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Nebraska Retirement Systems Committee
February 01, 2007

[LB328 LB329 LB665]

The Committee on Nebraska Retirement Systems met at 12:15 p.m. in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB328, LB329, and LB665. Senators present: John Synowiecki, Chairperson; Lavon Heidemann; Russ Karpisek; and LeRoy Louden. Senators absent: Tom White, Vice Chairperson; and Philip Erdman.

SENATOR SYNOWIECKI: Good afternoon, everyone. I suppose we should get this going. We already went pretty late upstairs so members will be joining us, in and out, as we have hearings over the lunch hour for the Retirement Committee. I want to welcome you to the Retirement Committee. My name is John Synowiecki. I represent south Omaha. I'll introduce Senator Louden to my right who is now present. Mr. Donn Jones is the actuary retained by the Legislature. To my far left is Laurie Vollertsen. She is the committee clerk. And as the other members arrive, I'll introduce them as they come in. If you intend to testify on a bill today, we would ask that you fill out a sign-in sheet, which are located towards the rear, both rears of the doors here in the committee room. When you come forward to testify, I would ask that you please place the sheet in the box right there by the testifier table, please print your information legibly so that it is readable and can be entered accurately into the permanent record. Following introduction of each bill, I will ask for a show of hands to see how many people plan to testify on the bill. We will first hear proponent testimony, followed by opponent testimony, and then any neutral testimony. When you come forward to testify I would ask that you please clearly state and spell your first and last name for the benefit of the transcribers and for the benefit of Laurie. All our hearings are taped and transcribed for the permanent record. The Rules of the Legislature include no cell phones. Please, if you do have a cell phone, disengage the ringer. Reading someone else's testimony is not allowed. If you do want to submit written testimony, we will accept written testimony and each member of the committee can review that at their leisure. The agenda today is two committee bills, LB328 and LB329, and the last bill we'll take up today is LB665, introduced by Senator Karpisek. With that, we will begin the public hearing on LB328, changing provisions related to county and state retirement plans, which is a committee bill and, therefore, Jeremy Nordquist, the research analyst of the committee, will do the introduction. Can I see a show of hands of anyone that intends to testify relative to LB328? I see two. Thank you. Mr. Nordquist. [LB328]

JEREMY NORDQUIST: Good afternoon, Senator Synowiecki and members of the Retirement Committee. I am Jeremy Nordquist, N-o-r-d-q-u-i-s-t, and I am the research analyst for the Retirement Committee. Today I introduce LB328 for your consideration, a bill to change provisions relating to county and state retirement plans. The committee introduced this bill at the request of the Nebraska Public Employee Retirement Systems. LB328 would create separate expense funds for the County Employees Defined Contribution Retirement System, the County Employees Cash Balance

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Retirement System, the State Employees Defined Contribution Retirement System, and the State Employees Cash Balance Retirement System. Currently, the Nebraska Public Employees Retirement Systems utilizes a subaccount within the current County Employees Retirement Expense Fund for administrative expenses related to the County Employees Cash Balance Retirement System, and a subaccount within the current State Employees Retirement System Expense Fund for administrative expenses related to the State Employees Cash Balance Retirement System. This bill would give the retirement systems the statutory authority to maintain separate accounts for the administrative expenses for these plans. I believe Joe Schaefer, the legal counsel for the retirement systems, will testify on this bill to answer any technical administrative questions. In addition, LB328 would provide for the immediate reenrollment in the county and state retirement systems of members who have ceased employment and return to employment prior to a five-year break in service. Current statute provides for a 60-day period of employment before reenrollment in the county and state retirement systems is required. This provision was overlooked last session with the passage of LB366 which required new employees to immediately enroll and participate in the county and state retirement plans. With the passage of LB328, all county and state employees would be required to immediately enroll and participate in their respective retirement systems upon employment. Thank you, Senator Synowiecki and committee members, for your consideration of LB328. [LB328]

SENATOR SYNOWIECKI: Questions of...first of all, Senator Russ Karpisek from Wilber has joined us. Any questions for Mr. Nordquist? Seeing none from the committee, we will accept proponent testimony relative to LB328. [LB328]

