[LB41 LB42 LB126]

The Committee on Nebraska Retirement Systems met at 12:00 p.m. on Tuesday, January 20, 2015, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB41, LB42, and LB126. Senators present: Jeremy Nordquist, Chairperson; Al Davis, Vice Chairperson; Mike Groene; Rick Kolowski; Mark Kolterman; and Heath Mello. Senators absent: None.

SENATOR NORDQUIST: Good afternoon. It is officially afternoon now. Welcome to the Retirement Systems Committee. I am State Senator Jeremy Nordquist, Chair of the committee from District 7, which is downtown and south Omaha. Today we will be hearing three bills: LB41, LB42, and LB126. I'd like to welcome everyone to the first official committee hearing of the One Hundred Fourth Legislature of any committee, so we're excited to get the ball rolling. A few housekeeping things: Please silence your cell phones so not to be distracting of the transcription recording. When you do come and testify, we'll first take proponent testimony, opponent testimony, and neutral testimony, in that order after the introduction. There are testifier sheets in the back. Please complete those and turn those in to the committee clerk on our far left. When you do testify, please state and spell your name. And please, for both senators and testifiers, please be sure to speak as clearly as possible into the microphone. The transcribers need as clean of a recording as possible to do their jobs. Our committee, to my...who I'll introduce: to my far right is Mike Groene from North Platte; we have Rick Kolowski from Omaha; hopefully come...here he is, Senator Al Davis, our Vice Chair of the committee from Hyannis. To my left is Kate Allen, our legal counsel; Senator Heath Mello from Omaha; and Senator Mark Kolterman from Seward. And Laurie Vollertsen is our committee clerk. I think those are, for the first hearing, I think I got everything in. All three bills are mine, so I will essentially turn the rest of the committee deliberations over to our Vice Chair while I introduce.

SENATOR DAVIS: Senator Nordquist, I assume you went through all the rules and regulations. I appreciate that. Getting away from the lobby this, on the ninth day of introduction, is hard to do.

SENATOR NORDQUIST: All right. Okay.

SENATOR DAVIS: You ready?

SENATOR NORDQUIST: Ready. Thank you, Senator Davis, members of the Retirement Systems Committee. I'm State Senator Jeremy Nordquist from District 7 in downtown and south Omaha. First bill I'll be introducing today is LB41, which was introduced at the request of Sarpy County. It amends the population size for counties that participate in the County Employee Retirement System. Currently, the county plan includes counties or municipal counties with populations under 200,000. Under LB41, the population is increased from 200,000 to 250,000 in order to accommodate anticipated growth in Sarpy County. The only two counties that historically and continue to be excluded from the county retirement plan are Douglas and Lancaster County. That's the essence of the bill. It's a one-word change and I'd appreciate the committee's support of it. [LB41]

SENATOR DAVIS: Thank you, Senator Nordquist. Any questions about the bill? If not, I guess that would be... [LB41]

FRED UHE: Good afternoon, Senator Davis, members of the Retirement Committee. My name is Fred Uhe, last name is U-h-e. I'm the community and government relations director for Sarpy County. Appreciate Senator Nordquist introducing this on our behalf. It's probably one of the more simple bills that you will encounter, hopefully. We are engaged in looking at some long-term planning with our various bargaining units and employees, and when we came across this statute, basically, if Sarpy County continues to grow at the same rate we have in the past, we'll be over 200,000 by the 2020 census. And it's tough to do much long-term planning when you're potentially going to get kicked out of the plan in five or six years. So, we're very satisfied with what Nebraska Employees Retirement System does for us and just want to keep participating. So with that, I would take any questions or...tried to be brief. [LB41]

SENATOR DAVIS: Any questions for Mr. Uhe? So, Mr. Uhe, if we didn't pass this bill and the county got over 200,000, what would happen to your...? [LB41]

