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Nebraska Retirement Systems Committee February 7, 2025
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BALLARD: Hi. Good afternoon and welcome to the Nebraska Retirement Systems Committee. My name is Beau Ballard and I represent the 21st District in northwest Lincoln and northern Lancaster County. I serve as chair of this committee, and we'll start off by having the committee members and committee staff do self-introductions, starting on my far left with Senator Sorrentino.

SORRENTINO: Not very far, either.

BALLARD: No, not--

SORRENTINO: Tony Sorrentino, Legislative District 39, Elkhorn and Waterloo.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

CONRAD: Danielle Conrad, north Lincoln.

CLEMENTS: Rob Clements, District 2, Cass County, eastern Lancaster.

BALLARD: Also assisting the committee is our committee clerk, Connie Thomas, and our committee pages, Jacob Janssen of Holdridge and Sam Johnson of Thousand Oaks, California. This afternoon, we'll be doing 1 gubernatorial appointment and 2 bills. We'll be taking them in the order listed outside-- did we change the list outside? We did? OK. On the table near the entrance, you will find green testifier sheets. If you are planning to testify today, please fill out and hand them to, hand them to Connie when you come up. This will keep an accurate record of the hearing. Please note that if you wish to have your position listed on the committee statement for a particular bill, you must testify in that position during the bill's hearing. If you do not wish to testify but would like to-- like the record your position on a bill, please fill out the yellow sheet. Also, I'll note the Legislature's policy that all letters for the record must be received via an online comment portal by the committee by 8 a.m. the day of the hearing. Any handouts submitted by testifiers will also be included as part of the record as exhibits. We would also ask if you have any handouts that you bring 12 copies and give them to the page. If you need additional copies, the page can help you make more. Testimony for each bill will begin with the introducer's opening statement. After the opening statement, we'll hear from proponents of the bill, then opposition, followed by those speaking in a neutral capacity. The introducer of the bill will then be given an opportunity to make closing statements if they wish to do so. We ask that you begin the

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testimony by giving us your first and last name and spell it for the record. Because the committee meets over the noon hour and members have other hearings to begin at 1:30, we'll be using the 3-minute light system today. When you begin your testimony, the light on the table will turn green. The yellow light is your 1-minute warning. And then when the red light comes out, we will ask you for your final thoughts. Please remember to silence or turn off your cell phones. And we will begin with our gubernatorial hear-- hearing of Brian Christensen. Good afternoon.

BRIAN CHRISTENSEN: Good afternoon. Well, good afternoon, Senators. I'm incredibly happy to be considered to serve the citizens of this state on the Investment Council, and I'm grateful to the governor for recommending my appointment. I look forward to sharing my qualifications with you and would welcome any questions you might have concerning that background and experiences that have brought me to this point. I was born and raised in Columbus and have been married to my wife, Sue, for 43 years, and have 3 children. Every day I wake up, I praise my Lord and Savior Jesus Christ for the tremendous blessings he's poured out on me. Everything I'm about to read would not be possible without his guiding hand, because I cannot and could not have done it without him. After graduating from Columbus High in 1976, I went on to college and graduated with an associate's degree from Central Community College here in Columbus. And from there, I transferred to the University of Nebraska-Omaha, where I received a bachelor's degree in marketing in 1980. And in 1988, I received an MBA from the University Nebraska-Kearney, which had a strong emphasis in finance. And to further my professional development, in 1994, I received a banking degree from the Graduate School of Banking at Colorado University. I've also been an instructor on the college level at Central Community College, Columbus. Having been approved by the State Real Estate Commission, I taught real estate finance, real estate investment, and real estate principles and practices to individuals seeking to gain a real estate sales license. My professional career has been in banking and finance for over 44 years, as a matter of fact, while in Columbus. But before that, my first real experience in business was in managing the popcorn shop my father owned when I was in high school and early college. After college, I began a career as a credit analyst, leasing center pivot irrigation systems for Lindsay Credit Corporation, a division of Lindsay Manufacturing. From there, I had a brief stint at a finance company before moving on to work as a loan officer for 2 different savings and loan associations, both of which failed in the S&L crisis in the

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1980s, and from which I learned valuable lessons about risk and return that I have applied in my present position. I left the S&Ls behind and secured a VP position with a local bank that was sold to another bank during my tenure. I then moved to my present position as president and CEO of OneNebraska Federal Credit Union. Since I began 25 years ago at the credit union, we have grown from \$21 million in assets in 1999 to \$80 million in assets today, and soon to be over \$100 million with a planned acquisition. Having managed the balance sheet and income statement for an \$80 million banking institution, I'm well aware of the ins and outs of asset liability management. Every day on the job is about managing risk in one form or another. This has been particularly true in regard to the rapid rise in interest rates the last 2 years. The unprecedented volatility and unpredictability of the market in the last 2 years has presented challenge that many-- challenges that many institution CEOs have not experienced in decades. Maintaining liquidity, managing investments, and adjusting rates of all sorts to strategically stabilize margins has certainly added to my experience, which I believe would serve me well on the Investment Council. Throughout my professional career, I have had the opportunity to be involved in various local and state organizations, most of which were nonprofits. I served on the boards of 5 nonprofits over the years and had the privilege to be the chairman of the board of each one of them. Some of these nonprofits were either foundations or had a foundation associated with them. Consequently, I had opportunities to oversee revisions in written investment policies that incorporated many of the components you would find in the Investment Council strategies. I also had a chance to collaborate with the governor while he was the chairman of the board of Columbus Hospital, and I was chairman of the board of the YMCA. The partnership that was forged helped create a wellness center that houses the YMCA, as well as the hospital's rehabilitative services. This later expanded to create the Columbus Fieldhouse, a \$150 million structure, which has gotten regional attention for its size and many amenities. Maybe you've, maybe you've heard some of that yourself. My experience with nonprofits also took me beyond the local level to an in-state regional area, as I served as chairman of the board of the housing nonprofit, NeighborWorks Northeast Nebraska, which is based in Norfolk. At NeighborWorks, I received valuable insight into more diverse operation that has a stake in local, regional, state, and national decision-making. I've also served as chairman of the board of the Columbus-- of the-- excuse me, of Nebraska Credit Union League, the state trade association for credit unions. In this role, I also experienced advocacy and involvement on the state as well as national,