JOE SCHAEFER: Good afternoon, Senator Synowiecki and members of the committee. My name is Joe Schaefer, J-o-e S-c-h-a-e-f-e-r, and I'm legal counsel for the Public Employees Retirement Board. I'm testifying today on their behalf in favor of LB328. This is a bill that was prepared at the request of NPERS to address a couple of items which we discovered this past year. The research analyst has done a very capable job of summarizing the changes contained in this bill. Just to recap, the same two changes are made to the state employees retirement system and the retirement system for Nebraska counties. First, a provision is made for a separate Cash Balance Expense Fund which would allow expenses attributable to that plan option to be held separate from the Defined Contribution option expenses. To this point in time, I believe NPERS has used a subaccount. Both of those options are in the same plan, they're two separate options, and this is probably a better way to account for the expenses. This change was a request from DAS budget. Their analyst had requested that we ask this change be made. Second is a change to the provision whereby a previously employed member returns to service. I admit I missed it last year when we had...LB366 was adopted in which people immediately participated in the retirement plans. It's not technical exactly because employers had up to 60 days to get people in after they've come back to work, and this simply closes the window down to when you come back to work you're back in

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the plan. And I think that's very consistent with the other bill you've adopted. I know in the past we've brought you some really long technical and maybe even convoluted changes and I hope you'll forgive me today for bringing a relatively simple one to you. And I'd be happy to try to answer any questions you might have. [LB328]

SENATOR SYNOWIECKI: We actually appreciate that, Joe. Thanks. [LB328]

JOE SCHAEFER: You're welcome. I like it too. [LB328]

SENATOR SYNOWIECKI: Any questions for Mr. Schaefer from the committee? Senator Louden. [LB328]

SENATOR LOUDEN: Yeah. How was this handled before? I'm just new on the committee. But when you had your...did you have one expense fund to handle all the expenses for all of these funds, or how was it handled before? [LB328]

JOE SCHAEFER: We have an expense fund for each plan. For example, we have an expense fund for judges, school employees, State Patrol, county, and state. Now in county and state, there are two options and that would be the cash balance and the defined contribution. We kept them in the same fund, but we accounted for them separately. So cash balance funds were used to pay cash balance expenses, and defined contribution funds were used to pay defined contribution expenses. They did not cross over. But we did not have the statutory authority to name an expense fund for cash balance, so that... [LB328]

SENATOR LOUDEN: So then we're just naming a fund here? [LB328]

JOE SCHAEFER: We're establishing a fund in statute so they're separate funds. [LB328]

SENATOR LOUDEN: Okay. That won't put any more stress on, say, for instance, your Defined Contribution fund or anything like that? [LB328]

JOE SCHAEFER: No, the same amount of money is there as before. It's just that the fund isn't a subaccount of the other one. It's its own account. [LB328]

SENATOR LOUDEN: Okay. Thank you. [LB328]

SENATOR SYNOWIECKI: Thank you, Senator Louden. Any additional questions from the committee? Thanks, Joe. Appreciate your testimony. [LB328]

JOE SCHAEFER: Thank you. [LB328]

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SENATOR SYNOWIECKI: Other proponent testimony for LB328. Hi, Bob. [LB328]

BOB CORNER: Senator Synowiecki and members of the Retirement Committee, my name is Bob Corner, that's C-o-r-n-e-r. I'm a 30-year state employee and I did have the privilege of ten years serving as the state representative on the Public Employees Retirement Board, but I'm here today representing NAPE/AFSCME, Nebraska Association of Public Employees. We are in favor of this bill, especially the part...we've had several of our members, unfortunately, because they thought they could retire and have the same standard of living, and they had to come back to work and they thought they could immediately enroll back in the plan and they found out there's this little catchall, so this would help a couple of those people. But the changes that are suggested I think are great and they need to be done. So on behalf of 11,000 NAPE/AFSCME people who are covered by the contract, we're in support of this bill. [LB328]

SENATOR SYNOWIECKI: Need to be done from the bookkeeping perspective as well as the employee perspective. [LB328]