FRED UHE: Well, we would be charged with creating our own plan, which would be at a much higher cost, probably also some pressure from some of our groups on creating a defined benefit versus a defined contribution plan. So we think that for the employee perspective, the NPERS' fees are relatively low and I don't think we could create a plan on our own that would not only be as beneficial to the employees but even it would be at a much greater cost to the taxpayers of Sarpy, so. [LB41]

SENATOR DAVIS: And you are a defined contribution plan. Is that right? [LB41]

FRED UHE: Yes, we are. [LB41]

SENATOR DAVIS: Okay. Any other questions? Senator Kolowski. [LB41]

SENATOR KOLOWSKI: Fred, thank you very much for your testimony and being here today. If the school districts get their boundaries compromised with the fluidity they hope they will, and the county gets over the ridge, what do you suggest the 2020 census might look like at that time? [LB41]

FRED UHE: I think it would be very interesting. If I had a crystal ball that good, I'd probably... [LB41]

SENATOR KOLOWSKI: (Laugh) You'd be buying land, yeah. [LB41]

FRED UHE: ...would not be in government. But it's been interesting. We met with a couple superintendents this morning and talked about some of the issues they're working on. Sarpy County actually has authorized a study of the Platte watershed to take a look at the sewer capability south of the ridge line, because that probably does hinder Sarpy's growth. I know, I think the business...Bureau of Business Research at UNL has Sarpy hitting 300,000 by 2050, but I'll be 95 so I probably won't be too worried about it, so. But, yeah, we hopefully won't be back in another 10 or 15 years to say let's raise it up even higher, but I think that 250,000 should cover us for the pretty much long term, so. [LB41]

SENATOR KOLOWSKI: Thank you. [LB41]

SENATOR DAVIS: Any other? Senator Groene. [LB41]

SENATOR GROENE: So right now, the novice here, you're in the same plan, your employees are, as the state employees in this building. [LB41]

FRED UHE: Correct. Correct. [LB41]

SENATOR GROENE: Got the same options, the 5 percent guarantee or the... [LB41]

FRED UHE: Yes. Actually, all new hires are in the... [LB41]

SENATOR GROENE: ...or the 401. [LB41]

FRED UHE: ...required to participate in the cash balance. We do have some of the longer term employees that are either in just the straight defined contribution or the cash balance, but a similar plan to the state employees. [LB41]

SENATOR GROENE: Basically about 93 out of...92 out of 94 counties are. [LB41]

FRED UHE: I think everyone, except for Douglas and Lancaster, are. And naturally, we're probably the largest population and probably close. We have 660 employees. I'm sure we're probably one of the largest county participants in the plan, so. [LB41]

SENATOR DAVIS: Any other questions? [LB41]

SENATOR KOLTERMAN: Yeah. [LB41]

SENATOR DAVIS: Senator Kolterman. [LB41]

SENATOR KOLTERMAN: Thanks for testifying today. The only question I would have is, is there a reason you stopped at 250,000? If we plan to...I mean that county is growing rapidly. Would it be...would it make more sense to amend it now to 300,000 or...? [LB41]

FRED UHE: You know, representatives from Lancaster will be talking soon here, because I think they have passed 300,000, because some of the plans were designed with Lancaster in mind. And I think their 300,000 threshold is based on population estimates, not the decennial U.S. census. So probably the only...of course, I think by having to honor the census, but I'm not sure if I could see any negative to it. I mean it's...unless Lancaster would lose population and drop back and I'm not sure if they want to...they're in a different situation than we are and I think subsequent testifiers will probably touch on their plan designs. [LB41]

SENATOR KOLTERMAN: Okay. [LB41]

FRED UHE: But I, from the Sarpy County perspective, I don't think we'd have any objection to going higher. [LB41]

SENATOR KOLTERMAN: I just don't...I don't want to have to amend it five years down the road again if we can do it now. And I don't want to have to see you start your own plan, because I know how expensive that can be, so. [LB41]

