

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

[CONFIRMATION]

The Committee on Nebraska Retirement Systems met at 8:30 a.m. on Wednesday, February 13, 2008, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments. Senators present: John Synowiecki, Chairperson; Tom White, Vice Chairperson; Philip Erdman; Lavon Heidemann; Russ Karpisek; and LeRoy Louden. Senators absent: None.  
[CONFIRMATION]

SENATOR SYNOWIECKI: Okay. We might as well get started this morning. Good morning. Welcome everyone to the Nebraska Retirement System's committee. We have a confirmation appointment to be considered at the public hearing for Norm Riffel this morning. I will introduce the committee members. To my far right there is Senator Tom White; Jeremy Nordquist, to my immediate right, is the research analyst; Senator Phil Erdman is to my immediate left; and Laurie Vollertsen is the committee clerk. We will accept then, testimony on the appointee of Norm Riffel. Norm, do you want to come up to the table, tell us a little bit about your background, your interest in the Nebraska Investment Council. Good morning. [CONFIRMATION]

NORM RIFFEL: (Exhibit 1) Good morning. It's an honor and privilege to be here this morning to answer any of your questions. My name is Norman Riffel, R-i-f-f-e-l, and I live in, just outside of Springfield, Nebraska. Married to my wife, Joyce, 47 years this year, have two children, a son, Todd, and a daughter, Jennifer. My son lives in Omaha and works in our business. My daughter lives in Arizona. I have been in the moving and storage business for 40 years. Started out in Salina, Kansas, and basically as a manager-trainee but that meant there really weren't any other employees so I loaded trucks, unloaded trucks and drove trucks, and did everything from the ground up as far as moving and storage is concerned. In 1973 I was transferred to Omaha and became executive vice president and general manager of a Atlas Van Lines Company in Omaha and stayed with them until 1977 at which time I started my own moving and storage business. Still own that business and ironically, it's Atlas Van Lines, has been for the last 10 years. The first 20 years or so, it was North American Van Lines but in a way, that's been really the thrust of my business involvement. Have had some investments and management of senior housing in the last...kind of, on the sideline, doing some of that with some people, friends and business partners over the last 15 years. Pretty much, well, it's all done now. We've, you know, as I've gotten to retirement age, I have kind of scaled down everything as far as my involvement with the senior housing. It's, like I said, it's completed. We've either sold or disposed of all the senior housing projects. I had eight moving companies at one time in Nebraska and Colorado and Kansas and right now, I'm down to just the one in Omaha, Nebraska. So that's pretty much of a synopsis of where I've been and I'm a veteran from the United States Navy. Served three years with the Navy back in the '50s. So if you have any questions or whatever your questions are, I'd be very happy to answer them for you.

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

[CONFIRMATION]

SENATOR SYNOWIECKI: Okay. Thank you, Mr. Riffel. I'd just like to announce that Senator LeRoy Louden has joined us, Senator Lavon Heidemann and Senator Russ Karpisek has joined us as well. Any questions from the committee? Senator Erdman. [CONFIRMATION]

SENATOR ERDMAN: Norm, talk to me a little bit about your interest in the Investment Council. How did you find out about it or how did your appointment come about? Did you seek it or did someone encourage you to apply, and kind of, what is your interest in the Investment Council? Obviously, it's an important part of what the state does as far as how we invest the assets that we're responsible for. [CONFIRMATION]

NORM RIFFEL: That's a good question, Senator Erdman, and let me just begin by saying that I have over the years been, you know, very active in not only, you know, the...watching on the sideline what goes on with the Nebraska Investment Council but a number of agencies. I've been very, I'm very active as far as what goes on in U.S. and state government so I personally have, you know, as a result of being very successful with the moving and storage and in the senior housing business, we've been able to come up with quite a few things to, quite a few funds to put in investments so basically I use a couple of firms in Omaha to do that for me. So I have had a very large interest in making certain that those things are handled properly and that we're getting the proper returns on our investment. I mean, we've worked awfully hard to get what we have these days and therefore, we want to make certain that the investments are handled properly. Did I seek this appointment? Well, I certainly, that when the Governor called and asked if I'd be interested in the appointment, I said, definitely, because it's right down, right down the line of where I'm spending most of my semi-retirement time right now. Like I said, I still have the one moving company but the employees there that run the company have been there for 25 to 30 years so they, the less they see of me the more they like that. (Laughter) [CONFIRMATION]

