

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

Nebraska Retirement Systems Committee
February 06, 2014

[LB977 CONFIRMATION]

The Committee on Nebraska Retirement Systems met at 12:00 p.m. on Thursday, February 6, 2014, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB977 and gubernatorial appointments. Senators present: Jeremy Nordquist, Chairperson; Danielle Conrad; Russ Karpisek; Rick Kolowski; and Heath Mello. Senators absent: Al Davis, Vice Chairperson.

SENATOR NORDQUIST: Good afternoon, everyone. I'm state Senator Jeremy Nordquist, Chair of the Retirement Systems Committee. I represent District 7 in downtown and south Omaha. We have two items today, an appointment and then a hearing on LB977. We have...a couple committee members are going to have to leave and go to Exec Board. They have a hearing at the same time. And Senator Davis is traveling today. So we will, unfortunately, have a smaller committee when we get going. Let me do introductions. Laurie Vollertsen to my far right, committee clerk; to my left, Kate Allen, our legal counsel. Nathan is our page today. Please hand him anything that you'd like distributed to the committee. There's testifier sheets in the back to complete and submit to our clerk. Senator Russ Karpisek from District 32, Senator Rick Kolowski from District 31 in the Millard area, Al Davis is our Vice Chair. We have Senator Heath Mello, Chair of the Appropriations Committee, from District 5, and Senator Danielle Conrad from District 46. Please silence your cell phones. And with that, we will go ahead with our Governor's appointment of Janis Elliott to serve her second five-year term on the Public Employees Retirement Board. Welcome, Janis. Welcome.
[CONFIRMATION]

JANIS ELLIOTT: (Exhibits 1 and 2) Thank you. My name is Janis Elliott, J-a-n-i-s E-l-l-i-o-t-t. I reside at 807 LeMay Drive in Bellevue, Nebraska. I would like to thank the members of the Retirement Committee for the opportunity to share a little bit about myself today. I am a physics instructor at Bellevue Public Schools, and I teach dual-enrollment physics for the University of Nebraska at Omaha. This is my 30th year of teaching. I'm including a summary of my professional and personal information as an attachment to this testimony. It has been my honor to serve on the Public Employees Retirement Board for the last five years. I have taken the opportunity as a member of the Nebraska Public Employees Retirement Board to gain expertise in retirement issues, both locally and nationally. Examples of my involvement regarding retirement issues include active participation as a board member at the meetings during my tenure. I have served on the following committees of the board: the Education and Retreat, Policy and Planning, Budget and Personnel. I have served as chair of the Policy and Planning Committee. Attendance at the Nebraska Investment Council retreats were included in my learning opportunities. Evaluation and review of actuarial firms as a part of the board's selection process. Facilitation of local retirement seminars for the Bellevue Education Association. Participation at national level to assist educators in writing and presenting agenda items at the National Education Association

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

Nebraska Retirement Systems Committee
February 06, 2014

Representative Assembly. Active involvement as an executive board member of the Bellevue Education Association and the Nebraska State Education Association. These executive appointments afford me the opportunity to have direct communication with representatives of the education community across the state of Nebraska. I've had leadership on the Retirement Committee of the Nebraska State Education Association and participation at the National Council on Teacher Retirement. I've attended seminars at both Harvard and at Stanford. These seminars pertained to public employees such as police, fire, state and county employees, and educators. Appointment to the Legislative Committee of National Council on Teacher Retirement occurred last year, and I made a presentation at Harvard University as a panelist during the national training seminar for this council. Membership in professional pre-retired associations on the local and state level have been part of my background. I have had direct connections with many teachers and a personal tie, then, to the School Employees Retirement System. I've acted as a plan fiduciary to the members and their beneficiaries in all of the plans that I represent. And I understand that my board position is that of a school employee but that I, as stipulated by law, serve as a member to all of the plans...I serve as a representative member to all the plans and as a trustee to the taxpayers of the state of Nebraska. I thank the board for their time in this hearing, and I am honored to receive a nomination from Governor Heineman for this position. I'm glad to answer any questions that any of you may have. [CONFIRMATION]