FRED UHE: Thank you. [LB41]

SENATOR DAVIS: Any other questions? If not, thank you for your testimony. [LB41]

FRED UHE: Thank you. [LB41]

SENATOR DAVIS: Next testifier supporting the bill? Seeing none, any opposition? Anyone testifying in the neutral capacity? Senator Nordquist, would you like to close? [LB41]

SENATOR NORDQUIST: Thank you, members of the committee. So the county plan is just slightly different than the state plan. It is a similar cash balance. The contribution rates are a little bit different. And in the interests of full disclosure, I just introduced a bill that was cosigned by two other...two Sarpy County senators--Senator Smith and Senator Garrett--that Fred brought me. And it was kind of we were on track to introduce this bill and they are going to be coming in. It will be coming before this committee in a few weeks. Right now, employees, all county employees, contribute 4.5 percent. The county matches 6.75 or contributes 6.75 percent. The concern that Sarpy County Board said is our employees just aren't putting enough into the account and we're concerned that they're not...the aggregate contribution is not enough, so they have proposed and I introduced legislation to make it a 1 to 1 match, 6.75. So there is, under that bill, there would be no additional county contribution but the new employees...all employees, I'm sorry, under the bill would contribute, except for law enforcement. They're a little bit different. They get a little additional supplemental. But that bill, when we hear it, it potentially could have been combined with this or ran as an amendment to this, but I think if this bill moves forward then that will be a separate bill coming forward. Thank you. [LB41]

SENATOR DAVIS: Thank you, Senator Nordquist. [LB41]

SENATOR NORDQUIST: All right. [LB41]

SENATOR DAVIS: So now we'll take testimony on LB42. Is that the next one? [LB42]

SENATOR NORDQUIST: Yep. All right. Thank you, Senator Davis, members of the committee, State Senator Jeremy Nordquist from District 7 in downtown and south Omaha. LB42 makes a change to LB759, which Senator Mello passed through this committee and through the Legislature last session. Beginning last year, in 2014, the Legislature required local governmental entities with defined benefit plans, for the first time in state history, to file reports with our committee and provide...so we can, as a committee, provide oversight of their plans, the plans that are underfunded. This bill simply is a change of a date of the reports required. It was November 15. We're asking it to be moved to October 15 for the filing of the most recent actuarial report. So by October 15, they would have to submit that to us. It just gives us a better ability to align it with other actuarial studies and hearings that this committee typically has. And as we had this last year, we had Douglas County, city of Omaha, and city of Lincoln come in and present about their underfunded defined benefit plans and what actions they are taking to right those plans. That will be a practice that this committee does every year from now on. But again, this bill just simply changes the date to give us the reports in October and prepare for hearings in November. Thank you. [LB42]

SENATOR DAVIS: Thank you, Senator Nordquist. Any questions? Senator Kolterman. [LB42]

SENATOR KOLTERMAN: Senator, can you tell me will this, by changing this 30 days earlier,... [LB42]

SENATOR NORDQUIST: Uh-huh. [LB42]

SENATOR KOLTERMAN: ...will it create any kind of a hardship on the municipalities that are involved? [LB42]

SENATOR NORDQUIST: No. So the way the bill that Senator Mello drafted is...the way it works is it's whatever the most recent, current actuarial study is. [LB42]

SENATOR KOLTERMAN: Okay. [LB42]

SENATOR NORDQUIST: So we're not saying you have to change your actuarial study. It's whatever the current year study is, that's what you're presenting to us. [LB42]

SENATOR KOLTERMAN: Okay. [LB42]

SENATOR NORDQUIST: So we did run into an issue that Omaha doesn't do them the same time Lincoln does, and Lincoln will be completing theirs about now, in January or February, and we won't see those results till October. [LB42]

SENATOR KOLTERMAN: October. Okay. [LB42]

SENATOR NORDQUIST: But that, instead of forcing all those cities to align, once it gets going to an annual review of those, it shouldn't be much of an issue. [LB42]