SENATOR ERDMAN: I think my colleagues share that opinion of me but that will be yet to be determined. (Laughter) [CONFIRMATION]

SENATOR SYNOWIECKI: Any additional questions from the committee? Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yes, then, thank you, Chairman Synowiecki and thank you, Mr. Riffel, for coming before us today. You'll have some, this council has control over how some of the investments are made, is that correct? [CONFIRMATION]

NORM RIFFEL: That's correct. [CONFIRMATION]

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

SENATOR LOUDEN: And what's your philosophy on, what would you say, public money, investing public money? I mean, should it be in stocks, bonds, CDs, what is your philosophy about that? [CONFIRMATION]

NORM RIFFEL: Thank you, Senator Louden, for that question. Let me just say that whether its stocks or bonds or, you know, however the money is being invested, I think the number one concern is, is getting the highest yield at the lowest risk. Now that's what we all want to do but that's, you know, we certainly don't want to, whether it's money that's in the Nebraska Investment Council or whether it's my personal money, I'm very, very concerned about the possibility of monies being placed where there's a lot of risk but also I'm also very concerned about getting the highest yields. So I don't think there is a magic formula as to whether it be in stocks or bonds or, you know, for instance, I talked to my banker the other day about CDs. He said, well, why don't you put some in CDs. I said, you know, I wished there was a magic solution to where we could get tremendous yields for the dollars that I am investing but at this time, I guess, it's really even more important that we are minding the shop and really keeping up the speed as to what's happening in the market. So, you know, I've had money in stocks and bonds through, I know, through the investment companies that I use and still have some but, you know, I have no particular feeling that one way is better than another. [CONFIRMATION]

SENATOR LOUDEN: The reason I ask that, I guess, because this is the first year or first two years that I've been on this retirement committee and when we came here, some of these retirement funds dug themselves a terrible hole here a few years back and consequently, in order to make their, the payments that they need to make they have to have about an 8 percent return on their money. And I'm wondering if you have the choice and the druthers, are you going to go towards something that's a little bit more speculative rather than safer in order to try and make that 8 percent, because you guys are going to be between a rock and a hard place one of these days. [CONFIRMATION]

NORM RIFFEL: Well, thank you again, Senator Louden. You know, those are tough choices to make and I guess I'm, I'm very concerned about putting funds at risk and but I'm also very much aware that we have to get the highest yield possible. So, you know, I guess it really boils down to what is happening in the economy at the time and I've tried to get 8 percent or better on any of my investments over the years and I think I've probably won more often than I've lost. But because of my conservative and certainly attentiveness to the whole investment matter but I'm quite aware that we're going to be between a rock and a hard place and have to make hard choices and I'm prepared to do that. [CONFIRMATION]

SENATOR LOUDEN: Okay. Thank you. [CONFIRMATION]

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

SENATOR SYNOWIECKI: Mr. Riffel, on your businesses that you've had involvement in, how directly were you involved with the employees retirement within those companies or was it completely, were you completely segregated from that or did you have an active involvement with the retirement within your individual companies for your employees? [CONFIRMATION]

NORM RIFFEL: As far as the retirement for the employees... [CONFIRMATION]

SENATOR SYNOWIECKI: Because that is a large part of your job duties and responsibilities with the Investment Council, is the retirement funds. [CONFIRMATION]

NORM RIFFEL: Yes. Right, and thank you, Senator Synowiecki. We...as an owner of a company, quite frankly I sat down with the company that handles the retirement and it's, our retirement, we're not a large company. We employ 20 to 40 employees depending on, because we're a seasonal business, depending on the time of the year but I did sit down with them and we're pretty, you know, we pretty much, myself and my executive vice president and general manager just said, okay, what fits for this company. We've got to get something. You know we're pretty much a, like I say, a company that only employs, you know, on a long-term basis we only employ about 20 or 25 people. In the summer we probably get up to 40. But, yes, we certainly listened to what they suggested and did some tweaking, you know, here and there, well, maybe, you know, this was really not for us. So we got the, we feel like we have the best plan and certainly our employees are very happy with it but from an ongoing basis, we have no management of it or anything like that. It's turned over to them. [CONFIRMATION]

SENATOR SYNOWIECKI: Okay. Any additional questions from the committee members? Thank you, Mr. Riffel. The committee will now entertain any additional testimony of relative to the appointee. Good morning, Dave. [CONFIRMATION]

