

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
May 20, 2009

[CONFIRMATION]

The Committee on Nebraska Retirement Systems met at 12:10 p.m. on Wednesday, May 20, 2009, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments. Senators present: Dave Pankonin, Chairperson; Jeremy Nordquist, Vice Chairperson; Lavon Heidemann; Russ Karpisek; LeRoy Louden; and Heath Mello. Senators absent: None. []

SENATOR PANKONIN: Welcome to the Nebraska Retirement Systems Committee. We're going to have confirmation hearings today for three reappointments, but I do want to remind you that like any of our committee meetings, hearings, that we ask that you... [CONFIRMATION]

DENISE LEONARD: I'm sorry, Senator. Can you just...the recorder is not working. [CONFIRMATION]

SENATOR PANKONIN: Okay, all right, we'll start over. It's working? [CONFIRMATION]

DENISE LEONARD: Yeah. [CONFIRMATION]

SENATOR PANKONIN: All right. We'll start again, and it works out better. We have a couple other senators with us. This is the Retirement Systems Committee. Please silence your cell phones for us. I'll introduce the folks here. We'll start with our page, Sarah McCallister today, and our committee clerk is Denise Leonard. We have Senator Karpisek; our Vice Chair, Senator Nordquist from Omaha. I'm Dave Pankonin, District 2 Louisville; Kate Allen, our committee counsel; Senator Mello from Omaha; Senator Heidemann is at another event presently, and Senator Louden from Ellsworth. With that, we have, as I mentioned, three confirmation hearings, reappointments, and we will take them in the order that they were posted. What we will do is we'll have that person come forward and then I'll give an introduction. We'll have them tell anything they'd like to mention to us, and then we'll have...if there's any questions, I assume this is going to go fairly quickly since these are people that have served. Our first person is Denis Blank. Denis, welcome. [CONFIRMATION]

DENIS BLANK: Thank you, sir. [CONFIRMATION]

SENATOR PANKONIN: Mr. Blank has been reappointed to represent state employees. He currently serves as the chair of the PERB, and his reappointment is for a five-year term. And would you tell us a little bit about your service, yourself, and we'll see if there's any questions? [CONFIRMATION]

DENIS BLANK: (Exhibit 1) Well, thank you, Senators. I guess, tell a little bit about myself, I'm not new around this neighborhood. I've been working in the State

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Department of Agriculture for almost 38 years, the same department. And my current daytime job, I'm titled the Chief Administrator for the Department of Agriculture, so had many different jobs in the department, but that's what I do for my normal living. A little bit of background on me--married to the same woman for 42 years, have a couple of sons and a new grandson down in St. Louis I'm really proud of, about 3.5 months old. But been a long-time Lincoln resident. Spent most of my life in Nebraska, originally from around the Franklin area. Went to school, graduated from Kearney State College when it was called a state college. And actually got involved with the Retirement Board back in the '90s, was asked to fill in a position for about six months when another gentleman moved on to a different appointment, so I did that and got my first exposure to the Retirement Board, and was, quite honestly, intrigued by it. In 2001, I was appointed to the board again, and I can say after nine years, I think I'm finally getting up to speed a little bit (laugh). I think...I've learned a great deal, and I can understand almost all the terminology except when the actuaries start talking, and then they lose me. But other than that, I've enjoyed the experience, and I think we've got an excellent board right now, and I enjoy being on it. And as you mentioned, I've been chairman for the last two years, and I think we've made some real good progress in many areas.
[CONFIRMATION]

SENATOR PANKONIN: Thank you, Mr. Blank, appreciate your service. We'll see if there's any questions. Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yeah. I want to thank you for serving, Mr. Blank, and what I'm wondering is, this Retirement Board--what do you people do? [CONFIRMATION]

DENIS BLANK: What do we do? [CONFIRMATION]

SENATOR LOUDEN: Yeah. [CONFIRMATION]

DENIS BLANK: Well, we're the oversight group for the agency that administers all of the public employees' plans in the state defined plans and the deferred comp plan, and we're the oversight to make sure that everything happens the way it's supposed to happen, and make sure everything gets done the way it's supposed to get done.
[CONFIRMATION]