SENATOR KOLTERMAN: Okay. [LB42]

SENATOR NORDQUIST: Yeah. [LB42]

SENATOR KOLTERMAN: Thank you. [LB42]

SENATOR DAVIS: Any other questions? If not, thank you, Senator Nordquist. We'll now take testimony in support of LB42. Anyone, testimony in support? Testifying against? Testifying in the neutral capacity? Senator Nordquist, would you like to close? Senator Nordquist waives closing. Move on to LB126, Senator Nordquist, for you to open. [LB42]

SENATOR NORDQUIST: Thank you, Senator Davis and members of the committee. I'm State Senator Jeremy Nordquist from District 7 in downtown and south Omaha. LB126 was introduced at the request of Lancaster County. It increases the combined employee-employer contribution rates from the maximum of 13 percent to a maximum of 16 percent for Lancaster County retirement system. We, in your binder, you'll see an amendment, AM12, that we're proposing to the committee that also is brought forward by Lancaster County, some changes that we worked on after the bill was introduced. It amends Section 23-1118, which allows counties that are not in the county employees retirement plan, which we talked about under the previous LB41, but to allow them to establish their own retirement system for employees. The county population size descriptions are changed to accommodate anticipated population growth. It also adds language that employees receiving...and maybe I'll preface this section with the change we made two years ago. It used to be Lancaster County had to be 100...contribute 150 percent of what the employee contributed, up to the maximum. I think it was my bill, I could be wrong, but that we moved a bill out of this committee two years ago to change that at the request of Lancaster County for new employees so it's only a 1 to 1 match. So they have some employees that are previous hires that are being contributed at 150 percent match while some are elected at 100 percent match. So the math comes down on this bill, if you're an employee under the previous ability, you could pick up, if you actually move from the 100 percent match...or move from the 150 percent match capped at 13 percent, to the 100 percent match capped at 16 percent, you could, if you were willing to contribute more and make that change, you could actually pick up a little more employer contribution. It wouldn't be a lot. But the employer actually, under the 100 percent match at 16 percent of pay, is contributing slightly more. So we are giving the people, the previous hires who are in the plan, giving them the ability to make a decision, do I stay at the 150 percent match or do I move to the new 100 percent match where my employer is going to be contributing a little more? And that we're giving them the ability in the bill to...the amendment to make that election but that they can't go back. Once they make that decision, they've made their decision. And we have the chief administrative officer for Lancaster County, Kerry Eagan, who will testify behind me to talk through those details. And I'd appreciate your consideration of this bill. [LB126]

SENATOR DAVIS: Thank you, Senator Nordquist. Any questions? Senator Groene. [LB126]

SENATOR GROENE: Maybe it's better to talk to an actuary, but you talked about only half of the equation. What about the taxpayer? [LB126]

SENATOR NORDQUIST: Right. [LB126]

SENATOR GROENE: I mean overall, is every taxpayer of Lancaster County going to be putting more in because you're doing it for both? You're doing it for the after 2012. They're going to be 8 percent match. [LB126]

SENATOR NORDQUIST: Right. Right. [LB126]

SENATOR GROENE: And also... [LB126]

SENATOR NORDQUIST: Right. You're absolutely right. So unlike the Sarpy bill that I talked about that will be coming forward, this is actually the county board saying, our employees are not putting enough away for retirement and we want, as a county board, to be able to contribute more as an employer and also make sure that they are contributing more. So I think that's a good question for Kerry and asking about the board's position. You know, does this...where do they come up with the extra money in their budget? I mean is it...I think that's a question that needs to be asked. [LB126]

SENATOR DAVIS: Any other questions? Thank you, Senator Nordquist. [LB126]

SENATOR NORDQUIST: Thank you. [LB126]

SENATOR DAVIS: We'll now take testimony in support of LB126. Welcome. [LB126]