DAVID BOMBERGER: Good morning, Senator Synowiecki, and members of the Retirement Committee. My name is David Bomberger, B-o-m-b-e-r-g-e-r, and I'm the state investment officer and I'd like to thank Mr. Riffel for accepting the appointment. He endured, I guess, if you will, the first council meeting yesterday. We had about a seven-hour meeting and very intense meeting with a lot of material to cover and a lot of complicated, complex matters to discuss. Senator Loudon, I thought I would respond to your question about asset allocation and decisions between stocks and bonds and real estate and so forth. We are just embarking on an asset liability study on behalf of the retirement plans, particularly the school plans, to evaluate the liabilities of those plans, the obligations that the state has to the employees and modeling those liabilities, and then modeling the expected future returns on a variety of asset classes to support those liabilities. And one of the decisions that we'll be asking the council to consider in April and then again during the summer, will be changes in the asset allocation that are necessary to achieve the 8 percent return that's required to fund the defined benefit

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

plans. To your point about digging a hole, over the past, almost 25 years, the average annual return on the defined, the assets according to the defined benefit plans have been about 10.5 percent, well in excess of the 8 percent minimum requirement. One of the things that occurred in the late '90s, early 2000s, there were some benefit enhancements that were adopted and they were adopted at a point in time when the equity markets were very strong, the late '90s and into early 2000. And so the liabilities were increased and then followed shortly thereafter by a significant decline in the equity markets, and that contributed to the hole that you described in the additional contributions that the state was required to make to those plans. We're very well aware of the 8 percent return assumptions that is built into the defined benefit plans and we understand that that's our bogey. That's what we are seeking to achieve and we will work to construct an allocation of different asset classes to achieve that over long-term. The year just ended. The assets supported in the defined benefit plans produced a return of 7.8 percent. Our expectations for returns going forward are lower than we've been able to achieve in recent years and it may, and the asset allocation decisions we make to achieve that 8 percent return may involve adding additional risky asset classes, although we will do it in a well diversified way so that we aren't concentrated and exposed to the underperformance of a single asset or a single asset class. So what you'll see when we present our annual report in March is a very well diversified portfolio of investments to support the state's obligation to the participants in the benefit plans. And I expect that we will see some changes but I think the point you make is right, that the challenge of achieving that 8 percent will become increasingly difficult but we will respond to that challenge and do it in a thoughtful and well diversified manner. Managing risk is, I see my three objectives as maximizing return, managing risk and minimizing cost, and an equal priority to each of those objectives. [CONFIRMATION]

SENATOR SYNOWIECKI: Thank you for your testimony. Any questions from the committee? Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yeah, thank you for this information. Then are, what's your opinion then about these defined benefit plans? Should they be, should the Legislature look at those again or what? [CONFIRMATION]

DAVID BOMBERGER: I'm not sure it's my position to have an opinion on whether a defined benefit plan is a good thing or bad thing. The fact is that we have a defined benefit plan, we have an obligation to the members in those plans and we, my obligation to you all and to the state and to those members is to invest with their interest as the sole responsibility and the council and I take that responsibility seriously. It's not our position or our responsibility to have an opinion on whether a DB plan is a good thing or a bad thing. [CONFIRMATION]

SENATOR LOUDEN: Let me ask you a different question then. Would your job be easier if they were defined contribution plans? [CONFIRMATION]

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

Nebraska Retirement Systems Committee  
February 13, 2008

---

DAVID BOMBERGER: I think our job would be similarly challenging because we would be trying to produce a menu of investment choices for participants to select from that would allow them to achieve the sorts of returns that help them meet their long-term financial needs. So I don't know that, I don't know that if...I suppose Senator, if the DB plan was eliminated today, was completely gone, maybe my job would be easier. But the fact is, I'm not sure there's a mechanism that you can eliminate the defined benefit plan. It's going to be there for a long, long time. And so we'll have that obligation even if, well, I guess, frankly you all have eliminated it for state and county employees going forward so. [CONFIRMATION]

SENATOR LOUDEN: Okay. Thank you. [CONFIRMATION]

SENATOR SYNOWIECKI: Any additional questions from the committee? I see none. Thank you. [CONFIRMATION]

DAVID BOMBERGER: Thank you, Senators. [CONFIRMATION]

SENATOR SYNOWIECKI: Is there any additional testimony on the confirmation appointment? I see none. That will end the public hearing for the appointment of Norm Riffel. Thank you. [CONFIRMATION]

---

Chairperson

---

Committee Clerk