SENATOR LOUDEN: Now, do you have any input into any of the investing or anything like that? [CONFIRMATION]

DENIS BLANK: No. [CONFIRMATION]

SENATOR LOUDEN: And then do you have any input into how some of the benefits are distributed or if there's any change in benefits or anything like that or?
[CONFIRMATION]

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DENIS BLANK: Not directly. We provide information for people if they have some...want some benefit changes or enhancements. We're prohibited by law from advocating for benefit enhancements. That's not our role, but we do provide information to people and offer information if they request it. [CONFIRMATION]

SENATOR LOUDEN: Now, where do you meet at? [CONFIRMATION]

DENIS BLANK: In Lincoln normally. Right now we've been meeting down at a conference room in the Atrium. Sometimes we meet over at FirstTier Bank and a couple other locations. We've gone away from Lincoln one time. A couple of years ago, we went to Fremont when Mark Shepard was with the Fremont school system. We went up there and held a meeting up there. [CONFIRMATION]

SENATOR LOUDEN: What do you have for staff? [CONFIRMATION]

DENIS BLANK: For staff, the board has no staff except the retirement agency itself. [CONFIRMATION]

DENIS BLANK: They're referred to as NPERS, and they've got roughly and they've got roughly 49 employees, I think it is, that...and we work directly with the Executive Director, Phyllis Chambers and her staff. [CONFIRMATION]

SENATOR LOUDEN: Okay, thank you. [CONFIRMATION]

DENIS BLANK: Um-hum. [CONFIRMATION]

SENATOR PANKONIN: Thank you, Senator Louden. Thank you, Mr. Blank. Senator Nordquist. [CONFIRMATION]

SENATOR NORDQUIST: One quick question. Yeah, thank you, Mr. Blank, for your service. One liability I guess that we have is on the cash balance plan, and the board does take some action on determining the dividend and how far to go down. And there is a cushion built in, but can you give me a little background on the discussion you guys have had as a board over the last few years about how far to go down, and do you think in your estimation, is the cushion big enough to? Just kind of, in general, about the dividend... [CONFIRMATION]

DENIS BLANK: The way I would explain it was when the cash balance program was passed, we couldn't exceed a 90 percent level, or we had to...the way I say it, is we had to have a 10 percent cushion. And we have actually, by board policy, strengthened that since then, and actually have moved that to a hundred percent. We have some flexibility there, but it takes a board vote, and there's a formula that we follow, not to exceed a

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certain level. And I think right now, actually, the issue of dividends is way off the table (laugh) for the short term anyway. But we do have a...I consider it a very strict policy, and cash balance is very well funded right now, better than any others so.
[CONFIRMATION]

SENATOR NORDQUIST: Thank you. [CONFIRMATION]

SENATOR PANKONIN: Good question. Seeing no other questions, Mr. Blank, thank you. [CONFIRMATION]

DENIS BLANK: Thank you. [CONFIRMATION]

SENATOR PANKONIN: Okay, our next person the way it was posted is Mr. Mark Shepard. Mr. Shepard has been reappointed to represent members of the school retirement plan, and his reappointment is also for a five-year term, and we'll get to his comments. I just do want to mention that Mike Delaney with the school administrators--he is not able to be here today, but wanted to be read in the record that the association supports the reappointment of Mark Shepard, who represents schools. So with that, Mr. Shepard, kind of the same routine. You want to tell us a little more about yourself? And we've obviously got the materials that were presented but...and then we'll see if there's any questions. [CONFIRMATION]