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national level, again, gaining valuable experience that I believe will serve me well on the Investment Council. And in conclusion, I would conclude with a totally random comment, and that is-- I might add that I managed my 97-year-old mother's finances. And as a retired school nurse, she looks forward to seeing her in-purse deposit every month. So.

BALLARD: Thank you, Mr. Christensen.

BRIAN CHRISTENSEN: Well, with that, I'll-- I would answer any questions you might have.

BALLARD: Thank you. Are there any, are there any questions? Yes, Senator Conrad.

CONRAD: Thank you, Chair. And thank you so much for being here. Mr. Christensen. I really appreciate it. And I had a chance to review your materials and then hear a little bit more about your perspective today.

BRIAN CHRISTENSEN: Sure.

CONRAD: Indeed, you have a, a very diverse, professional and personal background, which I think is very well suited for this appointment and this work. There was one area that you touched upon that I was hoping that perhaps you could maybe provide some additional comments on in regards to your testimony. You talked about your leadership role in managing market volatility and risk very recently.

BRIAN CHRISTENSEN: Mm-hmm. Yes.

CONRAD: And I was just-- and I think that's really, really important experience to have if you're successful in this role, which, which I think you will be. But I, I was just wondering if you could maybe provide some general comments to the committee as to kind of how you see volatility and risk kind of presently and whether or not you think it would be a prudent time to make major shifts or changes to our retirement plans or investment policies?

BRIAN CHRISTENSEN: Sure. Well, in, in looking at the Investment Council investments across the board, I think, I think risk has been handled, handled very well. I know that there's been in the past some blank sheet analysis in regard to equities and in regard to fixed income. I think that has been-- I think that's been a great practice. Certainly reviewed the asset liability analyzes, particularly in

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regard to the Omaha Public School system. And you know, looking at, looking at the, the benchmarks that are used to gauge return and-- or expected return, and then looking at the asset classes and the, the, the distribution percentages of those classes, I, I-- you know, I think that over the long haul when you're looking at investments, it's just not today or tomorrow. It's, it's a, it's a horizon. It's not necessarily in perpetuity--

CONRAD: Right.

BRIAN CHRISTENSEN: --but you do need to, to select a certain horizon, whereby you can manage those things. And, and so, I, I think kneejerk reactions to, to the, to the market probably are not prudent as, as we, as we go along and look that, over time, those things as risk is managed properly, those will even out over time.

CONRAD: Yeah. No, I really appreciate that. Thank you for sharing additional perspective and information there. And also just in closing, thank you for sharing the, the personal experience that you and your mother have in regard to the importance of her teacher retirement. And--

BRIAN CHRISTENSEN: Yeah.

CONRAD: I know that's a very, very hot topic for us this session. And we've heard from countless Nebraska teachers, current and retired, who are, are greatly distressed--

BRIAN CHRISTENSEN: Yeah.

CONRAD: --about proposed major changes to--

BRIAN CHRISTENSEN: Oh, no doubt.

CONRAD: --their retirement programs, so thank you.

BRIAN CHRISTENSEN: I get that. I get that. You know, interestingly enough, before I even had half a clue that I might be appointed to this position, over the years as I've pondered NPERS, and, and also dealing with other members of the credit union that will have NPERS checks coming in for--

CONRAD: Sure.

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BRIAN CHRISTENSEN: --income and all of that, I, I have wondered about the, the soundness of, of NPERS and how it's funded and, and, and all of that and very gratified to know that it is top notch.

CONRAD: It is.

BRIAN CHRISTENSEN: And it's very solid.

CONRAD: Thank you. Thank you, Chair.

BALLARD: Thank you. Any additional questions? Seeing none, thank you for being here.

BRIAN CHRISTENSEN: OK. Thank you.

BALLARD: Thank you. Are there any proponents of this confirmation? Any opponents? Anyone in the neutral capacity? Seeing none, that will close our, our hearing-- our confirmation hearing on Brian Christensen. There are no, no online-- no proponents, no online opponents, and no one in the neutral. So next up, we have LB461, Senator Juarez's staff.

ROLF KLOCH: All right.

CONRAD: Welcome.

BALLARD: Good afternoon.