SENATOR NORDQUIST: Thank you, Janis. Thanks for your service so far. Any questions from the committee? Senator Kolowski. [CONFIRMATION]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Ms. Elliott, thank you so much for your service and for your dedication to education. It's great to see. And I'm...one question I do have was simply the...what do you think would be the major topic you'd be active in or busy with in the next term as you're seeking reappointment?
[CONFIRMATION]

JANIS ELLIOTT: Well, I think that the Retirement Board, as I have served in the last five years, the topics don't really change very much, probably, that there's always a concern for actuarial rates of return. There's always a concern that we continue to have plans that are well funded, that are...provide the greatest benefit to both the members of the board and to the taxpayers of Nebraska, because certainly a healthy retirement plan is in the best benefit of both of those entities, through reduction of tax dollars or quality of life across the state of Nebraska, because there are so many people that are part of those plans. So I think those are the...going to be...continue to be the topics. It's just, the topics change in specificity, but it all comes down to the healthy nature of the plans.
[CONFIRMATION]

SENATOR KOLOWSKI: Thank you. [CONFIRMATION]

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

Nebraska Retirement Systems Committee
February 06, 2014

SENATOR NORDQUIST: All right. [CONFIRMATION]

SENATOR KOLOWSKI: And thanks for your service, again. [CONFIRMATION]

SENATOR NORDQUIST: All right. [CONFIRMATION]

JANIS ELLIOTT: You're welcome. [CONFIRMATION]

SENATOR NORDQUIST: What do you hear from other educators...you hear...just about, in general, about the Retirement System, the structure of it, just...? [CONFIRMATION]

JANIS ELLIOTT: Well, I think across Nebraska the teachers, of the Retirement System plans, are so proud of the plan that they have. They're proud of their participation in the process in which plan changes have to be made to continue to keep a solvent plan. So I think although there has been great pain from them in the increased donation that both the state, employers, and the teachers have had, I think that they're certainly understanding of how large their benefit really is to them... [CONFIRMATION]

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

JANIS ELLIOTT: ...and how sound the system must be for them. [CONFIRMATION]

SENATOR NORDQUIST: Okay. Thank you. Any other questions? Seeing none, thank you. [CONFIRMATION]

JANIS ELLIOTT: Thank you. [CONFIRMATION]

SENATOR NORDQUIST: Any additional testifiers regarding this appointment? Seeing none, that will conclude the hearing on that appointment. And we will to Senator Conrad's bill LB977. Welcome, Senator Conrad. [CONFIRMATION]

SENATOR CONRAD: Good afternoon, members, Chairman Nordquist, distinguished staff. My name is Danielle Conrad, D-a-n-i-e-l-l-e, Conrad, C-o-n-r-a-d. And I represent the "Fightin' 46th" Legislative District of north Lincoln. I am here today to introduce LB977. LB977 was brought to me by the Lincoln Electric System to allow for better service for the participants in their retirement plan. LB977 amends Section 30-3209 to expand investment and funding options available for participants in certain government retirement plans. Current statute restricts investment options of many governmental retirement plans, thus limiting their ability to offer low-cost providers and mutual funds. The current statute contains exceptions for the following: MUD, Metropolitan Utilities District--and a county in which the city of the metropolitan class is located, i.e., Douglas County--thus allowing the above retirement plans to invest in investment funds as long

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

Nebraska Retirement Systems Committee
February 06, 2014

as it is a prudent investment. So what this legislation does is really three things. It expands that exception to cities of the primary class, Lincoln, and public power districts. The third thing that it does is that it provides a definition of a custodian, in compliance and in concert with definitions provided by the Internal Revenue Code, treating a custodian the same as a trustee for purposes of the plan's qualification requirements. Following me is an attorney for the Lincoln Electric System, who can answer any technical questions you have regarding this bill. Thank you. [LB977]

SENATOR NORDQUIST: All right. Thank you, Senator Conrad. Senator Kolowski, do you have a question? [LB977]

SENATOR KOLOWSKI: No, sir. [LB977]

SENATOR NORDQUIST: All right. [LB977]

SENATOR KOLOWSKI: Thank you. [LB977]