MARK SHEPARD: (Exhibit 2) Very good. Thank you, Chairman Pankonin and members of the Retirement Committee. It's an honor to sit before you five years after being appointed and...or almost five years, and be looking at a reappointment. The last five years have been interesting, I would say. They've also been very fulfilling. My wife, Kim, and I moved to Lincoln last June. We had previously been in Fremont for the last 13 years, and I'm currently the associate superintendent for business affairs for Lincoln Public Schools. We have six children, and this next fall, all six of them will attend Lincoln Public Schools. My background has been as a school administrator in Lincoln this year, 13 years in Fremont. Prior to that, four years in Illinois, and prior to that, I taught for five years. As far as educational background, I have a bachelor of science from Wayne State College. I have a master's degree from Northern Illinois University in school business management, and a specialist's from the University of Nebraska-Lincoln in educational administration. Currently working on my doctorate at the University of Nebraska-Lincoln. As I mentioned earlier, it has been an honor. I was kind of glad to see you asked Denis the tough questions in regard to the various plans, but we do, even though I'm appointed as representative of the school systems or the school plan members, it is interesting because we represent the entire retirement system and all of the various plans, and you do get an education. As Denis mentioned, sometimes you understand terminology more than others. It is interesting, and it's getting a little bit scary when you start to understand even what the actuary might be telling you, but it has been a great process. One of the things that we have done, one of the major

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accomplishments, I would say, Denis mentioned the director, Phyllis Chambers, and one of our key roles is hiring that director. And I chaired the search committee and also the personnel committee when that took place, and I think we made a great hire in Phyllis, and she's doing a great job leading the organization. [CONFIRMATION]

SENATOR PANKONIN: Thank you, Mr. Shepard. I'm going to get to a question. I just want to make a statement first. I think for all of us involved, as we have on the committee, as you learn about the details of both the administration and investment side, that this is a big responsibility for your board and this committee and, obviously, the investment council. And you're going to see an article today in the World-Herald about the situation in Omaha with police and fire which I'm sure you're aware of, where they're underfunded by a considerable amount. And I think it behooves us all...I think Senator Louden asked this question often as well, that we are very responsible so that we can...and you're a beneficiary of these plans as well, that we can keep our plans sound from administration standpoint and investment standpoint. And from serving on that, do you have more of an awareness of that, and be able to share that with the people in education which is our largest plan? [CONFIRMATION]

MARK SHEPARD: I think I definitely do, and I think all of our board members do. One of the other accomplishments has been the transition from the software and hardware system that we were utilizing for all of our plan administration to a new system. I think you're aware that the former system, basically, the company that purchased it, kept it in place for a couple of years, and then started to phase it out. And so the language that was written in was no longer a current language, and so we went through that process as well of bidding and selecting a vendor, and then moving forward with writing the new system. One of the other transition pieces to that is contracting with the office of the CIO for that type of service, and I think that was a great move for the agency. It definitely brings us in line with the other state agencies and the state of Nebraska as a whole, and it brought to the table their level of expertise because we had had difficulty maintaining because of our level of pay, the type of people that we would need in place to not only maintain our system, but also guide us through a process that we've just gone through with the transition to a new system. [CONFIRMATION]

SENATOR PANKONIN: Thank you. Any other questions? Senator Louden.
[CONFIRMATION]

SENATOR LOUDEN: Yeah. Well, thank you for serving on that for five years. I'm sure you get a real insight in it. One question since you represent the school systems and work for, you know, and receiving from public schools, the teachers' retirement, you have this defined benefit system. And there's been some problems where people have been able to spike that. Have you come up with any suggestions on how to...to me, it's somewhat of an unfairness situation in that whole retirement system, because usually, your higher paid administrators are more in position to spike that than, as I say, the

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people down in the trenches. Have you addressed that problem or come up with anything, or has there been any discussion on about it? [CONFIRMATION]

MARK SHEPARD: I think actually, the Legislature has addressed the problem quite well. There was a time when we had a 10 percent maximum. With that 10 percent maximum, there were still a lot of investigative activity that had to take place. Several years ago, through the Retirement Committee and working with legal counsel for the Retirement Committee, Joe Schaefer, legal counsel for the agency, and other individuals, including school administrators, and the teachers' association, we've now moved to a system of a 7 percent maximum. And there are some exclusions that are provided for in law for the 7 percent maximum, but it really has limited the ability for somebody to manipulate the system. And there still is the ability, if necessary, to investigate when individuals prepare to retire, and they submit their final...the school district submits their final payment information, they go back 60 months and truly, if somebody was going to try to spike the system, it would be caught based on that information. And so they look at it, and they can go back beyond 60 months, but they go back 60 months looking for anything that would appear to be a manipulation of the system. And I'm proud to say that I actually served on that little...I guess subcommittee, if you will...it was prior to being on the board, where we talked about the need to do that. And, you know, I think oftentimes, as you're aware, laws are written for the people that don't follow them as opposed to the people that do, and it was a very few select group of people that were not following the current policy, but the policy needed to be tightened, and it has been. [CONFIRMATION]

