better picture of that in about a month, I think. [CONFIRMATION]

SENATOR LOUDEN: Do you think then, if there was a huge loss, then do you think there should be how the money is put out, whether we do a defined benefit or defined contribution or something like that. Do you think that should ever be looked at if there's a big hole in that thing? [CONFIRMATION]

JESS WOLF: We're not really interested in defined contribution. I mean, in fact the money loss would be substantially higher for our members had we been in a defined contribution plan. Our defined benefit plan works fairly well for us. It is a guaranteed plan. And we would like to see it stay that way. [CONFIRMATION]

SENATOR LOUDEN: How many years has that been in effect? [CONFIRMATION]

JESS WOLF: That I don't honestly know. Herb is sitting back here. He could probably tell you that better (laugh) than I could. [CONFIRMATION]

HERB SCHIMEK: Since the 1940s. [CONFIRMATION]

JESS WOLF: Yeah, something like that. Yeah. [CONFIRMATION]

SENATOR LOUDEN: Okay, thank you. [CONFIRMATION]

JESS WOLF: Yes, you're welcome. [CONFIRMATION]

SENATOR PANKONIN: Any other questions? Thank you, Mr. Wolf, for... [CONFIRMATION]

JESS WOLF: Okay, thank you, Senator. [CONFIRMATION]

SENATOR PANKONIN: ...coming today. Any other proponents? Is there any opponents who wish to testify today? Anyone in the neutral position on this candidate? Seeing none, we will close the confirmation hearing. Thank you, Ms. Elliott, for attending today. We will next go to LB188. And our committee counsel, Kate Allen, will introduce this bill. [CONFIRMATION LB188]

KATE ALLEN: Good afternoon, Senator Pankonin and members of the Nebraska Retirement Systems Committee. My name is Kate Allen, that's spelled K-a-t-e A-l-l-e-n. I'm counsel for the committee. And I'm here to introduce LB188, which is introduced at the request of the Nebraska Public Employees Retirement Board. The bill clarifies and makes minor changes to the county and state employees retirement systems and establishes which records received by the Public Employee Retirement System are exempt from the provisions of the public records act. LB188 makes the following changes. Currently, state and county members have 30 days to apply for vesting credit for years of participation in another Nebraska government plan in which credit was earned. LB188 would extend this window from 30 days to 180 days. For example, an employee plan member of a Nebraska governmental entity, such as a city, county or state, may file an application for vesting credit if the member changes jobs and begins work for another Nebraska governmental entity which also administers a retirement plan. Under LB188 an employee plan would have 180 days rather than the current 30 days to apply for vesting credit. The windows for beneficiaries to file death benefit applications under the state and county plans is also extended. Currently, beneficiaries have 120 days from the date of death to file for death benefits. LB188 extends this window to 180 days but keeps it well within the one-year deadline in which beneficiaries must file for an annuity. Some background is helpful in understanding the next clarification. First, prior to January 1, 2003, all county and state employees participated in defined contribution plans. In 2003, employees were given the option of switching to the Cash Balance Benefit plan. Since January 1, 2003, all new county and state employees are required to participate in the Cash Balance Benefit. Second, if a county or state employee returns to employment to the same or another county or state agency within 120 days, then termination of employment has not occurred. And third, if a county or state employee is reemployed by the county or state after five years, then the employee is considered a new employee. LB188 addresses those county and state employees who return to work after 120 days and are therefore considered terminated but before the five-year mark where they would be considered new employees and clarifies that, regardless of which plan they previously participated in, they will be enrolled in the Cash Balance Benefit. Next, the bill provides a moratorium on required minimum distributions from members of defined contribution plans who have terminated and reached the age of 70.5 for calendar year 2009. Tax laws generally require individuals with retirement accounts to make withdrawals, based on the size of their account and their age, every year after age 70.5. Last year, Congress passed the Worker Retiree and Employee Recovery Act of 2008. The new law suspends the required minimum distribution for retirement accounts in 2009. This waiver is intended to give relief to those defined contribution plan members who have likely suffered declines in their investments due to market conditions. Spending the mandatory...suspending the mandatory withdrawal allows retirees to keep their money in their account, if they choose, and possibly recover some losses. The suspension for 2009 also applies to beneficiaries of retirement plan accounts. This legislation only applies to defined contribution accounts, not the defined benefit or Cash Balance accounts. LB188 also allows state plan members to transfer all or a portion of their accounts to the state deferred compensation plan upon termination if the employee has an existing deferred compensation plan account. The advantage for state plan members is that fees on the state deferred compensation plan are lower than fees on private deferred compensation plans, such as 401K's. Finally, LB188 provides that records received by the Nebraska Public Employees Retirement Board from DAS and other employers for the purpose of administering various retirement systems are not subject to the public records act and may be withheld from the public. Information which will remain a public record includes the plan member's name, the retirement system of which the member is a participant, the date the members participation in the retirement system commenced, and the date the member's participation ended, if applicable. This provision is consistent with existing public record law exemption which denies public access to public employee personal information other than salary and routine directory information. Joe Schaefer, legal counsel for the Nebraska Public Employees Retirement System is here and can answer any of your technical or administrative questions. Do you have any questions? [LB188]