KERRY EAGAN: (Exhibit 1) Thank you. Good afternoon, Chairman Nordquist, Vice Chair Senator Davis, and members of the Retirement Systems Committee. My name is Kerry Eagan. That's spelled K-e-r-r-y E-a-g-a-n. I am the chief administrative officer for the Lancaster County Board of Commissioners. Thank you for the opportunity to testify on behalf of the Lancaster County Board in favor of LB126. During the last several decades there has been a dramatic shift of the financial burden of retirement from employers to employees. Defined benefit pension plans are becoming more rare. And defined contribution plans, which were originally intended to supplement defined benefit plans, are becoming the only pension vehicle for many employees. This is the case in Lancaster County, which operates a defined contribution plan under the provisions of 23-1118. The county also has a supplemental 457(b) deferred compensation program, which is voluntary. However, most employees are simply not able to save enough for retirement. This means that employees will be forced to remain on the job well past their normal retirement age, resulting in significant higher employer costs for salaries, healthcare expenses, other related benefits. Recognizing this problem, the Lancaster County Board is seeking to enhance the ability of employees to save for retirement by increasing the total employer-employee contribution under 23-1118 from 13 percent of employee income to 16 percent. Additionally, raising the combined contribution limit to 16 percent will assist Lancaster County in attracting and retaining high-quality employees, especially with your upper-end employees--attorneys, other highly skilled employees. Again, thank you for the opportunity to testify in favor of LB126 and I'd be happy to answer any questions. [LB126]

SENATOR DAVIS: Thank you, Mr. Eagan. Any questions? Senator Kolterman. [LB126]

SENATOR KOLTERMAN: Can you...thanks again for testifying, Kerry. Can you tell me how the match works right now, what the minimums are and...? [LB126]

KERRY EAGAN: It's complicated because we have a two-tier program. Prior to July 1 of 2012, the match was 1.5 percent of employer money to 1, 1.5 to 1. So it was 7.8 percent of an employer contribution and 5.2 percent, because of the 13 percent limit of the employer-employee contribution. After 2012, we have five different unions and you can't make any changes, because of the term and condition of employee, without negotiating with the union. So we have five unions. We've had four that have agreed to a new 1 to 1 match. Of course you're giving something to get that. So there's four unions that are at 6.5 percent, 6.5 percent match, and then our unrepresented classified employees are also now at 6.5 percent and 6.5 percent. I do have a sheet which shows all the different effective dates that is in our summary of our plan, and it's, you know, it is quite lengthy. [LB126]

SENATOR KOLTERMAN: Okay. Well, the other question...thank you for that. The other question that I have is you have a 457(b) deferred comp program. Is that...how much can they contribute in that 457? [LB126]

KERRY EAGAN: The limits are always changing. Right now, without looking, I think the limit is about $17,000. But if you're over 50, you can do a catch up, which is an additional $6,000. So if you're over 50, you could put up to $23,000 of your own money into that deferred compensation. [LB126]

SENATOR KOLTERMAN: Into the 457, in addition to the other 13 percent. [LB126]

KERRY EAGAN: That is correct. That's entirely employer contribution. [LB126]

SENATOR KOLTERMAN: The 13? [LB126]

KERRY EAGAN: Employee. It's entire... [LB126]

SENATOR KOLTERMAN: Employee. It's employee contribution. [LB126]

KERRY EAGAN: ...employee contribution. Big difference. Yeah, that's an employee contribution only. [LB126]

SENATOR KOLTERMAN: But they do...part of the...I guess what I'm getting at is one of my questions is in somebody's opening statements, whether it was Senator's or yours, that you want to give the employees the ability to put more away. With the 457 and the 13 percent match, I would say that probably catches most people. Is there some...I'm just wondering, questioning the need to increase it. [LB126]