SENATOR LOUDEN: And you're satisfied with the policy the way it is now?
[CONFIRMATION]

MARK SHEPARD: I believe the policy that's in place is working and, you know, if there are issues beyond that, at this point, I'm not aware of any. There have been situations in the last five years since I've been on the board where some issues have been brought to our attention, but we've really relied on that statute to resolve those issues.
[CONFIRMATION]

SENATOR LOUDEN: Okay, thank you. [CONFIRMATION]

SENATOR PANKONIN: Seeing no other questions, thanks, Mr. Shepard, for coming today and being here and your service. [CONFIRMATION]

MARK SHEPARD: Thank you and thank you for the opportunity to serve.
[CONFIRMATION]

SENATOR PANKONIN: Okay, our third reappointment today is Sergeant Glenn Elwell?
[CONFIRMATION]

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GLENN ELWELL: (Exhibit 3) Yes. [CONFIRMATION]

SENATOR PANKONIN: Is that pronounced correctly? [CONFIRMATION]

GLENN ELWELL: Yes, sir. [CONFIRMATION]

SENATOR PANKONIN: And Sergeant Elwell is, as might be indicated by the title, is the...represents the members of the State Patrol on the...he's currently vice chair, and this is also a five-year reappointment. Thanks for being here today, and why don't you go ahead and tell us a little bit about yourself and service? [CONFIRMATION]

GLENN ELWELL: Well, thank you, Senator. I feel pretty honored to have the ability to be able to serve another five years. I kind of sit in a unique situation where I came in to serve on the board for the first time, because there wasn't a position for the State Patrol on the board five years ago, and so I was the first one to step in there. And I've seen a huge learning curve there. That's something that you think you come in knowing your own retirement, and I came in thinking I knew my own retirement, and didn't know it near as well as I thought I did. And now to learn about all the others has really made a...has been a big insight for myself. I also feel honored, the fact that...and just in the first five years that I've been elevated to the vice chair of the board which either that means that I took the unlucky straw or they feel strongly enough that I did overcome the learning curve quite quickly, and they felt comfortable in having me in that position, being voted on by the other members of the board. A little about myself. I was born and raised in...here in Lincoln, went to high school here, attended the University of Nebraska, served four years in the United States Marine Corps. After getting out of the Marine Corps, I actually worked for Lancaster County Sheriff's Office for a couple of years before being hired by the Patrol. Spent the first couple of years on the patrol in the Scottsbluff area in traffic services, working in uniform, and then transferred back to Lincoln, and worked in uniform for another several years before working in the narcotics division. And I worked narcotics, drugs, meth labs, all that stuff for almost 17 years of my career, up until recently, and I took over as the coordinator for the sex offender registry division of the patrol, and that's where I'm currently at right now. I really believe that...strongly in the fact that we as a board set as trustees, that we set as watchdogs for all the plans, and it's very important that we maintain that. I chaired...or I've been the chair of the audit committee for the board for the last several years, and it's quite interesting to know that it's very important for all the plans that we keep that real finite oversight on what's going on with everybody's plans. You just can't have much of a waiver with it, because it's real important that we maintain...especially in these economic times. [CONFIRMATION]

SENATOR PANKONIN: Thank you. Thanks for your testimony, and see if there's any questions. Seeing none, you must have done such a great job, there's no questions. But

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we appreciate your service, appreciate your coming today. Thank you.
[CONFIRMATION]

GLENN ELWELL: Thank you, sir. [CONFIRMATION]

SENATOR PANKONIN: Okay. That concludes the confirmation hearings, and we're going to stay and have an exec, but we thank everyone for coming today, being involved. [CONFIRMATION]

Chairperson

Committee Clerk