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Nebraska Retirement Systems Committee
January 25, 2016

[LB447]

The Committee on Nebraska Retirement Systems met at 12:00 p.m. on Monday, January 25, 2016, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on AM1815 to LB447. Senators present: Mark Kolterman, Chairperson; Al Davis, Vice Chairperson; Mike Groene; Rick Kolowski; Brett Lindstrom; and Heath Mello. Senators absent: None.

SENATOR KOLTERMAN: I'd like to start with, first of all, welcoming you to the Nebraska Retirement Systems Committee hearing and I'd like to introduce the senators. I'm going to start on my immediate right. Introduce yourself, where you're from, and...

SENATOR LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

SENATOR KOLOWSKI: Rick Kolowski, District 31, southwest Omaha.

SENATOR KOLTERMAN: I'm Senator Mark Kolterman from Seward, York, and Polk Counties.

KATE ALLEN: I'm Kate Allen, committee legal counsel.

SENATOR MELLO: Heath Mello, District 5, south Omaha.

SENATOR KOLTERMAN: And we have the committee clerk, Katie Quintero, and also we have Shannyn Bird who is our student from UNL as a page. We're here today for a hearing on AM1815 which is an amendment to LB447 as presented by Senator Mello. So at this time I'd like you to open on the bill.

SENATOR MELLO: (Exhibit 1) Good afternoon, Chairman Kolterman, members of the Retirement Systems Committee. My name is Heath Mello, H-e-a-t-h M-e-l-l-o, and I represent the 5th Legislative District in south Omaha. Last year, Senator Jeremy Nordquist introduced LB447 and LB448. LB447 made a number of governance changes under Class V School Employees Retirement Act, otherwise referred to as OSERS. LB448 was a shell bill introduced to begin the discussion about merging the OSERS Plan with the statewide School Employees Retirement Plan. Following the hearings, negotiations took place among all interested parties and an agreement was reached which resulted in committee amendment AM1555 to LB448. The agreement incorporated governance changes, transfer of investment authority of OSERS's assets to the Nebraska Investment Council, and changes to OSERS's benefits to more closely aligned benefits with those in the school plan including elimination of the state-funded service annuity. It

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also included a provision regarding the state payment of an OSERS ARC if the state appropriated money for a school plan ARC. The bill advanced from committee with these agreed-upon changes and advanced from General File to Select File. When concerns were raised about state payment of the OSERS ARC, the bill was amended to remove the requirement to pay the OSERS ARC and replaced it with a provision to require the Appropriations Committee to conduct a public hearing to consider transferring state funds to pay the OSERS ARC. The bill was ultimately bracketed until April 15, 2016. Over the interim, members of the Retirement Committee worked with interested parties to move forward with LB448 as it was amended last year. As a result, AM1815 was drafted as an amendment to LB447 and filed on January 7 of this year in order to provide plenty of notice prior to this hearing. LB448, as amended by the committee during the floor debate in 2015, had employees hired on or after July 1, 2015, will have reduced benefits including: the elimination of the state service annuity; the elimination of the medical COLA; retirement benefits are unreduced at age 65 rather than at age 62; and the normal retirement age is 65 with six months of service, rather than 65 years with 5 years of service. The governance changes included the following: The OSERS staff is under the control of the board of trustees rather than the OPS Public School Board; the trustees appoint the OSERS administrator who is approved by the OPS Board; trustees oversee the administrator and OSERS staff rather than the OPS Board; trustees contract with the actuary for OSERS rather than the OPS Board doing them; and the selection of the actuary is approved by the OPS Board; trustees no longer make a recommendation regarding the contribution which is made by the OPS Board. Only the actuary will now make this contribution...make this recommendation, I'm sorry. A definition of solvency is added for the purposes of determining the required contribution by the OPS Board. And the audit year is changed to calendar year, except in 2016 when it is a four-month year. The audit year is used for preparation of the actuarial report and the financial audit of the retirement systems. The OSERS Board of Trustees membership is changed and includes the following members: one, the superintendent or his or her designee as an ex officio voting member; the State Investment Officer or his or her designee as an ex officio voting member; two business members recommended by the trustees and approved by the OPS Board; two certificated employees elected by its membership; one noncertificated employee elected by its membership; and one retired member elected by its membership. The trustees will continue to administer the payment of pensions. The investment changes include, first, the transfer of authority for the selection of the banks and custodial arrangements to the Nebraska Investment Council. Second, the OSERS administrator serves as an ex officio nonvoting member of the Nebraska Investment Council. And here is the state funding changes. First, the state service annuity is eliminated for new members. And second, if an ARC is necessary to fund the school plan and the state appropriates funding for the ARC and if OSERS certifies that it also needs additional funds to meet its local ARC, then the Appropriations Committee shall conduct a hearing to consider transferring funds to OSERS which is equal to the same percent of payroll that is paid to the statewide school plan. The following are new provisions that were inserted including several clarifications of provisions that were negotiated in last year's LB448. The new

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changes for this year include the effective date throughout the bill have all been changed and moved up a year. Second, beginning July 1, 2016, the board of education has no duty or responsibility for administration of the retirement system including calculation of benefits for members or beneficiaries, except as specifically provided in the act. This is a clarification of negotiated changes in LB448. Any clerical work done by an OPS School District employee related to OSERS will be paid from the OSERS Plan. This is a clarification of negotiated changes in last year's LB448. The school district is not liable for acts or omissions in the administration of the act made at the direction of the board of trustees. This also is a clarification of the negotiated changes in LB448. AM1815 further clarifies the provision regarding payment of the OSERS's ARC. New language was added this year to require the school district to require a public hearing before the Appropriations Committee if the district is seeking funds towards payment of the OSERS's actuarially required contribution, better known as the ARC. Language was also added that the payment of the OSERS's ARC requires approval by the Appropriations Committee and concurrence of the Nebraska Legislature. The Nebraska State Investment Officer does not serve as a member of the board of trustees but is required to submit quarterly reports to the board of trustees regarding the assets of the retirement system and the related cost, fees, and expenses. There are two benefit changes that are made this year in order to further align the benefits of the school employees plan and the OSERS Plan. The first, school plan members who were hired on or after July 1, 2016, will not be eligible to vest with half-year service credit if they are at least 65 years of age. It also strikes this provision in the Class V employees retirement systems that was added in LB448. The six-month vesting period has been used primarily to create additional retirement benefits for persons who retired and returned back to work. It eliminates a provision...also, it eliminates a provision in the School Employees Retirement Act that allows members who are receiving disability retirement to also work up to 20 hours a week. This provision is eliminated because it is considered an in-service distribution by the Internal Revenue Service which is not allowed for authorized plans. These are important changes that need to be incorporated this year to avoid the creation of further long-term liabilities to our plans. In conclusion, Omaha Public Schools had advised me that they were going to be testifying in opposition of the bill...of the amendment today. They want to add two additional provisions to the underlying bill that was negotiated last year. One of them delays until 2021 the implementation date of the definition of, quote unquote, solvency in the bill so that they retain discretion in the amount that is contributed each year. The OSERS statute regarding the district's contribution currently in law states, quote, the district's contribution is the greater of one hundred one percent or the amount necessary to maintain the solvency of the system as determined annually by the board upon recommendation of the actuary and the trustees, end quote. Currently, solvency is not defined in the bill. AM1815 to LB447 includes a definition of solvency which is also contained in LB448 as it was negotiated last year. I've got two handouts that the page will hand out here. One, the first handout is a page from the OSERS 2001 Actuarial Valuation Report that indicates the school district's funding policy is to contribute an amount equal to the members' contributions. The actuary comments that given this district's funding