BOB CORNER: Any time you have an audit or any time you have bookkeeping, it's better to know where the expenses are coming from and what fund, instead of somebody second-guessing some money coming out of one fund or more that shouldn't have. [LB328]

SENATOR SYNOWIECKI: Right. [LB328]

BOB CORNER: So this would clarify that, yes. [LB328]

SENATOR SYNOWIECKI: Any questions for Mr. Corner from the committee? Seeing none, appreciate your testimony. [LB328]

BOB CORNER: Thank you. [LB328]

SENATOR SYNOWIECKI: Any opponent testimony relative to LB328? I see none. Neutral testimony, LB328? I see none. And that will then conclude the hearing, the public hearing, for LB328. Mr. Nordquist will now introduce LB329, and the public hearing for LB329 will commence. [LB328 LB329]

JEREMY NORDQUIST: Senator Synowiecki and members of the Retirement Committee, I am Jeremy Nordquist, N-o-r-d-q-u-i-s-t, and I am the research analyst for the Retirement Committee. Today I introduce committee bill LB329 for your consideration, a bill to change qualifications of the director of the Nebraska Public Employee Retirement Systems. LB329 changes one word in statute. Currently, the director of the Nebraska Public Employees Retirement Systems must be qualified by

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training and have at least five years' experience in the administration of a public or private employee retirement plan. LB329 would reduce the minimum qualifications to training and three years' experience in the administration of a public or private employee retirement plan. During a recent search for the new director of the Nebraska Public Employee Retirement Systems, the Public Employee Retirement Board expressed concern about the number of individuals that failed to meet the five-year minimum requirement. As a matter of fact, only 5 of the 14 applicants for the director position can meet the requirement. I have been told by board members that several potentially strong candidates were interested in the position but did not meet this qualification, including a former state senator who helped craft much of the current legislation. LB329 gives the committee an option to consider which addresses the limited number of qualified applicants for the director position. This change, in turn, would give the Retirement Board a larger applicant pool to consider in future searches for a new Retirement Systems directors. The good news is, however, that the Retirement Board was able to find a highly qualified director in Phyllis Chambers. Ms. Chambers will have a confirmation hearing before this committee in the near future. Thank you again, Senator Synowiecki and committee members, for your consideration of LB329. [LB329]

SENATOR SYNOWIECKI: Thank you, Mr. Nordquist. Questions from the committee?
Senator Louden. [LB329]

SENATOR LOUDEN: Are you telling me that we have to dumb down, or we're not paying enough wages? [LB329]

JEREMY NORDQUIST: From what I gather from the board, I...the members that I've talked to and have talked to me about this, I don't think it's a wage issue necessarily. I guess I don't know why we're not getting a number...good number of applicants. I think the five-year...I mean, from what I gather from board members, is the five-year requirements might be a little...a little steep, little difficult for a lot of individuals to meet. [LB329]

SENATOR LOUDEN: In other words, if somebody is in this field, if they've been there for five years, they're not looking for another job, or they've worked up to a pay scale that's higher than what we pay. What do we pay for a director? [LB329]

JEREMY NORDQUIST: I don't have that information with me. Sorry. [LB329]

SENATOR LOUDEN: Okay. Well, thank you. [LB329]

JEREMY NORDQUIST: Yeah. [LB329]

SENATOR SYNOWIECKI: Thank you, Senator Louden. Jeremy, as I understand it, the board has yet to officially take a position on LB329. [LB329]

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JEREMY NORDQUIST: Yeah. Yeah, they didn't at the...they had a meeting in January and they didn't take a position on this bill at the time. They only took a position on two bills. It was right after bill introduction they had their meeting, and I can't speak for them. I might...I would assume maybe that now that we have a qualified director that this issue might not be as much of a concern for them, but in future searches in it might be. [LB329]

SENATOR SYNOWIECKI: But now that the bill has officially been introduced into the Legislature, could the board still take a position on the bill, on the merits of the bill? [LB329]

JEREMY NORDQUIST: I don't know the inner workings of the board. I would assume they could, yeah. [LB329]

SENATOR SYNOWIECKI: You've been informed by Mr. Schaefer,... [LB329]