ROLF KLOCH: Good afternoon, Chair Ballard and members of the Retirement Committee. My name is Rolf Kloch, R-o-l-f K-l-o-c-h. And I'm Senator Juarez's legislative aide. Today I'm introducing LB461, which was brought to me by the Nebraska Professional Firefighters Association. LB461 is a simple update to the Cities of the First Class Firefighters Retirement Act that allows firefighters to more easily access their retirement funds. Current state law only provides firefighters with 2 options to receive their pension. One is a straight life annuity, which is not used very much, if at all, across the state. And 2, is a single lump sum distribution. Under this law, the only reasonable option for a firefighter wanting to use their retirement is to roll over their lump sum payment into a traditional IRA. This brings in different rules and regulations that don't align, align with the laws governing firefighter retirement benefits. Federal law allows public safety officers to retire at age 50, but any money withdrawn from an IRA before age 59.5 is subject to a 10% penalty. In practice, this misalignment means that fire-- retired firefighters are

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stuck with either a massive check that isn't earning any money or an IRA that they're penalized for accessing up to a decade after they retire. LB461 fixes this discrepancy by simply including yearly, quarterly, and monthly payments as options to receive benefits. This way, firefighters can receive their benefits without getting unfairly taxed, while the remaining balance can continue to grow. I also want to note that this bill will have no fiscal impact to the state or to cities. Finally, the amendment I handed out simply adds 2 more payment options, ad hoc and partial payment for convenience, as well as an operative date of October 1 of this year so cities can more easily implement these new payment options at the start of their fiscal year. With that, I'd like to thank the committee for their time and ask that LB461 be advanced to General File with these amendments. There are testifiers behind me that will be able to answer any questions you may have.

BALLARD: Thank you so much for the opening. We'll go to the first proponent. Good afternoon.

SCOTT KUEHL: Good afternoon. Thank you, Chairperson Ballard and the rest of the committee members. My name is Scott Kuehl, S-c-o-t-t K-u-e-h-l. I'm a battalion chief with the city of Grand Island Fire Department. I'm here representing the Nebraska Professional Firefighters Association in particular today, the first class cities. And I also like to thank Senator Juarez's legal aide, Rolf, for presenting and short notice. This bill reflects some needed changes that really affect the defined contribution portion of the state statute. The state statute was originally, probably back in the '40s, really worded around a defined benefit pension. And we've never really dug into the defined contribution and how we have an exit strategy and how we withdraw money. For the last 25 or so years, I've been here testifying in this committee several different times, trying to improve firefighters' ability to retire. This is-- this bill will assist that. It's a, it's a money savings-- it-- when it comes to fees if they could stay in the plan and if they can avoid the 10% extra tax penalty. This came to me in the recent-- last year. We had a firefighter who fully complied with state and federal laws to be retired as in age and in years of service. He wanted to stop his career in Grand Island and start a career someplace else. And he needed some money from his retirement fund to bridge the gap from his last paycheck in Grand Island to his first paycheck to wherever he was going. When he first asked that question, the answer was yes. As that request went up the chain of command, the answer turned to be no. And I got a phone call. And I dug into this a little bit more, and found

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out that our provider was following the state statute to the letter of the law. It says 2 ways: an annuity and a single lump sum withdrawal. So this started the process of what should we be doing, what can we do, and what does the rest of the United States do when it comes to 401-type investment and when you separate employment? Most of those plans have all the options available. We do not have any of those options available other than the 2. So that's why I'm here today. I'm trying to save the firefighters the 10% penalty if they're less than 59. Because if they roll it over, they lose the identity of being a retired firefighter and they also lose the cost structure that they have in investment fees. In Grand Island, we have a \$50 million plan. That cost fee is on average 25-- 0.25%, as low as 0.08%. If you go out in the open market with your \$800-900,000, you're paying more than that. I don't know what it is, but it can be substantially higher. That's another cost savings. I'm not here trying to put any more risk or any fiscal note on the state, the cities. I'm not here trying to put any, any more responsibility on the state or the cities. This is purely to open the doors to match up with what I see is-- what my wife can do with her 401(k) and I can't do with my 414(h). With that, I will be complete, but I would answer any questions you have, as much as I can.

BALLARD: Thank you so much for your testimony. Are there any questions? Senator Sorrentino.

SORRENTINO: Thank you, Chairman. This is not so much a question. I spent 40 years as an ERISA attorney on defined benefit plans and defined contribution plans. And your current investment options, which I have-- straight life annuity or optional form of annuity, it says here, but apparently, you can get a lump sum right now, too. OK. Those, those are the kind of options that are very much aligned with the 1970s and '80s defined benefit plans. Every defined contribution plan that I know of for the last 30 years included all these options you're asking for. There would be no reason to deny that. It's just getting you up to-- it's getting you up to 1995. So I would support you. No, no question, just a comment.

SCOTT KUEHL: I appreciate that. You said it probably better than I could, because that's, that's the gist of what I wanted to say today.

BALLARD: Thank you. Thank you, Senator. Additional questions? Senator Clements.

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CLEMENTS: Thank you, Mr. Chairman. Thank you, sir. If a person decided to get monthly payments at age 50 until their age 60, then they-- is this going to allow them to then have a lump sum withdrawal of the balance at that time?

SCOTT KUEHL: I think from my understanding is once you set up that, you have to at least do it for, I think, a 5-year plan. It has to be 5 years of equal payments. Now what happens after that, I am not 100% sure. It could be a lump sum or it could be just continuing until your money runs out.

CLEMENTS: All right. Well, well, we might inquire about that. Thank you.

SCOTT KUEHL: Yeah.

BALLARD: Thank you, Senator Clements. Senator Conrad.

CONRAD: Thank you, Chair. Thank you for being here. And I really appreciate my friend, Senator Sorrentino's comments. I think that provides important context for the impetus for this legislation. But I just want to reaffirm on the record that regardless of the time frame or period on distribution, it's your retirement fund at the end of the day, is that. And you're seeking to ensure that there is no diminishment of that asset by, by arbitrary rules in regards to payout. Is that kind of the, the general point that you want to bring forward for these, for these--

SCOTT KUEHL: Yeah. Yeah. That's--

CONRAD: --for this bill?