KERRY EAGAN: Well, if you can afford to put in the maximum deferred compensation, then you're doing pretty well salarywise. Most of our middle level and lower level employees are going paycheck to paycheck. They simply cannot afford to put in the additional money for deferred compensation, even though in their long...in the long-run it's in their benefit. That's why we want to go this other direction, which is a little bit paternalistic on the part of the county, because it does force a higher savings, up to possibly 16 percent, which is one of the figures that the national experts point to, is that employees, from the beginning they start their career, need to be saving about 15 percent of their income towards retirement. So this would be...well, it would be mandatory, for one thing, and it would hurt. I mean it would be a big contribution from the employee and it would be a big contribution from the employer or the taxpayers. I heard that concern raised earlier, and the board also has those concerns. But we're trying to look at it in the big picture of what is best in the long-run, what is best for our employees, what is best for the taxpayers. When we get to people, and I have lots of anecdotal evidence, who get to be 65, they simply cannot afford to retire because all they have is this defined contribution pension. If we can get them saving earlier and more, then they've got a better chance. We don't have a defined benefit pension. This is all we have and we need to maximize it. [LB126]

SENATOR KOLTERMAN: Okay. [LB126]

KERRY EAGAN: And that's the thinking behind LB126. [LB126]

SENATOR KOLTERMAN: Okay. Thank you. [LB126]

SENATOR DAVIS: Senator Kolowski. [LB126]

SENATOR KOLOWSKI: Thank you, sir. Mr. Eagan, thank you for your time today and appreciate that. When you made the statement, this is all they have, are they in the Social Security program also? [LB126]

KERRY EAGAN: Well, yes, they are. This is...you know, I should say this is the only retirement program other than that, but there is no defined benefit is really what my point is. [LB126]

SENATOR KOLOWSKI: Thank you. And what do you see take place as far as longevity, people working longer in their careers because of this need to continue their labors? [LB126]

KERRY EAGAN: Yeah. We're finding that a lot of our rank and file employees are delaying the retirement decision. Going from 65 to 70 is not unusual, some employees even beyond. It is an interesting showing this if you come to our longevity awards where we honor the people that have been with the county, and we're starting to get, every year, we're getting more of those 35-year or 40-year, 45-year employees. And oftentimes the reason they cite is, well, I just can't afford to retire yet; I need to save a little more. [LB126]

SENATOR KOLOWSKI: Is one of their reasons to continue working healthcare more than salary? [LB126]

KERRY EAGAN: Healthcare is a big part of it. Now we do have a...called a postemployment health program. It's actually now an integral part trust, which is like a medical savings account that you've heard a lot about in the last ten years. And that can help bridge the gap that when they get to...to get them to 65. But that's geared towards early retirement more to try to get the higher paid employees out the door so we can start again at the bottom of the compensation ladder and work up and save money. But that's more intended for that, that situation. [LB126]

SENATOR KOLOWSKI: Got it. Thank you very much. [LB126]

SENATOR DAVIS: Senator Groene. [LB126]

SENATOR GROENE: What I figure, right now on the 13 percent on 1.5, you're at 7.8 percent, right? [LB126]

KERRY EAGAN: That's correct. [LB126]

SENATOR GROENE: And you're going to go to 8, because the largest majority of your employees, I'm sure, hired before 2012. [LB126]

KERRY EAGAN: Right. [LB126]

SENATOR GROENE: So what is the number you've figured, if you switch that, next year you're going to add to the taxpayers' burden of matching it? [LB126]

KERRY EAGAN: Well, the intent of the board is that anybody who's grandfathered in prior to July 1, 2012, will stay at 13 percent. It does not apply, because of the...and we've had legal opinions about it. The board has no intention of raising the 1.5 to 1 match to 16 percent of income. That's why we want the provision to opt in, that if an employee wants to get an additional .2 percent, because it will go from 7.8 percent to 8 percent, they can do a one-time option to go to the 1 to 1 match. It would also mean they're going from 5.2 percent up to 8 percent, and that really takes a chunk out of the take-home pay. [LB126]