JEREMY NORDQUIST: Yes. [LB329]

SENATOR SYNOWIECKI: ...their legal counsel, that they could possibly now take a position on the bill. [LB329]

JEREMY NORDQUIST: That's correct. [LB329]

SENATOR SYNOWIECKI: Okay. Thank you, Mr. Nordquist. [LB329]

JEREMY NORDQUIST: Yes. [LB329]

SENATOR SYNOWIECKI: Any proponent testimony for LB329? Any opponent testimony? Neutral testimony? Seeing none, the public hearing for LB329 is now closed. We will now move to LB665, and this bill is being introduced by committee member Senator Russ Karpisek from Wilber. Welcome, Senator Karpisek. [LB329 LB665]

SENATOR KARPISEK: Thank you, Chairman Synowiecki. My name is... [LB665]

SENATOR SYNOWIECKI: Didn't you get the memo? It's "Sicky." (Laugh) [LB665]

SENATOR KARPISEK: Oh, "Snicky"? Yes, I did get that memo. (Laugh) My name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k. I represent the 32nd Legislative District. I'm here today to introduce LB665, which deals with the state and county retirement plan. The state and county retirement plans, which I will refer to as the plan, is...was designed to provide retirement benefits in the recognition of state and county employees' service to the state of Nebraska. The state plan began as a defined contribution plan in 1964. The

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cash balance benefit was added by passage of LB687 on April 18 of 2002. As of January 1 of '03, members who began to participate in the plan did so...they do so in the cash balance benefit plan. So if there's a new employee, they are now enrolled in the cash balance plan. Active plan participants at that time were given the option of keeping their defined contribution benefit or converting to the cash balance benefit. The defined contribution benefit plan allows the employee to make their own investment decisions for both member and employer contributions. Rates of return vary based on investment choices and market performance. The cash balance benefit does not allow members to make investment choices for either member or employer contributions. Cash balance participants are guaranteed an interest credit rate of the greater of 5 percent or the applicable federal midterm rate plus 1.5 percent. Therefore, if the federal midterm rate falls below 3.5 percent, they are guaranteed to receive a 5 percent return on their account. The employees were given a one-time opportunity to change to the cash balance benefit prior to January 1 of '03. LB665 would give the employees one more chance to change from the defined contribution plan to the cash balance benefit. Any member who made the election prior to January 1, '03, would not have to reelect the cash balance benefit. The question is, why give them another chance? The state said it would be a one-time deal. Well, I feel that the cash balance benefit is a better plan for the employees, which I get because we're doing that for everyone now, all the new employees. We must feel that it's better. And it's good to give them another chance. In '02, I think that the employees may not have known what to do post 9-11. I think a lot of us were thinking out different strategies and what to do. I feel that as employers, which we are, need to try to do what is best for our employees for their service to our state and also for their future and the future of our state. Whatever we can do for them to make their retirement better and try to keep them in state I feel is best for our state. With that, I will take any questions. [LB665]

SENATOR SYNOWIECKI: Thank you, Senator Karpisek. Any questions from the committee? Senator Karpisek,...oh, I'm sorry. Go ahead, Senator Louden. [LB665]

SENATOR LOUDEN: Go ahead. [LB665]

SENATOR SYNOWIECKI: Go ahead. [LB665]

SENATOR LOUDEN: I was wondering with this plan then, are...as we...the discussion the other day was that they are giving out about 8 percent. Is that...does that make a difference on which one of these plans you work with, whether you're giving out 8 percent benefits or 5 percent or something like that? [LB665]

SENATOR KARPISEK: As long...it's the rate, the federal rate, plus 1.5. So if the federal rate would be at 7, you'd get 8.5. [LB665]

SENATOR LOUDEN: Okay. [LB665]

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SENATOR KARPISEK: It just won't fall below the 5 percent. [LB665]

SENATOR LOUDEN: Okay. [LB665]

SENATOR KARPISEK: I think that we've got some testimony back in '02 that we were in the negative 20s on some of the...there was different accounts, but with this plan you wouldn't fall...you wouldn't be going negative. Of course, you don't...you still have the chance to get bigger, higher rates if things go really well and the money is invested right, which we of course know it will be. You could still get 12, 15, 20 percent coming in, but you don't have the risk of losing money. [LB665]