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policy, the unfunded actuarial liability will take 43 years to pay off. Beginning in 2002, the actuarial report includes language that the board of trustees, the OSERS Board of Trustees adopted a funding policy based on criteria established in GASB 25 as the basis for determining the amount of the contribution necessary to maintain the solvency of the system. GASB 25 establishes criteria for determining the amount of the ARC. The 2015 actuarial report confirms that OSERS Board of Trustees funding policy is currently still in place. Colleagues, we know what happens when the ARC is not paid as it's recommended by an actuary. As the actuary has told us many times, pay me now or pay me more later. I'm concerned that delaying the implementation of the definition of, quote unquote, solvency for 2021 could result in the school and OSERS Plan getting further apart in terms of their funding status unless the district chooses to follow the recommendation of the actuary and the board of trustees. One reason that we need to move forward with this bill as it's currently drafted is because of the concerns about the current investment returns and the OSERS Plan funding status. For the most recent plan, the investment return for OSERS was a negative 4.1 percent while the investment return on the state school employee plan...I'm sorry, defined benefit plan including the school employee plan was 3.9 percent. Colleagues, that's an 8 percent difference which we all know is extremely significant in these times. The current funding status of the school plan is at 88 percent while the current funding status of the OSERS Plan is at 73 percent. This is the first step in aligning benefits under the OSERS and school plan, an important step in moving the authority for investment of OSERS's assets to professional investment managers in the NIC and assuring that the ARC payments are made in order to maintain the solvency of the OSERS Plan. With that, I'd like to specifically thank our Chairman, Senator Kolterman; our Vice Chairman, Senator Davis; and our legal counsel, Kate Allen, for working with me over the interim to try to bring conclusion to this issue that we were unable to bring last year in the bill that was bracketed. With that, colleagues, I'd be happy to answer any questions you may have. [LB447]

SENATOR KOLTERMAN: Okay. Any questions for Senator Mello? Seeing none, we'll open it up... [LB447]

SENATOR MELLO: Thank you. [LB447]

SENATOR KOLTERMAN: ...for discussion. Those wishing to testify should come to the front of the room and be ready to testify as soon as someone finishes. We need to keep the hearing moving. We'll start with proponents' testimony, the opponents' testimony, and finally neutral testimony. As usual, please complete the blue forms. This is going to be computer...transcribed so it's important that you fill out the forms and also talk plainly into the mike, and would you spell your name and we'll move forward. One final note, we have had Senator Groene and Senator Davis join us and they're from...they're part of the committee. So we're all here. Jason. [LB447]

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JASON HAYES: (Exhibit 2) Okay. Good afternoon, Chairman Kolterman, and members of the Retirement Systems Committee. For the record, I am Jason Hayes, J-a-s-o-n H-a-y-e-s, and I'm here representing the Nebraska State Education Association. We support AM1815 to LB447. We believe these plan changes are good, commonsense retirement reforms that will help ensure a better financial future for the Omaha School Employees Retirement System. These changes make similar adjustments to the OSERS Plan, as was done three years ago by LB553 to the statewide NPERS administered plan. Since LB553 was implemented, the NPERS School Plan has increased its funded ratio by 10 percent. The statewide plan is now estimated to be 100 percent funded by 2022. This is great news for school employees who contribute 9.78 percent of their pay each month towards their retirement plan. AM1815 does represent a compromise agreement between the OPS School Board and the Omaha Educators Association since the spring of last year. OPS school employees are making substantial concessions in this agreement by giving up their medical COLA benefit and the state service annuity benefit for new employee members. The state service annuity benefit alone represents a \$70 a month benefit payment reduction for an employee who has been in the plan for 20 years. In exchange for these concessions, there are changes to the governance structure that will bring about greater independence on the part of the board of trustees to make informative decisions outside of the political process, similar to how the Public Employees Retirement Board is organized as a noncode agency within the state of Nebraska. Finally, I have learned recently that the OPS School Board is now opposed to this agreement because it wants to delay any actuarial required contributions it might owe in the future for a period of five years and another statutory provision stating that OSERS is unable to bring a lawsuit in the future against the district unless it first gets permission from OPS. Both provisions being sought by OPS were not part of the agreement last spring. Delaying ARC payments is unwise and only places additional stress on the funded status of a retirement plan. It is the same path to which pension plans in both Kentucky and Illinois now find themselves in financial hardship. Also, restricting OSERS's ability as a plan trustee to seek a legal remedy in cases where OPS acts in contravention to state law is unthinkable. Such a cause of action could occur if OPS improperly withholds information or fails to make a plan contribution on behalf of a plan member. I have heard that OPS is concerned that plan members would just have OSERS sue on their behalf, but this is unfounded because a plan trustee would typically not have standing or a cause of action to sue on behalf of plan beneficiaries. Most lawsuits brought by plan beneficiaries are brought against a trustee for making an error in a benefit calculation. This fact is evidenced by the recent lawsuit brought by State Patrol Plan members against the state of Nebraska. NPERS as trustee is not suing the state on behalf of members, but rather NPERS is being sued by plan members, as well as the State of Nebraska also being named in the lawsuit. Because of these reasons, we ask that these two provisions not be reflective in the final committee amendment adopted. I thank you for your time in helping to improve the OSERS Plan. [LB447]

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SENATOR KOLTERMAN: Thank you, Mr. Hayes. Any questions from the committee? Okay, Senator Groene. [LB447]