SCOTT KUEHL: That's, that's it in a, in a nutshell. I apologize for not seeing-- I've been-- like I said, I've been doing this for 25 years, trying to improve things. I should, I should have seen this before. It's glaringly obvious now. Maybe it's because-- yeah, it's because I had a retiree that I worked with for a long time, and I'm also getting closer to that date. And I personally would like to have these options. And I'm not sure which one I would pick right now. I don't know what it will be, but I would like to have those options. Because once I go outside of this plan, I can do anything I want. I could literally have my money roll over to a TD Ameritrade account and I could buy and sell daily if I wanted to. I would have tax implications and that would have to be a lot smarter than I am today so I wouldn't lose all my money. I, I get that. But yeah, I'm just

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trying to, you know, update this language to match with what is out there, industry standards. And the, the words that I'm trying to add came from financial advisors. That's the words that they like to see. And that gives them the ability to build a plan, like a-- you know, so many years or so many months or whatever they can do to provide income in retirement.

CONRAD: Yeah. And so that when you have those conversations at your kitchen table or with your financial advisor, you can run different scenarios and see what the tax implications are or the cash flow. And I appreciate that. Thanks for your additional information.

SCOTT KUEHL: And oddly enough, at 3:00 today, I have that [INAUDIBLE]--

CONRAD: OK.

SCOTT KUEHL: --with my, with my banker today while I'm here in Lincoln. So--

CONRAD: Good deal.

SCOTT KUEHL: I would like this to be yeah, passed. If, if we, if we could get that done, I would appreciate that.

BALLARD: Any additional questions? If not, thank you so much for your testimony. Next proponent. Good afternoon.

LYNN REX: Good afternoon. Senator Ballard, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We support this measure. We appreciate the amendment that the effective date would be October 1, 2025, so it, it, it coincides with the municipal fiscal year. And then, the one thing which Senator Sorrentino or others may know the answer to but we don't, we're looking forward to the clarification on what the other amendment is on ad hoc and partial payment, what that means. I can't tell you today I know what that means, but in terms of allowing the flexibility that's in the bill as drafted, the green copy, we absolutely support that and think it's the way to go. And we, too, wish we would have come across this sooner. So with that, I'm happy to respond to any questions that you might have.

BALLARD: Thank you. Ms.Rex. Are there any, any questions? See none--

LYNN REX: Thank you very much.

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BALLARD: Thank you so much.

LYNN REX: Thank you.

BALLARD: Next proponent. Good afternoon.

BRYAN WAUGH: Good afternoon, Senator Ballard, Ballard. My name is Bryan Waugh, B-r-y-a-n W-a-u-g-h, and I am the chief of police of the Kearney Police Department and currently the president of the Police Chiefs Association of Nebraska. I, I actually wasn't prepared for comments for this, but I really find this as an opportunity to express our support on behalf of the Police Chiefs Association of Nebraska for this bill. I believe there could also be an opportunity to have an impact with police officers, as well. Very similarly, for that opportunity to, to make the availability of a choice for the-- how that retirement payment would be delivered to the officer. So I just wanted to express my support on behalf of Police Chiefs Association of Nebraska, and I'm here for the next bill as well. But I figured I'd--

BALLARD: Double dip. I like it. I like it.

BRYAN WAUGH: --help out with our friends in the fire service.

BALLARD: Wonderful.

BRIAN CHRISTENSEN: Be happy to answer any questions.

BALLARD: Seeing none, thank you. We'll see you soon.

BRYAN WAUGH: All right. Thank you.

BALLARD: All right. Any additional proponents? Seeing none, are there any one in opposition? Seeing none, any in the neutral capacity? Seeing none, we have 3 proponents, zero opponents, and no one in the neutral-- waives closing. So that will end our hearing on LB461. And we will begin with LB179, Senator Clouse. Good afternoon.

CLOUSE: Good afternoon, Senator Ballard and the Retirement Systems Committee. My name is Stan Clouse, S-t-a-n C-l-o-u-s-e, and I'm representing District 37. Introduced LB179 on behalf of the Police Chiefs Association of Nebraska, Chief Waugh, and the League of Municipalities. So we just heard from both of those 2. And this is a negotiated agreement between those 2 groups, which is the driver behind LB179. And I would amend-- LB179 would amend Section 16-1005 relating to the defined contribution pension plans for paid full-time

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police officers in cities of the first class. No, it is just cities of the first class. You remember that LB686 was passed last year. It was similar for the firefighters. And this, LB179, would amend 16-- Section 16-1005 to increase the contributions from each police officer from 7% to 9% of their salary. And consequently, the cities would also be increasing their contribution as well. And, and that is because of 16-1006 requiring that. So each police officer as well as the city, they will continue to contribute 6.2% of their police officer's Social Security account. So cities in Nebraska, we all know have challenging and-- challenges attracting and retaining police officers. And LB179 will help address that issue, at least in part, by improving their retirement contributions. And under the leadership of Kearney Police Chief Bryan Waugh, who I think is the best in the state but I'm biased-- the Kearney Police Department's dedication, work ethic, and efforts to keep the public safety-- safe are second to none. And it's our top priority in the city of Kearney and other municipalities, as well. And the physical-- or fiscal impact just to the city of Kearney is manageable. I did check with our city manager and said, OK, how is, how is this going to impact us with the caps and so forth? And it's-- for the city of Kearney anyway, it is something that's manageable, and they recommend that I proceed with that. So with that, I would ask you to advance LB179 to General File as soon as possible and-- so that we can move forward on this. So, if you have any questions.