SENATOR LOUDEN: Yeah, I was thinking on the other side, on the investment side, whether we would be giving out more than what our investment can bear, is all. [LB665]

SENATOR KARPISEK: And I think that's a little bit of why we have had to go to General Fund monies to try to get our balance back into shape, but I feel, as employers, that we need to give our employees a little bit of solid base. Again, all the new employees already have this and quite a few of the existing employees switched over. There was just some that didn't know what to do because of the market situation and I think now they're wishing, I know that they're wishing, that they could. [LB665]

SENATOR LOUDEN: Okay. Thank you. [LB665]

SENATOR KARPISEK: Thank you. [LB665]

SENATOR SYNOWIECKI: Thank you, Senator Louden. I'd like to announce that Senator Lavon Heidemann, Chairperson of the Appropriations Committee, has joined the committee. [LB665]

SENATOR HEIDEMANN: Senator Erdman is going to be in Exec for a little bit longer... [LB665]

SENATOR SYNOWIECKI: Okay. [LB665]

SENATOR HEIDEMANN: ...and then he'll be coming in. [LB665]

SENATOR SYNOWIECKI: Any other...thank you, Senator Karpisek, for the opening. Any proponent testimony, proponent testimony for LB665? We have one other? Will there be any opponent testimony? I see no opponent testimony. Neutral testimony? I see no neutral testimony. Welcome. [LB665]

KATE MORRIS: (Exhibit 1) Welcome. Thank you. Good afternoon, Chairman

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Synowiecki and members of the Retirement Committee. My name is Kate Morris. I have, I say, 20-plus rather than 25 or 30, you know, it sounds a little better, employment with the state, and I'm testifying in favor of this bill. [LB665]

SENATOR SYNOWIECKI: Kate, I'm sorry, but can we get you to spell your first and last name... [LB665]

KATE MORRIS: I'm sorry. It's K-a-t-e... [LB665]

SENATOR SYNOWIECKI: ...for the record, because we're developing a record here. [LB665]

KATE MORRIS: K-a-t-e M-o-r-r-i-s. Okay? [LB665]

SENATOR SYNOWIECKI: Thank you. [LB665]

KATE MORRIS: I am a current state employee and I'm testifying in favor of this, to provide a second window. In December 2002, when state and county members were given the option to transfer, I was one of the approximately two-thirds of the members of the state and county plans that did not transfer. There were only about 6,000 employees, both state and county together, that did transfer effective, and were enrolled in the cash balance plan, as of January 1 of 2003. The cash balance plan was initiated as a benefit improvement step for the state and the county defined contributions plans. The benefit review study of the Nebraska Retirement Systems completed in August 2000 by Buck Consultants indicated that the state and county systems did not meet benefit adequacy needs, were dependent upon favorable investment performances, and were subject to significant volatility in retirement benefits. The cash balance plan, with its interest credit rate minimum, assures at least an adequate minimum rate of return, plus an option for an additional dividend or benefit improvements under certain well-defined fund conditions regarding a 10 percent cushion and other requirements in the bill. While the adoption of the plan was a significant step forward, the timing of the opting period in November to December at that point, just like it is going to be for this bill, could not have ended up at a worse time for plan members. It was the perfect storm, in effect, in the investment arena, impacting what should have been a significant step forward for the most state employees and county employees, and preventing them from taking advantage of that opportunity. The reason was to enroll in the cash balance plan a member's fourth quarter ending account value was the amount transferred over to the new plan. Unfortunately, in October of 2002, the Standard and Poor's 500 hit an all-time low in October, losing about one-half of its value between March 2000 and October 2002. The Dow Jones Industrial Average bottomed out at about 7,000, which was its lowest close since October of 1997. The state defined contribution employer Moderate Fund, which was the largest fund in the defined contribution state plan at the time, had a return of -.71 percent in 2001, and -6.9 percent in 2002, and it was at this