SENATOR GROENE: Thank you, Chairman. Right now, if a teacher leaves, been teaching in Omaha for ten years and is under the three-year average when they retire and they take a job in North Platte, are they considered new teachers under the new plan that when they retire from the state... [LB447]

JASON HAYES: That is correct. [LB447]

SENATOR GROENE: ...retirement, they go five years? [LB447]

JASON HAYES: Yeah, they would go into the tier two. [LB447]

SENATOR GROENE: They would be a new employee... [LB447]

JASON HAYES: Right. [LB447]

SENATOR GROENE: ...under two retirement plan. [LB447]

JASON HAYES: Correct. [LB447]

SENATOR GROENE: Thank you. [LB447]

SENATOR KOLTERMAN: Any additional questions? [LB447]

JASON HAYES: Thank you. [LB447]

SENATOR KOLTERMAN: Thank you for your testimony. Mr. Dulaney. [LB447]

MIKE DULANEY: Thank you, Senator Kolterman. Senator Kolterman, members of the committee, my name is Mike Dulaney, D-u-l-a-n-e-y, and I am pleased to represent the Nebraska Council of School Administrators in the capacity of executive director. The NCSA legislative committee took interest in this amendment and we want to thank Senator Mello for all of his work and for Ms. Allen and the whole committee because we do feel that there's some important pieces here. I want to be very clear that the NCSA legislative committee has but one piece that

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we absolutely feel is essential in this and we know that there is some dispute or maybe disagreement on some of the OPS provisions. We are not here to say anything with regard to those provisions and we're sure that the committee will have a chance to work on those. The piece that we are particularly interested in has to do with the age 65 and the vesting after only one-half year service rather than the typical five year vesting. We're not sure where that law came from quite frankly. We understand it was a few a few years back. But we do not support that. We feel that it should be repealed. And I understand that it might be a piece pending in LB448. So as I understand it, this would be...that would not stand. It would not be pending for the OPS plan. We just don't think that's good policy. And frankly, if we had been aware of that, we would have been here in front of you a while back to say that that should be removed. We just don't know where it came from. We do have an issue where we have school districts, school boards needing the assistance of retirees to come back for a year, sometimes maybe two. It's not just superintendents. I know that that's where the attention gets, but that's not true. There are teachers that are asked to come back. If there's...particularly in the western part of Nebraska, if you lose a language teacher, for example, you lose a specialized teacher for retirement and then whoever you hired doesn't work out, you might need to have that teacher come back. Same way in school districts with if you have a superintendent that leaves or announces his or her retirement or resignation too late, I should say, during the school year, you may need to have an interim come in for a year to buy yourself time to do a permanent search. So we do feel that there is a need for interims, but we don't feel that this current law with regard to age 65 is fair. So we do hope that that...this piece of it is repealed. [LB447]

SENATOR KOLTERMAN: Thank you, Mr. Dulaney. Any questions? Appreciate it. [LB447]

MIKE DULANEY: Thank you. [LB447]

SENATOR KOLTERMAN: Welcome, Mr. Rea. [LB447]

ROGER REA: (Exhibit 3) Thank you. You remembered. Senator Kolterman, members of the committee, for the record, I'm Roger Rea, spelled R-e-a. I live in Omaha. I'm a trustee of the Omaha School Employees Retirement System, or OSERS. On the OSERS Board, I represent the retired members of the system, but I'm not here today in that capacity. I'm also the president of NSEA-Retired, an organization of retired educators across the state, and I'm here today to represent the retired members of our association who are also members of OSERS. OSERS was established in 1909, and is the second oldest, continuously operating retirement system for school employees in the country. OSERS trustees have received national recognition, and two of them have served as president of the National Council on Teacher Retirement, or NCTR. Two others have served on the executive committee for NCTR, including one of our current trustees for OSERS. Several of the OSERS Trustees are currently serving on a variety of committees for

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NCTR. In short, the OSERS trustees are knowledgeable about retirement matters, and their expertise is put to use not only at the local level but also at the national level. One year ago I came before you and supported the original language in LB447, which would have created an independent OSERS Board with independent investment authority giving the OSERS trustees the ability to control both the OSERS staff and hire legal counsel independent from legal counsel used by the public schools. I fully support the language in that original bill. The language in LB447 from last year was folded into LB448, and additional language was added that would harmonize the benefits provided by OSERS to those of the state teachers' retirement system. Language was also added that would move the investments of OSERS Trust Fund to the Nebraska Investment Council. While I fully support having an independent OSERS Board, I must admit that I am having some trouble with the additional provisions that would harmonize the benefits of the School Employees Retirement Plans and move the investment function away from the OSERS Board, the very body that is most sensitive to success of the retirement system. We met with various groups, including some members of this committee, late last year to discuss some options for 2016. I understand that compromise is the heart of politics, and I can accept the provisions of LB447 with committee amendment AM1815 as a compromise worth having. Compromise at times means that you give up something that you have in order to get something that you want. And at times, like this one, compromise can be a very bitter pill to swallow. My main concern with LB447 is having the assets moved to the Investment Council on relatively short notice with no idea of how the Investment Council would react to having asset classes that are not currently in the investment mix that they have for the other trusts that they manage. OSERS has used outside consultants for many decades to help establish not only its asset allocation but also to select investment professionals who can meet that mandate to invest in the way the asset allocation outlines. I am sure that you know that OSERS has provided oversight for investments and has never managed the assets itself. OSERS distributes its \$1.2 billion trust fund to 19 investment firms who manage assets in 20 different asset categories over seven different investment styles. My request is that there be some assurance that the Investment Council will consider using the same consultants who helped develop the OSERS asset allocation, will keep some, if not all, of the investment professionals who have implemented that allocation, and will seriously consider the advice of the OSERS director on how the assets of OSERS should be invested. I hope that request can be honored. OSERS is not broken, but its governance model is. While I am confident that OSERS could continue to hire and maintain investment professionals to properly implement the asset allocation that OSERS has adopted, I understand the desire of the Legislature to have that be more of a state function. I ask that the OSERS assets be moved to the Investment Council slowly and with great caution so that the assets do not lose any value in the transfer. I ask that you advance LB447 with AM1815, to the full Legislature. Thank you. I'd be happy to answer any questions you might have. [LB447]

SENATOR KOLTERMAN: Thank you, Mr. Rea. I just have a couple of questions I'd like to ask. [LB447]

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ROGER REA: Sure. [LB447]