SENATOR NORDQUIST: Thank you. All right. (Laughter) Thank you. Any proponent testifiers? Welcome. [LB977]

KEITH PETERS: (Exhibit 3) Thank you. Thank you, Chairman Nordquist. Members of the committee that remain, my name is Keith Peters, K-e-i-t-h P-e-t-e-r-s. I'm a partner at Cline Williams Wright Johnson&Oldfather, and we are legal counsel to Lincoln Electric System as well as Nebraska Public Power District with respect to their retirement plans and other employee benefit matters. I've also been indicated that I can testify on behalf of Omaha Public Power District with respect to this bill as well. And we want to thank Senator Conrad for introducing LB977. In sum, we urge you to support LB977 because it allows certain governmental entities to choose from a wide variety of investment options and funding vehicles for their retirement plans but protects plan participants by requiring the funds to be invested prudently. Presently, Section 30-3209 allows retirement plans or pension funds of most governmental entities to be invested with corporate trustees according to the prudent person rule. A governmental entity's retirement plan or pension fund may also invest in an annuity contract with an insurance company. If a governmental entity's retirement plan is not invested with a corporate trustee or insurance company, Section 30-3209 severely restricts the investment options that can be offered under the plan to bonds, stocks of certain companies, or other commercial paper. However, as you may know from your personal experience, most retirement plans offer participants the opportunity to direct their investment among 10 to 15 mutual funds. Presently 30-3209 does not allow investment in many mutual funds that are commonly offered to other retirement plans. Subsection (2) of Section 30-3209 contains an exception for a city of the metropolitan class and metropolitan utilities district in a county in which a city of the metropolitan class is located so that their retirement plans can offer any investment fund so long as it is a prudent investment.

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

Nebraska Retirement Systems Committee
February 06, 2014

LB977 adds "city of the primary class" and "public power district" to the list of exempt entities. LB977 also allows the exempt entities to use a custodian to hold the funds of the plan and provides a definition of "custodian." The custodian must still meet the requirements of the Internal Revenue Code which include that it must be a stable financial institution that will hold the assets for the safekeeping and benefit of the participants. Participants in retirement plans sponsored by entities exempted in subsection (2) are still protected by the prudent person rule, but the newly added governmental units now have more access to low-cost third-party administrators and low-cost mutual funds. If you have any questions, I'd be happy to answer them. [LB977]

SENATOR NORDQUIST: Thank you, Keith. Do you know when the exemption for metropolitan class cities was put in? [LB977]

KEITH PETERS: The initial exemption was for the cities of the metropolitan class; I believe it was in about 2002. [LB977]

SENATOR NORDQUIST: Okay. [LB977]

KEITH PETERS: And then, I think the county's was added a few years later. [LB977]

SENATOR NORDQUIST: Okay. And how have you guys operated under the current statute right now? [LB977]

KEITH PETERS: Lincoln Electric System has maintained a trustee, under the first subsection of the statue, for some number of years and then is moving toward a different arrangement, with a custodian. [LB977]

SENATOR NORDQUIST: Okay. Okay. Any other questions? Seeing none, thank you. [LB977]

KEITH PETERS: Thank you. [LB977]

SENATOR NORDQUIST: Any additional proponent testimony? Seeing none, any opponent testimony? Seeing none, any neutral testimony? Seeing none, Senator Conrad, would you like to close? [LB977]

SENATOR CONRAD: I just want to thank the committee and thank Keith and thank Shelley from LES for bringing this legislation forward. And, you know, at its essence, I think this legislation is quite straightforward. It's a modernization to allow a little bit more flexibility to these entities, and it keeps in place appropriate safeguards that are meant to protect the participants thereof. And, in fact, we have some very good local models that demonstrate that there is not unnecessary risk or detriment if we do allow for this to move forward. [LB977]

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

Nebraska Retirement Systems Committee
February 06, 2014

SENATOR NORDQUIST: All right. Thank you. [LB977]

SENATOR CONRAD: Thank you. [LB977]

SENATOR NORDQUIST: That will conclude our hearing on LB977 and our hearing today for the committee. Thank you. [LB977]