SENATOR PANKONIN: Thank you, Ms. Allen. Are there any questions? Seeing none, we'll have proponent testimony. [LB188]

JOE SCHAEFER: Good afternoon, Senator Pankonin, members of the committee. I'll try to answer the questions, Kate, but I might not be able to. Good afternoon. My name is Joe Schaefer, J-o-e S-c-h-a-e-f-e-r. I'm legal counsel to the Public Employees Retirement Board and I'm appearing here today on their behalf to testify in favor of LB188. LB188 is a bill we requested. And it contains several changes that we believe have become necessary or desirable this past year. Most of these changes apply to the state and county retirement plans. I'll go through the changed individually, and then indicate the plan's that are...or plans that are affected by the proposed change. First, LB188 provides an opportunity to assist participants with defined contribution accounts who have, in many cases, faced rather significant losses to their retirement accounts in the market turmoil of the past year. Congress has granted some relief by providing in the recently enacted Worker Retiree and Employer Recovery Act of 2008, which is Public Law 110-458, that minimum distributions will not be required to be taken for the calendar year 2009. As you know, when one has stopped working and reaches the age of 70.5, minimum distributions are required to be taken each year. The amount of the distribution is based on the taxpayers age and the amount in the account. But with the high probability that those account balances are smaller this year due to those market losses, Congress has extended a one-year I'm going to call it a holiday on RMDs so the money can stay in the account that additional year in the hope that a better market would allow members to make back some of their losses. Otherwise, participants would be forced to sell low. LB188 allows the relief granted under federal law to apply to our county plan members and our state plan members who have defined contribution accounts. I would also note that school employees, judges, State Patrol members, and state and county cash balance plans are all defined benefit plans whose members accounts have a positive return by their design. And this legislation does not apply to those. Second is a provision which allows county plan members and state plan members an opportunity to apply for vesting credit. Currently, vesting credit applications must be made within 30 days of hiring. In the days when we had eligibility investing credit that made sense because it's important to remember that if you didn't get the contribution started right away there would be makeup contributions required. But now since members begin contributing immediately, we believe it's appropriate to give them a little bit more time. Service in another Nebraska governmental plan generally qualifies for vesting credit if application is timely made. And LB188 would extend the application period to 180 days from the current 30 days. Both members and reporting agents have asked us for this change. Third is a provision to allow a surviving spouse who is the beneficiary of a county member or a state plan member a little more time to decide whether to apply for an annuity. Currently, they have 120 days, and we'd like to see that extended to 180 days. The fourth provision clarifies that if a state plan or county plan member terminate employment and then at some later time go back to work for the county or state they'll participate in the Cash Balance plan. This has been the way NPERS has administered it since the inception of Cash Balance, but the Auditor of Public Accounts has asked us to have the language clarified. This applies to both the county plan and the state plan. Next is a provision which would allow state plan members, after they terminate, to transfer part or technically all of their Cash Balance account to the state deferred compensation plan. This will provide them one more option in retirement benefits. In the Cash Balance plan, a member's hypothetical account balance is subject to final account valuation when a retirement benefit or a termination benefit is taken. The member must then select from the various optional forms of the benefit and allocate their account balance between them. If, for example, a member wanted annuitize less than all of their benefit, with this change they would have the ability to move the balance into their DCP account and reserve that amount for later distribution beginning at age 70.5. I should point out that someone who wishes to do this would have to establish and fund that DCP account while they were still a state employee. They could continue to benefit from the low cost of our plan rather than have to move the remainder to some other entity. And finally, there is a provision that applies to all the retirement plans. Currently, public records statutes provide that personal information may be withheld from record requests, except for salaries and routine directory information. While the statute does not define routine directory information, the Attorney General has said that it reasonably includes an employee's or former employee's name, position, gross salary, date of hire, date of separation, and agency where employed. This change would help to clarify that member's account information is private. NPERS believes that an individual member's account balance, what benefit option the member might have selected, whether the member took a disability benefit, and what the member's monthly benefit amount is are personal and private. Our members have indicated they wish to protect their privacy and individual retirement account details. I should report that NPERS does report aggregated information that does not identify the personal information of individual members. With that, I would try to answer your questions. [LB188]