SENATOR KOLTERMAN: I wanted to follow up on Senator Mello's testimony regarding the district's and trustees' funding policies and the language of the current statute. Under comments in the OSERS's actuarial report, the actuary refers to a policy adopted by the board of trustees that establishes criteria for determining the amount necessary to maintain the solvency of the system. It appears that the board of trustees has had a funding policy or criteria in place since 2002 from what we see. Can you tell the committee how the board of trustees has set the funding policy and why the trustees felt it was important to set this policy? [LB447]

ROGER REA: The funding policy was set with the work of our actuary and our investment consultants to try to make sure that we were able to provide the funding benefits. The downturn of the markets in 2001, 2002, and 2003 caused us a great concern. And we saw our funding level go from over 100 percent to less than 90 percent in fairly short order. It's now deteriorated as you've seen further. We decided at that point that we needed to do something to make sure that there was a funding policy that would pay off the unfunded liability over a finite period of time. We asked the actuary to develop a series of options for us to consider. She looked at other states around the country--she's the actuary for a number of retirement plans--and developed an asset...not an asset but a funding policy that she thought would be able to get us on the right path. And so we adopted that funding policy. [LB447]

SENATOR KOLTERMAN: Okay, thank you. And then one final question, in your experience because you've been doing this for many years, has the OPS Board followed the recommendations of the actuary and the board of trustees regarding the contributions necessary to maintain the solvency of the system? [LB447]

ROGER REA: Over my...I've been a trustee for the retirement system for over 22 years, I've been involved for almost 30. I've seen sometimes when they did not put the money in that they were expecting to for budgetary considerations, but they've made it up later on. [LB447]

SENATOR KOLTERMAN: Okay. [LB447]

ROGER REA: So I've never seen them go a long period of time and not have that required contribution. They have met their obligations over time. [LB447]

SENATOR KOLTERMAN: Okay, thank you very much. [LB447]

ROGER REA: Sure. [LB447]

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SENATOR KOLTERMAN: Any additional questions? Thank you. [LB447]

ROGER REA: Sure. [LB447]

JOHN JENSEN: Senator Kolterman, members of the Retirement Committee, I'm John Jensen, J-o-h-n J-e-n-s-e-n. I live in Omaha. I'm a former trustee of OSERS. I was a trustee for 24 years and I stopped being a trustee when I did retire in 2003. I'm also past president of the National Council on Teacher Retirement and I say that because it gave me the opportunity to see what other systems do that's different than OSERS. And I found out that we did things quite differently from the usual plans around the country. I was also a negotiator for the Omaha Education Association for I can't remember how many years--quite a few years. And I learned a lot about negotiating and what to do, what not to do. And I think that will bear out why I said that a little bit later. This plan, this AM1815 creates significant reductions in benefits. Now Mr. Hayes mentioned the 20-year teacher. I taught for 36 years. If this had been applied to me, I would have been losing \$126 a month in state service annuity payments. The medical COLA, I'm currently getting \$120 a month and that's very much needed with the cost of medicine for someone who is over the age of 70. The governance changes in OSERS are very much in line with what the vast majority of governance is in other pension plans around the country. We're just simply following in what we probably should have been doing a long time ago. Reducing the number of trustees I think is a good move. It's an excellent move and it's long overdue. Having four members of the system, constituent members of the system being elected I think is a huge improvement and I very much welcome that. As far as the State Investment Council, I remain neutral there. I want to see how they do with my money, and my money is still there. All these changes and all the compromise that you've heard that went on last year, last spring, last fall meant that compromise had been very much taken seriously by both sides, all sides. And I'm very much chagrined that here at the last moment that compromise has been tossed back in our face and there...the no ARC payments for five years, that doesn't mean it goes away. They still owe the money. And they would owe an additional 8 percent compounded on that. I'm not sure why the trustees would ever want to sue. I can't imagine what circumstances would allow that but I certainly don't think it should be written into state law that they can't sue. As a negotiator, once both sides come to that tentative agreement say, and the union says we're going to take it to a vote, we don't back out at the last second and say, oh, we also want this and this. We take it to a vote. And we...we accept whichever way it goes. The school district, they take it to a vote of the school board. And I've never...never had a situation in all the years that I've been...in dealing with Omaha Education Association OEA...OPS, the school board has never gone back and said we're going to change things--never, ever. So as a negotiator, I don't think it should be done in this case either. And with that, if there's any questions I can answer I'll try to do that. [LB447]

SENATOR KOLTERMAN: Thank you, Mr. Jensen. Any questions? Senator Davis. [LB447]

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SENATOR DAVIS: Just one. Thank you, Senator Kolterman. Thank you, sir. You heard Mr. Rea talk about his objection about the moving of the funds to the Investment Council. Do you have any concerns about that? [LB447]

JOHN JENSEN: Well, any...just as an individual, now you go to a financial advisor, they'll come up with a basket full of places to put your money. You don't put it all in one basket. You put it in many places. And how you do that can be in infinite different ways. And I'm sure, I'll guarantee you that the Investment Council for the state has a different way of doing it than OSERS. And his concern is valid. How can that be done if there's going to be, you know, selling of securities? We don't want it to be done in such a way that you lose money doing that. You want to do it in such a way that hopefully it's, if anything, positive but not detrimental to the assets of the system. And so what Mr. Rea was saying, we have to do it carefully and not quickly but give it time. There might be some investments that OSERS, hey, I was...that is not that liquid and, therefore, you know, if you're forced to sell something that's not liquid, you're going to lose money on it. And we certainly don't want to have that happen. And so, yes, I agree with him. [LB447]

SENATOR DAVIS: Thank you. [LB447]

SENATOR KOLTERMAN: Thank you, Senator. Yes, Senator Kolowski. [LB447]

SENATOR KOLOWSKI: Thank you, Mr. Chairman. Mr. Jensen, your symbolic baskets have had numerous holes it looks like over the last recent years. And from that perspective, we're trying to put together a plan that would encompass all teachers in the state. There are those who feel Omaha should never have been separate. I know you have a long history. And with that being the case, compared to the rest of the state of Nebraska, but there's a time to make the moves as we can right now as have been described by Senator Mello to bring this about and bring it together because your track record has not been good in the last decade. [LB447]

JOHN JENSEN: If I might? [LB447]

SENATOR KOLOWSKI: Sure. [LB447]

JOHN JENSEN: You know, there was two recessions during the 2000s. One started in 2001 and one started in 2008. In fact, the 2008-09 Recession was called the Great Recession. All pension plans around the country suffered because of that. We suffered because of that. But if you look at our long-term record--how have we done over 30 years--it's over 8 percent, over what the assumption is. And if you look at the last five years--I would have to check this exactly with Mr. Rea, he knows more, he's currently a trustee--we have taken the peaks and valleys out and we're