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point in time that the election had to be made. Many employees, including myself, who had significant, or at the time considered significant, amounts of money in the retirement plan, were...believed that these losses that were incurred were too extensive to justify transferring out our balances. It would have been a case of buy high, sell low. And a plan that was designed to enhance benefits by stabilizing returns ended up being regrettably declined by a large number of state employees due to the terrible market conditions that were during that year. I do believe that if you offer the members that did not opt in the first time this chance, you will see a significant enrollment in these plans and a chance for an improved retirement for both your state and county members at no additional plan cost and only a minimum one-time administrative cost, as identified in the fiscal note. Thank you for considering this bill and I'd be happy to answer any questions you might have. [LB665]

SENATOR SYNOWIECKI: Thank you, Ms. Morris. Any questions from the committee? Thank you for your testimony. Appreciate it. [LB665]

KATE MORRIS: Thank you. [LB665]

SENATOR SYNOWIECKI: Continuing testimony in support of the bill. [LB665]

BOB CORNER: (Exhibit 2) When your clerk comes back, I do have a handout here. Again, Senator Synowiecki and members of the Retirement Committee, my name is Bob Corner, B-o-b C-o-r-n-e-r. Again, I'm a 30-year state employee. First of all, I want to thank Senator Karpisek, where... [LB665]

SENATOR KARPISEK: I'm behind you. (Laugh) [LB665]

BOB CORNER: ...wherever he went--oh, about to say, he was there a second ago--for the introduction of this bill. We have always believed...again, I'm representing here NAPE/AFSCME, and NAPE has always believed we should have choice, especially in the defined contribution plan when people who are in it have 100 percent risk. So we've over the years have asked for and we've received. This committee has been great about changing some things in the retirement plan and the DC plan so people did have choice. It was this last year, in fact this month for the first time ever, like I said, I'm a 30-year state employee, but this was the first time ever based on this month's paycheck that I've put...that I have placed in my retirement account what your benefit adequacy studies have said over the year of a minimum of 12 percent. So 30 years it took me to get to the minimum, so the first 29 years plus I was never putting enough money in my account. Plus, we had to bear all the risk, anybody that was in the DC plan. That's why these bills are very important to us and we come before this committee, because we can't at retire...or do anything at the bargaining table regarding retirement. We have to do it in this committee. So that's why last year's bill was very important and it took a veto override of a Governor's veto even to get it for us, and we really appreciate it and thank

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all the senators who were there and who voted for that bill. But again, at the time, and I think Ms. Morris made the statement very well and you will see it on...because what these are, historical returns, and if you look under, when you get a copy of it, under each of the various funds that are there, just concentrate below each one where it says one year and three year. The one year shows you what happened in 2002 all year, and then you have the three year for 2001, '02 and '03. You can see some of these huge negative numbers of 20-some percent in a lot of these funds, and this is what people were facing when they had, quote, the choice the first time to get into the cash balance plan. Anybody that had significant monies and bought any of those stocks, starting with the S&P 500 and throughout the rest of them, would have lost tremendous amounts of money. It's exactly like Ms. Morris said. It was like buying high and selling low. So, for a lot of people, they felt they never had a choice. Unfortunately, just that's the way things worked. It was at the worst time to try to get into a system that was supposedly going to help some people. Now the people who probably did move were the people who were in the Money Market Fund or maybe the Stable Fund where they weren't in the stock market at all and so, you know, 5 percent guaranteed looked pretty good. Because if you're in that, there is a guarantee, that's correct, and it will be the only time of the two funds for state employees that may need some adjustment ever from the General Fund, but I even doubt that, the way that bill was constructed with that 10 percent cushion. But in the DB plan, people who are in the defined...I mean in the DC plan, there will never become a time when we can come before this committee and say, hey, put money in our account. Uh-uh. The money that's in our account is what we put in and what the state matches at 156 percent, none other. So but if you just look at these numbers, that's what people were facing, so a lot of people felt they never had a choice, because if they were anywhere from eight to ten years out away from retirement, there was no way, at a 5 percent return, they could make up those loses and then retire. So a lot of people opted not to. Some of them I heard wanted to, but they wouldn't. Again, you can argue, well, it was a one-time shot. Well, it was a one-time shot at the worst possible moment, so was it fair to those people? That's a decision that you here in the committee will have to make. But we feel that it wasn't a legitimate one-time shot because of the conditions. Now we're almost at an all-time high, in fact we are with the stock market today, so we're just the opposite of what we were in 2002, when this bill passed. So we'll see what happens. I think it will be a significant number of people that probably will move into it. I'm sure there will be some people think they can make more money via investing their funds in the stock market and make better than the 5 to 8 and 8.5 percent or 7.5 percent, what this will do based on the federal midterm and the 1.5 percent in addition, so we shall see. But again, we believe in choice. We want choice because, again, we bear the risk. So that's...I would be happy to answer any questions. [LB665]