SENATOR PANKONIN: Thank you, Mr. Schaefer. Are there any questions? I have...okay, I've got one. Some of us are new on this committee. And is this an annual event of this nature and this many changes or is this kind of a catchup on this year? [LB188]

JOE SCHAEFER: We do traditionally have a cleanup bill each year. There are several things that can trigger the items that occur. And we kind of collect those over the year, whether it's brought to us by the Auditor of Public Accounts. One year we had a number of changes that were brought when we had a compliance audit. And quite frankly, when we're going through the year every once in awhile...well, we have a long and complicated set of statutes. And every once in awhile we come across something and we say, h'm, is there a better way to do that. And so we try to make an evaluation and the board reviews those and decides that it's something that we should ask you to adopt. [LB188]

SENATOR PANKONIN: And in this year's case, of course, some federal guidelines, federal government changes initiated this. [LB188]

JOE SCHAEFER: Yes, that's what makes this bill timely. Any required minimum distribution that would be accrued in the 2009 year, if you pass this bill, they would have relief from having to have that paid out. Now if you had a 2008 required minimum distribution and you didn't take it in 2008, you have until April 1 to take it this year. That doesn't effect that because that was last year's RMD. But this year you wouldn't have to take one. [LB188]

SENATOR PANKONIN: Thank you. Senator Nordquist. [LB188]

SENATOR NORDQUIST: Thank you. Thanks, Mr. Schaefer. Have there been any questions about privacy raised, or is this just kind of proactive or... [LB188]

JOE SCHAEFER: We do with some regularity get requests for the names, home addresses and phone numbers, for example, of everybody that retired last month. Well, most of our members tell us that they don't want us telling them. We can only imagine what purpose that information would be put to. [LB188]

SENATOR NORDQUIST: Then secondly, are state plan members that terminate, are they allowed at any time to make a transfer to the deferred comp anytime after their termination? [LB188]

JOE SCHAEFER: There isn't an opportunity for them to do that. [LB188]

SENATOR NORDQUIST: Oh, yeah. [LB188]

JOE SCHAEFER: At termination, which is 120 days... [LB188]

SENATOR NORDQUIST: Um-hum. [LB188]

JOE SCHAEFER: ...after you actually stop contributing or stop providing service, you could move your money to pretty much anyplace outside of the system you wanted to and some people do that. [LB188]

SENATOR NORDQUIST: Rollover. Yeah. Sure. So after that 120 days, do they...like...are they allowed to do that at any time after that period? Is there a window for them or... [LB188]

JOE SCHAEFER: No, currently, there is not a window for them... [LB188]

SENATOR NORDQUIST: Okay. [LB188]

JOE SCHAEFER: ...to convert it to...the Cash Balance, is that what you're asking? [LB188]

SENATOR NORDQUIST: Um-hum, yeah, yeah. [LB188]

JOE SCHAEFER: No. If somebody terminated and, you know, maybe the economy porked and they came back to work five years later with the state and they would start out again. I mean, they would go back to the plan, but they would be in the Cash Balance Benefit. [LB188]

SENATOR NORDQUIST: Okay. Okay. [LB188]

SENATOR PANKONIN: Any other questions for Mr...Senator Karpisek. [LB188]

SENATOR KARPISEK: Thank you, Senator Pankonin. Mr. Schaefer, just on that same line, so they can't come back. Then the money that they didn't have in the Cash Balance, would that all move over? [LB188]

JOE SCHAEFER: Yes, it's all one plan. And you have...you either participate in this option... [LB188]

SENATOR KARPISEK: Right. [LB188]

JOE SCHAEFER: ...or in this option. [LB188]

SENATOR KARPISEK: So it all moves over. You don't have to start over at zero here. [LB188]

JOE SCHAEFER: You're correct. [LB188]

SENATOR KARPISEK: And I just think that those other people probably want to send a congratulatory note to all the retirees. (Laughter) [LB188]

JOE SCHAEFER: I think all the people that changed last year to Cash Balance with your bill are probably looking at how much more money they have today (laugh) and it's significant in most cases. [LB188]

SENATOR KARPISEK: Good. Thank you. [LB188]