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trying to make it a smoother situation and at the same time come in with at least 8 percent return. If you go back...I don't know how many years you have to go back before we have an average of 8 percent return. It's been good and it will happen again. I don't know what the stock market is doing today. I think it's making a lot of people nervous. But OPS...OSERS has a bunch of baskets that have nothing to do with the stock market. They're invested in other ways. So if the stock market goes down 20 percent rate, you know, that would be another recession. OSERS would not be hurt by that same 20 percent because most of our money is not in the stock market. And so it's so different. I think the Investment Council, although they don't have everything in the stock market, I think they have a greater percentage than OSERS in the stock market, especially in the domestic markets. As far as...I think this...the NPERS started in the 1940s, might be even 1945. So historically we've always been separate. And we're pretty proud of what we have and we would very much like to keep it that way and not have it be part of the state system. [LB447]

SENATOR KOLTERMAN: Okay. Any other questions? Senator Groene. [LB447]

SENATOR GROENE: If the Investment Council takes it over, it's still going to be separate. The funds are going to be separate. They're not going to be blended, is that correct? [LB447]

JOHN JENSEN: I believe that's what it would be, yes. [LB447]

SENATOR GROENE: So you will still be able to track the investment. [LB447]

JOHN JENSEN: But...yes. Yes, and we get the quarterly reports. All that is fine. [LB447]

SENATOR GROENE: So the difference then is your philosophy, you think the investment advisors you've got in Omaha versus the ones the state would use would make a different investment? [LB447]

JOHN JENSEN: I'm not... [LB447]

SENATOR GROENE: Because the money is separate. [LB447]

JOHN JENSEN: I'm not going to say that they're going to be better or worse. But the...where the money is placed, how it's invested, and what benefits will, I'll guarantee you, change. And that's why I said in my testimony, I said I reserve judgment on going with all the assets into the Investment Council. I just reserve judgment. I want to see what happens after five years. [LB447]

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SENATOR GROENE: But it doesn't go into the Investment Council. They just make the decisions on investing. The funds stay separate. [LB447]

JOHN JENSEN: That's what I understand. [LB447]

SENATOR GROENE: And their...the legislation doesn't force them to sell out and take a loss and change if they can leave it where you have it and gradually move it as they see fit, right? [LB447]

JOHN JENSEN: Yes, exactly. And they could take their time in doing that... [LB447]

SENATOR GROENE: Yes. [LB447]

JOHN JENSEN: ...so it's not to the disadvantage of the fund. [LB447]

SENATOR GROENE: Well, somebody earlier said they might take it and take a loss. But there's no dictate they have to. [LB447]

JOHN JENSEN: I don't think so. [LB447]

SENATOR GROENE: All right. Thank you. [LB447]

JOHN JENSEN: I think that would be entirely up to the Investment Council. [LB447]

SENATOR KOLTERMAN: Any final questions? All right. Thank you very much, sir. [LB447]

JOHN JENSEN: Thank you. [LB447]

SENATOR KOLTERMAN: Additional proponents here. [LB447]

CHRIS PROULX: Good afternoon, Chairman. My name is Chris Proulx, C-h-r-i-s P-r-o-u-l-x. I am the president of the Omaha Education Association representing about 4,000 teachers, certificated staff in the Omaha Public Schools here today for a couple of reasons. I would echo strongly a lot of what my colleagues have already said. I don't have a lot of additional facts and information to provide in that manner. But I thought it was important to put a face in front of you so you can actually see firsthand that our members and our teachers in our district very much

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support what's in this amendment and what's in LB447. It represents over a year of negotiations and a lot of compromise, some of which is...has been hard to swallow on our end as well as I'm sure for the district. But I think it represents a really positive way going forward for us to fix a lot of what hasn't been working in some people's opinion with the current retirement system. Our members, right now, when I began with the Omaha Public Schools, I was putting in approximately 6 percent of my paycheck into the retirement system. With the recession, the employees were asked to pony up more to help make ends meet. We're at a point where we can't keep putting burden on people to make this thing work the way it's intended to work. I think moving the funds to the State Investment Council is a good idea. Gives me a little bit of heartburn as you've heard some of my other colleagues talk about, but I do think it's a good idea. The state has a good track record so I do have a lot of trust in their ability to manage money wisely. But I think this also does a good benefit for the taxpayers of the state and for the Omaha region specifically. We can't ask them to continue to be on the hook for a potential mess 10, 20 years down the road. So this compromise does I think a lot of good things for everybody. I sold real estate for a number of years and I always felt when you had a good deal in place you could tell because nobody was happy. And I think we might be in that position here today where I think everybody has some things that they can point to that they like, some things that they may not be in favor of, but overall, I do believe this is a good compromise. It's extremely concerning that we would see a last-minute change of direction by the district. I'm sure they have their reasons that they will share later, but it is a little concerning. It's a lot concerning that after a year of work on this initiative that anybody would turn course and say something different now. So that's all I really have to add. I'd be more than happy to answer any questions that anybody may have. Thank you. [LB447]

SENATOR KOLTERMAN: Thank you. Any questions? Seeing none, I appreciate your testimony. Anybody else in support? Okay, we'll now move into the opposition, those in opposition. [LB447]

LOU ANN GODING: (Exhibit 4) Senator Kolterman and members of the Retirement Committee, my name is Lou Ann Goding, G-o-d-i-n-g. I'm the president of the Omaha Public Schools Board of Education. I would like to begin by thanking you for all of your work over the past year on this issue. We very much appreciate the opportunity you have given us to participate in the collaborative process which has resulted in AM1815. While we support the vast majority of AM1815, the OPS Board has voted to oppose AM1815 in its current form for two straightforward reasons. First, AM1815 authorizes the trustees to retain independent legal counsel. In and of itself, this provision would not seem troublesome. However, the trustees have attempted on several different occasions over the past 15 years to adopt policies which would have the effect of requiring the board of education to make additional contributions to the retirement system, whenever directed by the trustees. The board of education routinely rejected those efforts much to the frustration of the trustees. During negotiations over AM1815, OPS