SENATOR GROENE: That's on your older employees that were prior (inaudible). [LB126]

KERRY EAGAN: That's on any employees hired prior to July 1, 2012. [LB126]

SENATOR GROENE: Otherwise, they stay at the 13 percent. [LB126]

KERRY EAGAN: Correct, yeah. The board has discretion on it. The sheet I had earlier shows how many different effective dates--the 1.5 to 1 at this date; after this date--because of the union negotiations. So it's incredibly complicated. [LB126]

SENATOR GROENE: Now did this bill only apply to Lancaster County? This bill is just written for Lancaster County. [LB126]

KERRY EAGAN: Yes, and that's why we also would want to adopt a change to the population limits. When I saw the Sarpy County bill, LB41, that raised the lower limit from 200,000 to 250,000, it was a bill that we intended to get to before 2020, because we're already over 300,000 by estimation. And in reading the statutes and the plan that applies to Douglas County, it's not exactly clear what happens to our plan. We no longer meet the qualifications for it, but I believe the Douglas County plan requires a city of the metropolitan class in it to go to the Douglas County plan. So we think it's in the best interests to continue this plan, it's longstanding, and to up the upper threshold so that we stay within that. [LB126]

SENATOR GROENE: Did you, though the best come out of free enterprise, did you compare like-size employers in Lancaster County with what kind of plans the free enterprise, who you're competing for employees for? [LB126]

KERRY EAGAN: We figure our main competition is the city of Lincoln... [LB126]

SENATOR GROENE: University. [LB126]

KERRY EAGAN: ...and Douglas County and the university. And the city, I think at this point, is a...it's a 1.3 to 1 match under their new plan. It used to be a 2 to 1 match, up to 16 percent of income. Plus, they'll do .5 percent on their deferred compensation program that if employees want to put money into that voluntary program of deferred compensation. So it's 16.5 percent for the city. Douglas County is presently at 16 percent total, but it's a defined benefit plan, which is far superior to the plan that Lancaster has. [LB126]

SENATOR GROENE: But you never have to throw something in because the markets went down. It is what it is. It's basically a 401(k). [LB126]

KERRY EAGAN: It's basically a 401(k) and the employee assumes all the risk of the investments doing well enough to retire. So we have no postemployment liability in that regard, no underfunded plans. It's entirely funded as it goes along. [LB126]

SENATOR GROENE: As you mentioned, the actuaries have looked at it. Long range you're better off? [LB126]

KERRY EAGAN: We don't know the full answer to that. We think so, but we've attempted to do a study showing are we saving money in the long-run by reducing our medical costs and our other...and our wage costs? There's a $10,000 difference between step one and step eight under our plan, for instance. We don't have solid evidence on that. And when we looked to do a study, it was so incredibly complicated with so many assumptions, it would be very difficult to do. We are still...it's on my to-do list for the board to try to get such a study, but it might be very expensive. But that is our intent, to try to get some hard numbers to that very question. [LB126]

SENATOR GROENE: Thank you. [LB126]

KERRY EAGAN: You're welcome. [LB126]

SENATOR DAVIS: Is this a mandatory plan or a voluntary plan? [LB126]

KERRY EAGAN: The plan is mandatory after one year of employment and reaching age 25, and then certain elected officials can opt in day one. We used to have a six-month waiting period. Well, we do for most rank and file employees. But it does become mandatory at age 25 and one year of employment for the 401(a). [LB126]

SENATOR DAVIS: Do you have any idea how many of your employees participate in the 457 as a percentage of the total? [LB126]

KERRY EAGAN: Yes, we have exact figures on that. Our pension provider, Prudential, does annual reports for us that lays out the participation and it's about, oh, I'm guessing. I should have brought that report with me. It's maybe a quarter of the employees are participating in the deferred comp at various levels of participation. Unfortunately, for the lower-paid employees, they simply can't afford to take any more out of their paychecks. [LB126]