SENATOR PANKONIN: Thank you. Any other questions? Seeing none, is there any other supporters of this bill that would like to testify? Anybody testifying in the opponent? Any neutral testimony? [LB188]

BETH BAZYN FERRELL: Good afternoon, Chairman. Thank you. Good afternoon, Chairman Pankonin, members of the committee. For the record, my name is Beth Bazyn Ferrell, that's B-e-t-h B-a-z-y-n F-e-r-r-e-l-l. I'm an assistant legal counsel with the Nebraska Association of County Officials. I'm appearing here neutral today. Our board talked about the bill. We talked about how beneficial the extended deadlines would be to participants in the plan and how the moratorium would be helpful to county retirees. But we simply didn't take up a position on the bill, so I'm here neutral but it's a positive-neutral. (Laughter) I'd be happy to answer any questions, if I could. [LB188]

SENATOR PANKONIN: Okay, thank you testifying. Any questions? Seeing none, any other testifiers in the neutral capacity? We don't have any so we'll close the hearing on LB188 and I will introduce LB366. [LB188 LB366]

SENATOR NORDQUIST: Thank you, Senator Pankonin. Whenever you're ready. [LB366]

SENATOR PANKONIN: Thank you. Good afternoon, Vice Chairman Nordquist and members of the Nebraska Retirement Systems Committee. My name is Dave, D-a-v-e Pankonin, P-a-n-k-o-n-i-n, and I'm here to introduce LB366. I agreed to introduce this bill on behalf of the state employees union. As you know, under the State Employees Collective Bargaining Act wages, hours and other terms and conditions of employment are negotiated under the act. However, retirement programs are not bargainable under collective bargaining. In the year 2000, a benefit review study of the Nebraska retirement systems was conducted by the Public Employee Retirement Board which examined benefit adequacy. The study concluded that total annual contributions to state employee retirement accounts should equal between 12 percent and 13 percent of employee salary to provide an adequate retirement benefit. At that time, employee contributions were 4.33 percent of salary up to $19,954 of annual pay, and 4.8 percent over the $19,954 annual compensation, with a state match of 156 percent. In 2006, the contribution rate for members was raised to 4.8 percent of salary with a state match of 156 percent, which is 7.49 percent. The total contribution rate is currently 12.29 percent. LB366 increases the state employee contribution to the state employee retirement program from 4.8 percent of the gross wages to 5 percent. The intent is to provide an adequate pension plan for Nebraska state employees. With the employer match of 156 percent, this total percentage of salary set aside for retirement would be 12.8 percent of salary. Are there any questions? [LB366]

SENATOR NORDQUIST: Any questions from the committee? Seeing none, thank you. [LB366]

SENATOR PANKONIN: Thank you. [LB366]

SENATOR NORDQUIST: I will entertain proponent testimony. Go ahead. [LB366]