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proposed a simple clause that would have prevented litigation by OSERS against OPS. This provision has been vehemently opposed by certain trustees. We are left with little doubt that there are those among the trustees who intend to sue the district for additional contributions. For as long as OPS retains the underlying liability for OSERS, we cannot support AM1815 without a provision that prohibits the trustees of OSERS from suing OPS. Second, the OPS Board is very concerned about the fact that AM1815 has the effect of removing elected officials from the decision-making process over whether to make an actuarially required contribution. Under current law, the OPS Board contributes 101 percent of the employee contributions to OSERS. The law also imposes an obligation on OPS to contribute additional dollars when the OPS Board determines it is necessary for the solvency of the plan. We take that obligation very seriously. Over the past 15 years, OPS has made contributions in excess of 101 percent because the board determined that it was necessary for the solvency of the plan. In doing so, the board balanced the best interests of our teachers and staff and, above all, our students. We are also mindful of the taxpayers who elected us to office. While it was difficult to find those additional funds within an already tight budget, the board, exercising its discretion, has found ways to do so. AM1815 eliminates that discretion. By changing the definition of solvency, which has the likely effect of imposing additional contribution requirements on OPS based on the actuarially required contribution, AM1815 essentially places the power to determine how much additional funding is necessary in the hands of an actuary, regardless of the circumstances in which the school district may find itself. If the actuary says it is so, OPS is obligated. While the statute still requires approval by the board of education of the actuarial report, rejection of the report essentially becomes a license for the trustees or members of the retirement system to sue OPS. I think it is important to note that this process differs from the process afforded the state insofar as the Legislature has the ultimate authority to appropriate, or not appropriate funds for that purpose. The fact that the bill provides for the possibility of a hearing on the ARC before the Appropriations Committee does not change the fact that OPS is obligated to make the payment, regardless of what that committee does or doesn't do. Despite the fact that we are fundamentally opposed to taking away our discretion on the ARC, we proposed what we believe to be a reasonable compromise. We will live with making the ARC mandatory if you delay the implementation for five years. Why five years? Because we believe that by then the transition to having the Nebraska Investment Council manage OSERS's assets will begin to pay dividends for OSERS. If the committee is willing to accept these two changes, I believe the OPS Board of Education will be prepared to throw its full support behind AM1815. I would be happy to answer any questions. Thank you very much. [LB447]

SENATOR KOLTERMAN: Thank you, Ms. Goding. Any questions? I've got a couple of questions for you. [LB447]

LOU ANN GODING: Okay. [LB447]

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SENATOR KOLTERMAN: I wanted to follow up with you as well on Senator Mello's testimony regarding the district and the trustees' funding policies and the language in the current statute. Section 79-9,113 in the act describes the contributions required by the district and it states: the district's contribution is the greater of one hundred one percent or the amount necessary to maintain the solvency of the system, as determined annually by the board upon recommendation of the actuary and the trustees. Can you tell me, does the OPS School District currently have a funding policy that sets criteria for funding the OSERS Plan? And if so, what is the policy? [LB447]

LOU ANN GODING: The OPS Board have a policy? [LB447]

SENATOR KOLTERMAN: Yes. [LB447]

LOU ANN GODING: I'm not aware that the OPS Board itself has a policy on the funding, but anytime that the OPS Board has been asked to provide additional funds, they have done so as was previously stated either through at that time or, you know, when the budgeted funds became available. [LB447]

SENATOR KOLTERMAN: So you don't a formal plan is what I hear you say, but then if that's the case, how do you determine the amount that will be contributed to maintain the solvency? [LB447]

LOU ANN GODING: So the actuary typically presents the plan information to the trustees first. And then we actually did have her come in front of the OPS Board this past year. And at this point she has said...as long as I've been on the board, she has said it's not necessary for any additional contributions to be made. So we would rely on the information that we get. [LB447]

SENATOR KOLTERMAN: So she hasn't recommended at this stage... [LB447]

LOU ANN GODING: Not to this point, but based on the direction of the funds within OSERS, the potential for that is there for the future, and based on some of the testimony that you heard earlier, and I have sat on the OSERS Board now for the last two and a half years, have been, most of the time that I've been on there, concerned about the asset allocation process and concerned about the way the assets are being deployed in investments. And now some of those things are starting to...we're starting to see the fruit of that. So we do have a new executive director that will be starting soon and we will be doing a new asset allocation within the next month because of some of those concerns. But you've seen our funding decrease and we certainly know where the market has been for the last six months and we're not, based on what I

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understand where the Nebraska Investment Council is, we're not in that same position as they are. [LB447]

SENATOR KOLTERMAN: All right. All right, thank you. Additional...Senator Davis. [LB447]

SENATOR DAVIS: Thank you, Senator Kolterman. And so in light of the last comments that you made, it would seem to me that it would be in the best interest of the Omaha Public School System to have the assets transferred at this point. [LB447]

LOU ANN GODING: I think it would be in the best interest and the reason that we're asking for the five years is I can tell you in the two and a half years that I've been on there, even though it seems like a long time, it's kind of a blink of the eye. And when you're looking at a pension system and you're looking at long-term results, what we would like to see is the Nebraska Investment Council get ahold of the funds. There will definitely, I would guess, be some changes, whether things are sold on the secondary market or primary market and asset allocation changes made. We would like to give them that five years while we plan for potential contributions to the ARC, give us a chance to set that money into our budget and work toward that while we see how they do in managing the investments. I think their philosophy is much different. I've gone on-line and looked at their asset allocation versus where we're at and you've heard some of the testimony. We are very different in how we've allocated assets: not a whole lot in the equity market, certainly not a lot in the domestic market. [LB447]

SENATOR DAVIS: So have you...has your attorney given you any advice that might say wait five years because at that point the liability would be on the state? [LB447]

LOU ANN GODING: No, no. We've not heard that. What we're looking at is more that the investment funds may see a much better return, and so funding that we would have to take away from something else, and we're certainly seeing improvement in student achievement. In OPS we don't want to delay that by contributing and then in five years we see the Nebraska Investment Council has achieved what we had desired them to achieve, which is better investment returns. [LB447]

SENATOR DAVIS: But my...assuming that Omaha Public Schools is going to oppose this bill and it may go nowhere because of that, a lot of the liabilities that are here are still going to there for you. You know, the things that are being changed, and there are significant changes to the beneficiaries of the plan,... [LB447]

LOU ANN GODING: Correct. [LB447]

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SENATOR DAVIS: ...those are not going to go away. [LB447]

LOU ANN GODING: Correct. We understand that. [LB447]

SENATOR DAVIS: So you could end up in a worse position. [LB447]

LOU ANN GODING: We understand, yes. [LB447]

SENATOR DAVIS: Thank you. [LB447]