BALLARD: Thank you. Are there any questions for Senator Clouse? Yes, Senator Sorrentino.

SORRENTINO: Thank you, Senator-- Chairman Ballard. Senator Clouse, I've just got one really-- and it's really a basic question. I'll tell you what my doctor said when we had my annual exam-- I'll be gentle.

CLOUSE: OK.

SORRENTINO: OK. So we had a defined benefit plan in 1983. It was done, which most plans were. Went to defined contribution [INAUDIBLE]. We're at 7% now. I'm assuming from 7-9 is roughly a 30% increase. I'm, I'm, I'm really just curious, you know, why the increase, where we came up with 2%. I'm-- I don't-- I'm going to support the bill. What I want to know is, are we starting to lean back towards being a defined benefit plan? We're looking at hmm, we want to get to here, so let's just raise the mandatory amount. Just your thoughts behind why we go from 7-9 and how we arrived at that number. I'd appreciate that.

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CLOUSE: And, and I would thank you, Senator Sorrentino. I would just say that that was negotiated. And I'm quite sure they come in with higher.

SORRENTINO: OK.

CLOUSE: And, and the cities come back and said, no, we can't live with that. And so, that-- that's how that number was arrived at. But we have-- the two that will be up here can address that if that answers the question. And I am not a fan of defined benefits or-- yeah, defined benefit. So the contribution is, is, I think, the way to go.

SORRENTINO: I, I would agree. Defined contribution is the way to go. So somebody might-- in the-- and I may ask officer-- is it affordable for the officers to give up 2% more of their pay? I mean.

CLOUSE: There-- there's, there's some history on this that goes back--

SORRENTINO: I'd love to hear it.

CLOUSE: --a number of years, that we can talk offline sometime, if you want to--

SORRENTINO: OK.

CLOUSE: --and have those discussions, but they could also maybe address that.

SORRENTINO: That's fine. Thank you.

CLOUSE: OK. Thank you.

BALLARD: Thank you, Senator Sorrentino. Additional questions? I see none. Thank you for your work on this bill. [INAUDIBLE].

CLOUSE: Thank you, Senator Conrad [SIC].

BALLARD: Yes. Thank you so much.

CONRAD: Good to see you, Senator.

BALLARD: Any proponents?

LYNN REX: Senator Ballard, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're in strong support of this bill. And as Senator

Clouse indicated, we appreciate him introducing the bill. It also was a negotiated agreement. I will indicate to you a little bit of history that I think he was referencing was that in negotiating with the police officers many years ago, the league offered at that time-- and by league, I mean our representative cities of the first class. Because this only applies to cities of the first class, of which we have 31. All have paid police departments. We offered at that time to go from 7 to 9. And the officers at that time chose not to accept that for perhaps the reason that one of you noted, which is the officers then thought that perhaps-- we were told that the younger officers would rather have take-home pay. Then there's also always the longer view. When-- it's been my experience that when you're dealing with folks that are in their 30s and 40s, take-home pay sometimes is more important. And then amazingly, as one gets older, you believe, oh, my goodness, we may want to look at something different here. So this is a negotiated agreement. It also-- I'm not saying it piggybacks on LB686 that passed last year, Senator Sorrentino, to increase the contribution rates for first-class city full-time paid firefighters. There was a huge distinction between the negotiations that occurred with the firefighters and the police officers because the police officer negotiations were far more clear and simple because the police officers have always paid Social Security. And some of you that were on this committee before, Senator Conrad, Clements, Senator Hardin and others, know that part of the dilemma last year was how do you match the Social Security issues? So basically, even though initially, the contribution by police negotiated in '82-83, the passage of the 2 bills, LB237 and LB531 back in '82-83. Those bills, police officers were contributing 6%. The city was contributing 6%. On the fire side, the city was-- the, the firefighter was contributing roughly 6.5 and the city was contributing 13 to make up the difference in Social Security of 6.2. So in any event, make a long story short, what this does is basically bring up the total compensation for the police officer to 15.2, when you consider basically what is 9%, plus 6.2 of Social Security, plus the city matches that. You don't have the statute here that amends requiring the city to do that because it's in-- it doesn't need to be amended. It's in the next statute that requires the city to match it. So they would have a total of 30.4. I'm happy to answer any questions if you have any. We really would appreciate getting this bill advanced. We think it's very, very important. And one of the major issue-- issues that-- about why would we look at basically making these contrib-- doing it within a defined contribution plan because that is manageable for municipalities, in stark contrast to a very miserable history I will tell you, on defined

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benefit back in the day. But in addition, I think what's important is that on the police side in particular, but also I think some fire-- if I may finish my--

BALLARD: Please continue, yes.

LYNN REX: That-- on the police side in particular. But on the fire side, there's some of it as well, in some cities. Very, very hard to get folks to, to attract and retain law enforcement officers across the state. And Senator Clements and others, many of you on this committee supported legislation and are now including a bill that Senator Ballard has and others, to provide additional benefits. It is extremely difficult. And part of it has to do with just the dynamic and the social dynamic and cultural dynamic of law enforcement. So we really would appreciate you advancing this committee-- this bill right away from committee. And again, we strongly support the other bill as well today. I'm happy to respond to any questions that you might have.

BALLARD: Thank you. Are there any questions? Senator, Senator Conrad.

