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LB 687

SENATOR CUNNINGHAM: Senator Bruning, you made the remark that in order for this plan to hurt the state of Nebraska, that the economy would have to be in the tank. We would be losing our houses, losing our businesses, and we had nothing to lose anyway. Is that essentially what you said?

SENATOR BRUNING: Well, actually I was talking about the federal government-backed bonds that are used as the fixed income securities as a part of the asset portfolio. Those are going to be paid by the federal government. And if they're not, which has never occurred in the history of our country, at the time when the federal government defaults on its debts, at that time basically you would assume all is lost in the economy. That is the last thing to go I guess is my point.

SENATOR CUNNINGHAM: But even in a scenario before we got to that point, the state of Nebraska could theoretically still be liable to come up with more money, wouldn't that be correct?

SENATOR BRUNING: Well, Senator, I guess I would argue that simultaneously we're making these same assumptions on these same investments in three plans that are the teachers' plan dwarfs the others in size using the same investment scenario, the same assumptions, and so on.

SENATOR CUNNINGHAM: But if you look at the graph you handed out with the red bars on that and you look at the last two years, if the next two years were very similar to the last two years, what would our average be? Do you have any idea there?

SENATOR BRUNING: Well, we'd still have a cushion, Senator, because you would continue...you would assume that over time, which has happened again throughout the entire history of there being a market and pension plans, the last three-quarters of a century basically, there have been pension plans; they have been funded. So, historically speaking, everything has to change much more dramatically than two or three or even five bad years.

SENATOR CUNNINGHAM: What is the reason...I know you talked about this on the first round of debate, but what is the reason