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FLOOR DEBATE

April 23, 2001      LB 711

open on AM1595 to LB 711.

SENATOR WICKERSHAM: Thank you, Mr. President, members of the body. The amendment that we filed last week to this bill is a very simple one. It reduces the cap on the COLA from 2.75 percent to 2.50 percent in the School Employees Retirement Plan, in the judges plan, and in the State Patrol plan, the three defined benefit plans. Of course, those are the only ones that have a COLA, but it reduces the COLA. Now, to give you an idea of why we are proposing this change to you, we have distributed a new actuarial study that pertains to all three plans, if you have a moment to look at that. Of course the objective is to reduce the expenditures against the current surplus in all three plans. And if you examined the second page...or the first page of the handout that we have provided to you, it shows that by reducing the COLA, from 2.75 to 2.50 percent in the school plan, we save a little over \$60 million in the excess formula annuity side of that benefit, we save about \$21,600,000 in the service annuity side of that plan; in the State Patrol, if we don't do Carrier Enforcement, we save \$4.5 million, roughly; if we do Carrier Enforcement, we would save \$4.8 million, almost \$4.9 million; the judges we save \$1.2 million. Now, of course, on General File we advised you that there were plenty of assets in the plans to support the benefit changes that we were proposing on General File. I would still tell you that that is true. In fact, if you look at the actuarial study or if you called up...I guess, more properly if you called up the Investment Officer for the state of Nebraska and you asked about valuations in all the defined benefit plans as of the end of March, he would tell you that all the plans are currently funded at 107 percent of...against liabilities, that they are still very well-funded for public plans and that there are surplus assets. But given the recent volatility in the stock market, I asked the actuary and others whether it might not be prudent to reduce the cost of LB 711. And I think that the reduction of a quarter percent in the COLA is prudent based on fluctuations in the stock market. Again, the intent with this amendment is not to alarm you about overall funding of the plans, to suggest to you that if we don't do this amendment something awful is going to happen, but I think that it is simply time to examine this kind of an amendment as a prudent