SENATOR KOLTERMAN: Thank you, Senator. Senator Groene. [LB447]

SENATOR GROENE: Thank you, Chairman. So you're looking for a five-year grace period if the actuary for the State Investment Council comes in and said...recommends an ARC, you want a five-year grace period before you have to fulfill that? [LB447]

LOU ANN GODING: So at the end of the five years, whatever that number is, we would need to fulfill that. But it would give us the time... [LB447]

SENATOR GROENE: Well...so if we keep it the way it is and your actuary for OSERS comes in to you and said you got to put \$20 million in next year, are you going to tell him we're going to wait five years? [LB447]

LOU ANN GODING: If we're still managing? If we're still managing the money? [LB447]

SENATOR GROENE: But you said she will come in... [LB447]

LOU ANN GODING: She. [LB447]

SENATOR GROENE: ...and make a recommendation next year that you need to put \$10 million... [LB447]

LOU ANN GODING: Okay. [LB447]

SENATOR GROENE: ...in an ARC. You would tell them we're going to wait five years? [LB447]

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LOU ANN GODING: I don't know that we could contribute \$10 million, but it would certainly be a hardship. [LB447]

SENATOR GROENE: But you're telling the state you want five-year grace period. Are you going to tell your actuary today you're not going to do it for five years? You're going to tell the union employees that you're not going to do it for ten years...for five years? [LB447]

LOU ANN GODING: There have been times when...OPS has always contributed the ARC but maybe not at the time when it was recommended, given maybe a year or two or whatever it took to build that into the budget or to pull that out of reserves. [LB447]

SENATOR GROENE: So you might listen to the Investment Council and put some in, but you might not because you have a five-year grace period. [LB447]

LOU ANN GODING: Depending on what that number is. [LB447]

SENATOR GROENE: Thank you. [LB447]

SENATOR KOLTERMAN: Additional questions? Thank you for your testimony. [LB447]

LOU ANN GODING: Thank you. [LB447]

SENATOR KOLTERMAN: Any more in...Mr. Kramer, welcome to Lincoln. [LB447]

DAVID KRAMER: Thank you, Senator. My name is David Kramer, K-r-a-m-e-r. I just am here to answer the specific question that you asked with respect to what the policy has been from 2002 to the present and any other questions you might have. You are correct that, in 2002, OSERS actually adopted a formal funding policy. But in addition to OSERS adopting the policy, the Omaha Board of Education upon recommendation of the trustees actually adopted it as its own policy. And that's the policy that remains in effect. With respect to how does the process work, it generally works that the actuary makes a presentation to the board of trustees with respect to what additional contributions, if any, are necessary. The trustees then make a recommendation to the board of education. And under the current law, the board of education has, at its sole discretion, the ability to determine whether or not to make that recommended contribution or to defer the contribution to future years. On multiple occasions over the past 15 years, the actuary has made recommendations to the board of education for additional contributions to maintain the solvency of the plan and the board of education has made those contributions. They have on occasion deferred the making of the contribution. But that's the

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current...that's the status quo and that's the ability we have. So the board does have a formal policy. They do follow that policy and over the course of the last 15 years, we have made on multiple occasions additional contributions based on the recommendation of the actuary in keeping with the current...in keeping with current law, we've made additional contributions. [LB447]

SENATOR KOLTERMAN: Questions? Senator Davis. [LB447]

SENATOR DAVIS: Do you have a list of the years those requests were made and the contributions made and the years they were not made? [LB447]

DAVID KRAMER: I don't have those, but we'd be happy to provide those to the committee within the next day or so, the next couple of days. [LB447]

SENATOR DAVIS: That would be great. Thank you. [LB447]

DAVID KRAMER: Sure. [LB447]

SENATOR KOLTERMAN: So let me ask you if I'm hearing this correctly because I think I am. The board does comply with the statute based on the fact that the actuary and the trustees make a recommendation and you make the contributions. You might not do it as timely as the actuaries and the trustees request. [LB447]

DAVID KRAMER: Yeah, and the reason is because the statute doesn't define solvency. Solvency currently is determined based on the decision of the board of education. And so they can make a determination that the additional contribution isn't necessary for the solvency of the plan this year. Because of the change in the definition of solvency that's included in this language, the net impact to the school district is that solvency or ARC becomes the definition of solvency and the board of education no longer has any discretion to determine whether or not to make the additional contribution. And that's why the concern has been raised here. This is a new requirement, this new definition, a new requirement on the school district. We're saying...I think we heard Mr. Jensen say he's hoping to wait five years and see what the Investment Council's record is. That's the exact same thing we're saying, is before this new requirement is imposed on us of a definition of solvency, give us time to have Mr. Walden-Newman and his team work the magic that they've worked for the state of Nebraska. [LB447]

SENATOR KOLTERMAN: Okay. Thank you. Any other questions? [LB447]

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DAVID KRAMER: Thank you very much. [LB447]

SENATOR KOLTERMAN: Seeing none, thank you. [LB447]

DAVID KRAMER: Have a good day. [LB447]

SENATOR KOLTERMAN: Anybody else in opposition? Okay, we'll go into the neutral testimony. Mr. Walden-Newman, how are you? [LB447]

MICHAEL WALDEN-NEWMAN: I'm terrific. Mr. Chairman, members of the committee, I'm Michael Walden-Newman, the State Investment Officer with the Nebraska Investment Council; that's M-i-c-h-a-e-l W-a-l-d-e-n-N-e-w-m-a-n. Mr. Chairman, members of the committee, I came over a little early today on purpose. I was thinking that I might meet some of the people who are the beneficiaries of this bill and I was right. And I had the pleasure of meeting I think most of the trustees of the Omaha Public Employees Retirement System. I did that on purpose because I can imagine if I were in their place I'd want to look the person in the eye that was going to take over the management of my assets. I was a part of the conversation last year after the bill was heard in committee and changed, but was a part of the important part of the conversation and that was how to manage the transition of these assets, should the bill pass, from a plan that had been in place for over a hundred years to new management. And I have to say I want to recognize and thank the people who were part of that conversation including your legal counsel Kate Allen, the members from the Omaha Plan, both the school board and the then-executive director of the plan, who were part of the conversation with Senator Nordquist to work out the mechanics. I'm pleased to say that the bill as it stands allows us to implement the transition of those assets. I see no need for any change in the language of the bill to affect that. We were very careful to add into the bill a transition period so that we--and I mean we the Investment Council--can have a conversation with the folks in Omaha as how to transition the assets effective January 1. So as soon as this bill...and under Nebraska law, I'm still not clear exactly how you...when effective date is here versus my old stomping grounds, but as soon as we can, we're going to have that formal conversation. But prior to that, obviously they've had a look at us and I've had a look at their portfolio and we understand that they're different and that it will over time mirror what we're doing for the rest of the teachers in Nebraska. That's our intention. And all I can say is that it's my intention and the intention of the investment team at the Nebraska Investment Council is to give to you and to the folks in Omaha and particularly the beneficiaries of those retirement benefits our assurance that we're going to exercise all of the care and diligence for them in managing those assets that we do now for the other beneficiaries of assets under our care. Mr. Chairman and members of the committee, that's what I can do for you at this stage. And we'll keep you posted as we develop that plan in anticipation of the January 1, 2017, transfer. I'm happy to answer any questions you might have. [LB447]