ROBERT CORNER: (Exhibit 2) Senator Nordquist, Senator Pankonin, members of the Nebraska Retirement Systems, my name is Robert Corner, R-o-b-e-r-t Corner, C-o-r-n-e-r. I've been employed by the state of Nebraska for 32 years but I'm here today representing, on my own time, representing NAPE/AFSCME in support of LB366. From 1991 to 2000, I was the state representative on the Public Employees Retirement Board, then appointed by Governor Nelson. And in my years with the state, I've seen and experienced quite a few changes to the state employees retirement plan. I'm going to provide just a brief history to put this current legislation bill in perspective. Retirement plans for the schools started in 1945; for the State Patrol in '47; for judges in '57; state employees got their plan in January of '64. The first three plans were all defined benefit plans, or DB plans. The state employee plan, however, when it was established was a defined contribution or DC plan. And in the DC plan the employee, not the employer, bears all the risk. Prior to 1964, state employees received their retirement benefit as a straight life annuity of one-half percent on salary times years of service, and there were some exclusions based on five years when you first started and three years after you left. It was pretty complicated. But starting in '64, when state employees got their plan, employees put in 3 percent of their salary of the first $4,800, and 6 percent over the $4,800. The state matched that at 3.12 percent and at 6.24 percent. It was 17 years later, in 1981, actually in October of '81 that that 3 percent was changed to 3.6 percent of the first $24,000 and 4.8 percent over $24,000, with a state match now at 156 percent. That 3.6 percent was due to a Social Security maximum tax requirement, and it stayed for a number of years after that. In 1985, which I started in 1977, and for my first eight years I could never understand why all my retirement money was being taxed. The idea always was when you left you had less income, you'd be taxed at a lower tax rate. But until 1985, every dollar that state employees put in their account it was taxed. After '85, that's when that law came in where now it was tax deferred. In 1998, the 3.6 percent was changed to 4.33 percent with all the other matches remaining the same. In 2007, actually January 1, unlikely the same bill number, LB366, the 4.33 percent was changed to 4.8 percent. Of course, this new bill that is before us today, LB366, the 2009 version changes the 4.8 percent to 5 percent. And why is this important to make a change in the contribution rate of state employees? The DC plan, or the defined contribution plan is based on employee contributions to the plan, the employer contributions to the plan, and any earnings made from investments on those contributions. A defined contribution plan member is not guaranteed a pension for life based on salary and years of service to the state as is a DB plan member. So the money you put in there while you work is all the money you're going to have when you leave. If you outlive that money, if you live to be 100 and you only planned to live until 91, you have 9 years of misery because you don't have enough money in your plan. Many state employees who have retired are now returning to state jobs and are seeking other employment. Their retirement funds were not adequate to maintain a standard of living even close to that what they had while they were a full-time state employee. It was mentioned earlier the benefit adequacy studies were done both in 1993 and in 2000. They indicated that state employees were not matching the total contribution recommendation requirements of 12 to 14 percent of salary. This is what you needed to have to put in your account to maintain this same or equal to standard of living while you were working. In a recent Georgia study concluded that really you need now to put in 13 to 15 percent of salary to have the same standard of living. So those studies indicated 12 to 14 percent of total salary should have been the contribution, well, from 1981 to 1988 when it was 3.6 we were putting in 9.2 percent, quite a ways from the 12 percent. Even if you made $100,000, which is very few state employees from '81 through '98, and you'd only been contributing 11.55 percent, you still wouldn't have been making even the minimum projections of 12 percent that you should have been putting in your retirement account. So when the change was made from 3.6 to 4.33 percent, well, we're getting a little closer. Now we're at 11.08 percent with the two. It wasn't until 2007 and the bill was passed in 2006, it was January 1, 2007, when we started contributing the 4.8 percent. So now we finally made the 12 percent at 12.288 or 12.29 percent. The low end, but at least we made the 12 percent. So no wonder state employees are having to return to work either with the state or somewhere else. So for most of my 32 years with the state I have not been putting in adequate retirement money into my retirement account. The 2009 version of LB366 will raise that to 12.8 percent, still on the low end, but it's better than what we have. But it's a small step in the right direction. So I urge you to please move this bill out of committee and onto the floor and fight for its passage. I thank you. I'll be happy to answer any questions. I do, outside my written comments here, I was a state employee in 1984 when we had a little turn in the economy. And they tried to use our money, our retirement money into venture capital, which has a high failure rate. We got, at that time, a Senator to introduced a bill for us to change that, so that they couldn't use that for venture capital. But that happened, so. In the late nineties, of course, employees finally got opportunities to invest some of their own money into various accounts. Before that we were bearing all the risk. And the state, in the early years, put the money in the most conservative accounts they had, so you had really very little money in earnings, other than what was put in, in contributions in your retirement account. Yes, the Cash Balance plan, which is a hybrid between the DC and DB plans, came in and was passed on April 11, 2002, but took effect on January 1, 2003. But unfortunately, at the time it took effect again the economy was in the dumps, people were losing money in their DC plans. So a lot of people never got into the first Cash Balance plan in '03 because of that. Again, thanks to this committee, a bill was passed. And on January 1 of '08, again state employees had an opportunity to get into the Cash Balance plan which guarantees at least 5 percent you're not going to lose money, a lot more state employees got into it that were in the DC plan. So for those I thank you. And I just want to emphasize a point again. Had we been able to bargain this, which we were forbidden in the collective bargaining act, state employees would have had a DB plan because it's comfortable and all the other...in all 48 of the 50 states, it was only Nebraska and one other state at the time that did not have a DB plan but a DC plan. So I'd be happy to answer any questions. And I thank you for your time. [LB366]

SENATOR NORDQUIST: Thank you, Mr. Corner. Any questions from the committee? Seeing none, thanks for your testimony. Any other proponent testifiers? Seeing none, any opponent testimony? Seeing none, any neutral testimony? Seeing none, Senator Pankonin to close. [LB366]

SENATOR PANKONIN: I will waive closing. [LB366]

SENATOR NORDQUIST: Senator Pankonin waives closing. That will conclude our hearing today. Thank you. [LB366]

Disposition of Bills:

LB188 - Advanced to General File with amendments.
LB366 - Held in committee.

Chairperson

Committee Clerk