CONRAD: OK. Thank you so much for being here, Lynn. It's always so helpful to hear your perspective. I was wondering if you could just provide a little bit more detail as to how this issue interplays with the recently imposed caps, and then the so-called public safety exemption. I just don't have the special session, session legislation right in front of me or easily ascertainable off the top of my head. Can, can you just help me to understand if there are implications for that and how this works within-- and I know you mentioned it briefly within, within your testimony, but that would be helpful. And then the, the last piece is really just a comment for, for you and, and for the officers and for Senator Clouse. I think we-- it's not always possible to have an agreement before you come to this committee, but when you are able to do the hard work in good faith negotiations over many years, it, it definitely pays dividends in having a more thoughtful kind of policy opportunity before this Legislature. So I just want to commend you and the officers for, for doing that hard work together before you, you, you came here today.

LYNN REX: Thank you. We appreciate your comments. In terms of the caps, so in-- with passage of LB34, there were caps imposed on municipalities and counties. And just to digress for one moment.

CONRAD: Yes, sure.

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LYNN REX: The League-- Senator Riepe was kind enough to introduce LB242. That is a technical cleanup bill, because the bill as passed is not workable. It doesn't address the issue of growth, for example, because zero times anything is zero. Standard and Poor's, and Mooney's asked bond counsel, do you think the Legislature knew that? And the answer is yes, they did. So-- but it was in-- it wasn't intended that way. And so we want to make sure that this cleanup bill, LB242, addresses what the intent was on that particular issue. That bill, as you noted, LB34-- and also, our bill would retain this. And it keeps in the 0% in LB242. We have another bill, LB211, that he's introduced that does not do that. But LB242 is a technical cleanup. It keeps in the zero times the growth and the percentages that are-- the Legislature laid out, but actually activates and makes sure that your intent is delivered, in terms of what you intended to do with that. But let me just-- and also the slice index is involved in that, as well. So there is a significant public safety exception which was passed in LB34, and that would be retained. But we-- I just want to underscore this point that in working with the State Auditor's Office-- and they've made it very clear they're not advocating policy. They're simply indicating how they would implement it based on what the Legislature passed in LB34. That-- we are advising our municipalities to take any of those exceptions very, very sparingly, including the public safety exception. Because the way that that works is-- I mean, there's also exceptions, for example, for bonded indebtedness, emergencies, that sort of thing. But at the end of the day, if you take too much of an exception, because the next day-- the next year, rather, not the next day. But in FY-- when it takes effect July 1, 2025, that's when the lid for unrestricted funds in Chapter 13, Article 5 goes away. Municipalities and counties will be under the new cap that you passed with LB34. When that happens, the first time, you're going to be backing out whatever exceptions you had, but in year 1, you don't have any. But now, let's go ahead and let's say it's July 1, 2026. If you took exceptions for FY '25-26 and [INAUDIBLE] anything significant, that, that next budget year, you have to back that out. And over time, you absolutely end up in the hole. So we're being-- we're telling our folks to be very, very careful. That's why I appreciate Senator Clouse's comments, because our cities of the first class, and again, there are 31 of them, population over 5,000, they feel that they can accommodate this. I will tell you, there are some of our cities of the first class that basically are not-- you know, they're very concerned about it. We have municipalities and cities of the first class that are also up against the maximum levy limit. I'm going to maybe say it's North Platte, for, for example, because they

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are. So when you have a city that's at the maximum levy limit of \$0.45 plus 5 on interlocal agreements, you really have to be very careful what all these expenses are. So in any event, I can't speak for the officers. Chief Waugh will be doing that on behalf of PCAN and POAN. But with respect to municipalities, we felt that this was fair. We think that it also, because of the firefighter negotiations, it's important to recognize this. We understand the need to attract and retain firefighters and police officers. So in any, in any event, we do have that cleanup bill, which is going to be critically important to pass this year. And then also, we have another bill, as I said, that would take the zero out and indicate that if you have 20% or less of your property tax asking, that basically is going for public safety, because that is the big exception in LB34. If you have 20% less of your property tax asking going for public safety, then you could have 2% or the slice index, whichever is greater. And the reason why that's important is over a 20-year period of time on the slice index, it goes to zero a couple of times. It goes down to 1% a couple of times. And if you are a municipality of which there are 378 villages at this point and about 117 cities of the second class, they don't have significant public safety expenses. So the cities of the first class would have some flexibility there. The others would not.

CONRAD: I, I really appreciate and thank you so much, Lynn. I, I think that no doubt there was a lot of good intentions at play in the special session this summer. But I think that the measure itself was very hastily conceived and it has caused a, a great deal of needless headache and heartache. And I've heard the same message from the counties, as well, as they're starting to implement and execute and work through that, that it's quite problematic, in terms of what it means for both public safety and for sound budgeting. So I, I really appreciate you connecting the dots here today. Thank you.

LYNN REX: Thank you very much.

BALLARD: Thank you. Thank you, Senator Conrad. Senator-- any additional questions?

SORRENTINO: Senator--

BALLARD: Senator Sorrentino.

SORRENTINO: Well, Chairman Ballard, I withdraw the question.

BALLARD: OK. Thank you. Thank you so much--

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LYNN REX: Thank you very much. Thank you.

BALLARD: --for your time. Appreciate it. Additional proponents? Good afternoon.