SENATOR SYNOWIECKI: Thanks, Bob. Any questions of Mr. Corner? Bob, also isn't it...you've been around for awhile, 30 years, with state employment. A lot of state employees are just simply disengaged. You know, they'll sign up for the retirement program and the funds will go to a default fund and they'll never...they never engage

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their retirement planning, and I think that's one of the reasons why we find ourselves automatically putting new state employees into the cash balance, is because, as you've witnessed over your 30 years, time and time and time again, state employees retiree with woefully inadequate balances in their retirement plans. [LB665]

BOB CORNER: That's very true, Senator, and I think that would be true of some state employees. Again, part of the problem was, initially, when the state did invest the money and we had no say in the money, they invested in very...almost no-risk type funds which had no return. So when people did leave, there wasn't much in the account to begin with. And then when we finally got a couple choices, people moved, and I think as we gain more and more choices and now we have even these different types of funds where you have aggressive or a moderate or a conservative fund which combines a lot of these things, I think more people are being engaged. But you're right, there are a lot of people, when you talk about retirement, hey, they have no clue until...first time is when they call the retirement office and say, hey, I'm going to retire in a year, what am I supposed to do? [LB665]

SENATOR SYNOWIECKI: Uh-huh. [LB665]

BOB CORNER: And that's unfortunate, but that is the case for some people. But a lot of people, I mean a lot of people, they...at least I was told, and I was one of them, that didn't move, even thinking it was a choice, because there was...there was no way that I was going to make up losses in that time period at that percentage that's guaranteed in that cash balance. [LB665]

SENATOR SYNOWIECKI: Right. Terrible timing on it. [LB665]

BOB CORNER: Yeah. [LB665]

SENATOR SYNOWIECKI: Any other questions from the committee? Thank you for your testimony. [LB665]

BOB CORNER: Appreciate it again. Thank you very much. [LB665]

SENATOR SYNOWIECKI: Any additional testimony relative to LB665, proponent testimony? Excuse me? [LB665]

BETH BAZYN FERRELL: Proponent? [LB665]

SENATOR SYNOWIECKI: Yes. Yes. Continuing with proponent testimony. [LB665]

BETH BAZYN FERRELL: Good afternoon, Senator Synowiecki, members of the committee. For the record, my name is Beth Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l,

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assistant legal counsel for the Nebraska Association of County Officials. Apologize for my voice. This is about as good as it gets today. We're in support of this bill for the reasons that you've heard today. People agonized over whether to switch when the opportunity was provided to them in 2002. We got a lot of calls from county officials and employees who just didn't know what was going to be the best choice for them. They were afraid of what you've heard. Do they take the lower amount that they had accrued and switch that over into the new plan, or, you know, hopefully stay and have the minimum balance or minimum rate that was available to them. We support this opportunity for those folks to have a second chance at making a choice and going into the cash balance plan. [LB665]

SENATOR SYNOWIECKI: Thank you for your testimony. Any questions from the committee? Seeing no questions, thank you for your testimony. Any additional proponent testimony, LB665? Opponent testimony? Opponent testimony? Seeing none, neutral testimony, LB665? Seeing none, Senator Karpisek waives closing. That will concludes the hearing on LB665. And that concludes the public hearings for the Retirement Committee. Thank you. [LB665]

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Disposition of Bills:

LB328 - Advanced to General File, as amended.

LB329 - Held in committee.

LB665 - Advanced to General File.

Chairperson

Committee Clerk