SENATOR DAVIS: Okay. Thank you. Any other? Senator Kolowski. [LB126]

SENATOR KOLOWSKI: Just one, a sidebar question. Your county commissioners, are they allowed to participate in this? [LB126]

KERRY EAGAN: Yes, they are. [LB126]

SENATOR KOLOWSKI: Do they have health insurance as well? [LB126]

KERRY EAGAN: They also have health insurance benefits, yeah. We put that as part of our resolution that we're required to do every four years to set the salaries of elected officials and then, of course, that can't change during the four years unless it's on predictable standards. [LB126]

SENATOR KOLOWSKI: And what's their salary at the current time? [LB126]

KERRY EAGAN: Oh gosh, I think it's right about $39,000 or $40,000. [LB126]

SENATOR KOLOWSKI: Thank you. [LB126]

KERRY EAGAN: It's in that area. [LB126]

SENATOR DAVIS: Any other questions? Senator Kolterman. [LB126]

SENATOR KOLTERMAN: Just one last question. This is supported by the board. Do you know what kind of vote was taken and how it passed? [LB126]

KERRY EAGAN: Well, it was all discussed in open meetings. This originally was not on our priority list but there were several...two board members specifically who felt very strongly about it from, again, that paternalistic point of view that we need to encourage and help our employees save more, and that it's a joint responsibility of employee and employer. The bill did have unanimous...well, the new board, it has unanimous support. That I know. I know there was one board member, who ran for Lieutenant Governor but will remain nameless, who was opposed to it. So it was 4 to 1, basically. [LB126]

SENATOR KOLTERMAN: Okay. [LB126]

SENATOR GROENE: Does this mandate that you have to be 16 percent? [LB126]

KERRY EAGAN: It does not. In fact,... [LB126]

SENATOR GROENE: But then there will be an action of the board, they might go 14, ease into it or...? [LB126]

KERRY EAGAN: It's discretionary with the board, but with the labor unions it has to be negotiated. And we have five labor unions, so we can't just move everybody to 16 percent and take an additional 1.5 percent of their take-home pay. The union would have be in on it and agree to it, and that might be a tough sell to their rank and file. And they're certainly going to want to get something in return if they're going to put that additional money into this type of retirement program. So it took us a long time. It took us almost two years to negotiate the previous match going to 1 to 1. The unrepresented employees, of course, the board could do that if they had the authority. [LB126]

SENATOR DAVIS: Any other questions? If not, thank you very much, Mr. Eagan. [LB126]

KERRY EAGAN: Thank you. [LB126]

SENATOR DAVIS: Anyone testifying in opposition to LB126? Anyone testifying in the neutral capacity? Senator Nordquist, would you like to close? [LB126]

SENATOR NORDQUIST: I think Mr. Eagan did a great job of providing an overview. So this kind of today I guess we've walked through just the continuum of county retirement plans. You know, we talked about the oversight on the Douglas County defined benefit plan, Lancaster County with their DC plan. And then everyone else, every other county, from Sarpy on down, is in the state-administered county plan. There are two pieces of that. Older employees are in a DC plan, and employees since 2002 or '03, when did...are in the cash balance,... [LB126]

KATE ALLEN: '03. [LB126]

SENATOR NORDQUIST: ...2003, are in the county cash balance plan. And then the bill that I'll be bringing later, Sarpy would like. They will be looking for some kind of a specific, their own, formulation of how contributions are made for them as opposed to all the other counties. That's it. [LB126]

SENATOR DAVIS: Senator Nordquist, should we address this issue of population with Douglas County...or with Lancaster County at this point in this bill or would that make sense? [LB126]

SENATOR NORDQUIST: Yeah. Oh, I think so, and the Sarpy County one a well. [LB126]

SENATOR DAVIS: Thank you. That concludes today's hearings, I believe. [LB126]