BRYAN WAUGH: Good afternoon, Chairperson Ballard and esteemed members of the Retirement Systems Committee. I am Bryan Waugh, B-r-y-a-n W-a-u-g-h, chief of police at the Kearney Police Department and the current president of Police Chiefs Association of Nebraska. I'm here today to stress the importance of LB179, a bill crucial for the future of police retirement systems for our cities of the first class. Your support for this bill is of the utmost importance, and I am here to advocate for it on behalf of the Police Chiefs Association of Nebraska. Thank you, Senator Clouse, for introducing legislation that will positively impact policing in cities of the first class across the entire state of Nebraska. I also want to sincerely thank Executive Director Lynn Rex and the League of Nebraska Municipalities for supporting professional policing through thoughtful, careful negotiations related to this legislation. This body has done remarkable work throughout recent history related to strengthening our ability to recruit and re-- I should say recruit, hire, and retain the best and brightest to enter the profession of professional policing in Nebraska. The one area this profession continues to struggle with is-- and is unique to Nebraska, is the retirement system. Most surrounding border states have a statewide defined benefit pension system for police officers. As you are well aware, that is not the case in Nebraska. Except for the metropolitan class city of Omaha, the primary class city of Lincoln, or the Nebraska State Patrol, each offering a defined benefit pension plan, a police officer serving a city of the first class in Nebraska can expect a defined contribution pension plan managed by a financial firm selected by the city for which they are employed. While the system works very well, steps have been taken in the past, which was already discussed a little bit today, to strengthen that retirement, the Police Officers Retirement Act and the contribution rates, with incremental increases from 6%, 6.5%, to the current 7% employee contribution with a statutory 100% employer match. Last year through LB686, the cities of the first class firefighter pension plan saw a significant increase in their contribution rates. This increase highlighted the disparity in contribution rates between the fire service and police service, leading to the realization of the need to bring the cities of the first class professional police officers contribution in line with the fire service. Through extensive discussions with-- and negotiations with the League of Nebraska Municipalities, the Police Officers Association of Nebraska and our

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colleagues at the Nebraska Sheriffs Association, we have reached a significant agreement. We proposed increasing the employee defined contribution by police officers in cities of the first class from 7% to 9% with the 100% employer match. This increase, coupled with Social Security, as, as Ms. Rex spoke of, would, would increase-- they would have a 3.4% of their salary toward retirement. This is a substantial benefit that will undoubtedly influence an officer's decision to continue serving and protecting in cities of the first class and this noble profession of policing. As you know, and it was already mentioned, there are 527 municipalities, including 31 cities of the first class. With the passing of LB179, the increase from 7% to 9%-- and I'll speak on behalf of the city of Kearney and Mayor, Mayor-- Senator Clouse spoke of that a moment ago, keeping in mind the city of Kearney is the fifth largest-- may I continue? I'm sorry, Senator.

BALLARD: Yes, please continue.

BRYAN WAUGH: --is the fifth largest city in Nebraska and we are the third largest first-class city in Nebraska, so it gives you a good comparison. It will have a rough, rough fiscal impact of \$123,500 in FY '26, and then incrementally from there, based on pay plan adjustments that we may experience. Once again, I want to express my sincere gratitude for the opportunity to testify before you today on behalf of Police Chiefs Association of Nebraska, and offer our enthusiastic support of LB179. And we would respectfully ask that you please advance this bill and show-- and continue showing your incredible support for professional policing across the entire state of Nebraska. I'd be happy to answer any questions you may have.

BALLARD: Thank you, Chief. Are there any questions? I do have one quick question. Do you see men and women coming out of the academy-- is this a-- is this is an issue they, they notice in-- they-- what, what cities offer.

BRYAN WAUGH: It is. It is.

BALLARD: Between the league--

BRYAN WAUGH: Senator, it's--

BALLARD: Yeah, yeah.

BRYAN WAUGH: I, I think it was already mentioned in here. I've been, I've been in law enforcement-- in municipal law enforcement in Nebraska for nearly 30 years. And as a young, you know, new police

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officer, retirement was not on my radar. So as a, as a police chief who-- and I, and I-- my experience, was involved with the Fraternal Order of Police for many years, who I think you'll hear from today. And as a police chief today, I sit down with young women and men who enter this profession and I have a conversation about the future. And I tell them it's going to be in a blink-- and we all do that as adults. We talk about this with our young members of our communities, as well, and how important preparing for your retirement really is, and that today is the day to start. When you're a 21-year-old brand new police officer, it starts now. So the question was asked whether or not this would have an impact on an officer's salary. I've had those conversations with police officers in the Kearney Police Department as well as across the state. And I think once we have a thoughtful, responsible conversation, they, they don't really know what they don't know until we talk about it. And if they're prepared for it, it will not have a, a negative impact on the salary they take home with that additional 2%. I think what it-- hopefully, they realize it'll have an impact on their future when they want to retire and, and enjoy the lake someday.

BALLARD: Well, thank you for those comments. Are there additional questions? Senator Conrad.

CONRAD: Thank you so much for being here and making the trip in, and for your hard work in negotiating this result and your commitment to public service that you express every day over the course of your career. I, I really appreciate and admire that and I know every member of the Legislature does as well. So I know that Senator Hardin and I have talked about this in the past from a Retirement Committee perspective, but he always has a great idea that we should be doing more advertising on recruitment and retention to perhaps, even our sister states in Wyoming and Colorado, to say, hey, we don't play games with our retirement systems in Nebraska. They're soundly stewarded. And maybe if you're interested in law enforcement, come, come to Kearney, or come to Grand Island, or join NSP. Oh, he's got it up right now. He's got a-- I knew it. He might bring it up. OK. So I, I think that this is, you know, yet another example of how, when you don't play politics with people's retirement, you actually can really advance our shared public safety goals and help to address really important work court-- workforce measures, so thank you.