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SENATOR KOLTERMAN: Thank you. Any questions? Seeing none, appreciate you coming. [LB447]

MICHAEL WALDEN-NEWMAN: Thank you very much. [LB447]

SENATOR KOLTERMAN: Next neutral. Here comes Senator Karpisek, retired. [LB447]

RUSS KARPISEK: Senator Kolterman, members of the committee, for the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor. I served on this committee for eight years and missed a lot of meetings, but as you can tell, you're not going to starve. (Laughter) There's been a couple days I thought I was going to. Obviously I didn't. The only reason that I am here today is on page 37, line 11, it talks about: Each year an annual financial audit of the investments of the retirement system shall be conducted. At the option of the Nebraska Investment Council, such audit may be conducted by a certified public accountant or the Auditor of Public Accounts, the APA. The costs of such audit shall be paid from funds of the retirement system. A copy of this shall be filed with the board of trustees and the Auditor of Public Accounts. Our office would be happy to oblige. Of course, this as it says would be paid from the costs...from the retirement system. And we do not see that there would be any more of a financial...fiscal note on it. And as it's written, Mary Avery has talked and we don't think that it would take a whole lot of time. [LB447]

SENATOR KOLTERMAN: Thank you, Mr. Karpisek. [LB447]

RUSS KARPISEK: I just thought that you may want to know what the APA thinks about being in the bill. [LB447]

SENATOR KOLTERMAN: Appreciate that. Any questions? Senator Davis. [LB447]

SENATOR DAVIS: Should we put it out for bid then? [LB447]

RUSS KARPISEK: I'm sorry? [LB447]

SENATOR DAVIS: I said, should we put it out for bid? (Laugh) [LB447]

RUSS KARPISEK: Well, you could I guess. And a lot of times they do. I don't think that this one would rise to that level fortunately. [LB447]

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SENATOR KOLTERMAN: Any other questions? All right, anybody else in a neutral position? [LB447]

RUSS KARPISEK: Thank you. [LB447]

SENATOR KOLTERMAN: Thank you for coming to testify today. Ms. Chambers, how are you? [LB447]

PHYLLIS CHAMBERS: Hi. Senator Kolterman and members of the Retirement Committee, I'm Phyllis Chambers, for the record, P-h-y-l-l-i-s C-h-a-m-b-e-r-s. I'm the director of the Nebraska Retirement Systems and I'm here to testify neutral on the amendment and the bill. But I did want to mention that Section 43 creates the Class V Retirement System Payment Processing Fund and assigns NPERS the duties to transfer these funds for the management for the Investment Council and for paying expenses. And NPERS is willing to fulfill those duties. So I just wanted to go on record for that. And we do want to make sure that you notice, that you note that NPERS's plans cannot pay for our work that we do for OSERS. There's a small minimal fiscal note that's been submitted to pay for our expenses. Also, there are a couple other issues that are in the amendment. The provision for the disability retirement and working after retirement, we support moving...removing that part of the language. We do feel that allowing a member to return to work for 20 hours per week and continuing to receive disability retirement benefits is a problem. It could be seen as an in-service distribution by the IRS. And we go through a process when a person applies for disability. We have them see a physician and that physician certifies to the PERB that the member is unable to engage in substantially gainful activity by reason of any medically determined physical or mental impairment which began while they were working for the...for the school plan and also that can be expected to result in death or be under long and indefinite duration. So allowing a member to come back to work and work 20 hours a week when you've already certified that they can't do that does...is inconsistent with the law. And the other provision of having a member who is 65 years of age receive a half year of service credit to be able to retire, also we support removing that language as testified by NCSA. We believe that it's inconsistent with our language for temporary employees who cannot be in the plan by statute. And also the Internal Revenue Code outlines that normal vesting protocols for defined benefit plans are five-year vesting or three- to seven-year tier vesting. And they do not mention half-year vesting. Also, I've talked to other state retirement systems. And I know of no other system that allows a half-year vesting. So we would appreciate that language being removed. And I'd be happy to answer any questions. [LB447]

SENATOR KOLTERMAN: Points well taken. Thank you. Any questions? Hearing none, anybody else in a neutral position? With that, Senator Mello, you're willing to close? [LB447]

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SENATOR MELLO: Briefly, because I know we've all got to get to another hearing. Thank you, Mr. Chairman, members of the committee. I think it's more of a point of clarification as much as anything else. You did hear those representing Omaha Public School District oppose the bill based on the change in what they see as the requirement of them having to fulfill an ARC. As I said earlier my opening, current statute requires them to either give greater than 101 percent or the amount necessary to maintain the solvency of the system. Current statute requires that. As you heard I believe Mr. Kramer mention, the issue lies with the definition of solvency. I'm having I guess a difficult time at this moment in time still wrapping my head around the disagreement around that definition of solvency knowing that it was agreed last year and was part of LB448 that was debated last year on the floor on General and Select File. And I guess I'm just unaware of what has changed in that respect from last year to this year knowing that best practice is for political subdivisions and the state to pay their ARC on an annual basis based on what their actuary asks and suggests for them to do. But nonetheless, I will keep an open-door policy to sit down and discuss with the Chairman and those who testified today to see if we can find common ground again essentially of where we were last year on common ground on LB448 and define what has been the rationale for the change of position based on the very tightly negotiated discussions last year regarding LB447. With that, I appreciate the committee's time and effort that everyone put into this over the interim. And my hope is that we'll be able to find a resolution of this bill and this issue in this upcoming session. Thank you, Mr. Chairman. [LB447]

SENATOR KOLTERMAN: Thank you. Any final questions for Senator Mello? With that, we will close the hearing. Thank you all for coming. Appreciate it. [LB447]