BRYAN WAUGH: And I would-- if-- and I could, could--

CONRAD: Please, yeah. Please.

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BRYAN WAUGH: --add a comment to that. So you know, speaking of the great work that's been done, and I believe it's been done through a unified approach through the Police Chiefs Association, the Nebraska Sheriffs Association, as well as the Police Officers Association and our friends at the FOP, over the course of the past decade, but more recently in the recent 4 years, with the passing of LB1241, LB51, the Law Enforcement Recruitment and Retention Act. We have-- I have conversations. I'm highly involved with the International Association of Chiefs of Police, and I'm on several committees there. And I talk to my colleagues from across the United States, and I talk about how we're paying education benefits for police officers, we're paying education--

CONRAD: Right.

BRYAN WAUGH: --benefits for their dependents and their spouses. That is unheard of. We're paying bonuses. We're paying retention bonuses for, for showing longevity. It's so important to stay in policing in Nebraska. So you're right. We're doing some really good work. And the goal is from, from my seat and from my perspective is to really brag about that with our colleagues across the United States, and see if we can't attract a young person from Wyoming or South Dakota, or from Kansas or from Denver, or wherever it might be. And they do come. There are agencies across this entire state that have police officers from those parts of the United States that came here for that very reason. Most importantly, they come here because we support policing and we-- professional policing. I like-- make sure that, that we always talk about we police this, this state professionally. And we do it the right way.

CONRAD: Great. Thank you so much. Thank you.

BRYAN WAUGH: So, it's a great place to work.

BALLARD: Senator Clements.

CLEMENTS: Thank you, Mr. Chairman. Thank you for being here. My question is, you heard the firefighters request for more flexible payment options. Does your plan have those options?

BRYAN WAUGH: It depends. You know, that's the unique thing with-- because these are all managed by different firms and there's different mechanisms in place. But we support the, the firefighters' request under LB461, simply because we believe that would have an impact on

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the way police pensions are also paid at the time of retirement. And maybe Lynn can, Lynn can correct me on that. But at this point in time, I believe they would be based on the firm that's managing the accounts of the police officers pension plan.

CLEMENTS: All right. Thank you.

BRYAN WAUGH: Thank you.

BALLARD: Thank you, Senator Clements. Any additional questions? Seeing none, thank you for being here.

BRYAN WAUGH: Always a pleasure. Thank you so much.

BALLARD: Thank you. Additional proponents. Good afternoon.

MATT BARRALL: Good afternoon, Chairperson Ballard, members of the committee. My name is Matt Barrall, M-a-t-t B-a-r-r-a-l-l. I am the vice president for the Nebraska State Order-- Fraternal Police. 5 years ago, members of the Fraternal Order of Police met with then Senator and Speaker of the House Mike Hilgers and developed a plan that we called the 3 R's: recruitment, retention, and retirement. Our goals were to increase those 3 categories, as Chief Waugh said, to increase the professional levels of police officers in the state of Nebraska. So far, I think we have made great inroads in those 3 categories. LB179 continues those great strides that we are making. Cities of the first class have a special place. Unfortunately, it's not necessarily a positive one. A lot of them become feeder agencies for larger agencies such as Omaha or the city of Lincoln. Sarpy County, where I'm a sergeant at, we feed off of those, often because they don't have the better benefits. I think LB179 increases those benefits to increase recruitment for those first-class cities, to increase the retention of those officers, and to give them the financial peace of mind in their retirement, which is something that-- Senator Sorrentino asked earlier. I actually am heavily involved in recruitment for my agency, and that is something that we are seeing more and more that officers actually are looking long term. I've been in law enforcement for 26 years. I started actually as an officer in California, and came to Nebraska because it provided a better life for my family. And I will also tell you that the positive impact for law enforcement played a huge part, as well. We had a defined benefit system there, state-run. Here, I feel very comfortable with NPERS being a defined contribution. I know they call it a defined benefit plan. That's an argument for another day. However, I feel very

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comfortable in Nebraska's retirement system, and our officers see that, too. Our deputies see that. But they pay close attention to that now. I teach financial wellness for my agency. I have them look to those long-term goals. I was here a number of years ago as a representative of my personal lodge. And unfortunately-- we tried to get an extra 2% for people in Sarpy Count-- for deputies in Sarpy County, and it didn't pass at the time. Now, I think the tide has changed. I think, more and more, we see how important retirement is, and I think that LB179 truly is a positive step in that direction. If you have any questions, I'd be happy.

BALLARD: Thanks for being here. Are there any questions? Seeing none, thank you so much.

MATT BARRALL: I'm sorry. One more thing. The State Fraternal Order of Police also feels that the prior bill is an excellent step forward. And we look forward to, to that, as well.

BALLARD: Thank you so much. Appreciate it. Additional proponents? Seeing none, are there any in opposition? Seeing none, any in the neutral capacity? Seeing none, Senator Clouse. While Senator Clouse comes up, we had 2 online proponents, zero opponents, and zero in the neutral.

CLOUSE: Yes. Thank you, Senators, for listening to the comments. Chief Waugh, excuse him. I've been mayor for 18 years and a senator for 1 month, so we're all good. But we do support our law enforcement at all levels, State Patrol, co-- all, all of our law enforcement. And take-- very proud to be able to bring you this bill, and so I'd ask for your consideration of it.

BALLARD: Thank you so much. Are there any additional-- any final questions? Seeing none, thank you so much. That will close our hearing on LB179. We want to try to squeeze in the do you guys do you want to present real quick just just on the 179 for the corporation.