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Transcriber's Office

Nebraska Retirement Systems Committee
February 21, 2007

[CONFIRMATION]

The Committee on Nebraska Retirement Systems met at 8:30 a.m. on Wednesday, February 21, 2007, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments. Senators present: John Synowiecki, Chairperson; Tom White, Vice Chairperson; Philip Erdman; Lavon Heidemann; Russ Karpisek; and LeRoy Louden. Senators absent: None. []

SENATOR SYNOWIECKI: Good morning. Welcome to the Retirement Systems Committee hearing today for confirmation hearings for Phyllis Chambers for Public Employees Retirement Board and Don Pederson, Public Employees Retirement Board. I'm John Synowiecki. I will introduce the members of the committee. Senator Tom White is the Vice Chair of the committee and to my far right. To my immediate right is Jeremy Nordquist. He is the research analyst for the committee. Senator Phil Erdman is from Bayard, who is to my immediate left. And Senator Russ Karpisek is from Wilber, Nebraska. We will go ahead and begin the confirmation hearings. First up on the agenda is Phyllis Chambers. Anyone present to speak on the confirmation of Phyllis Chambers? Good morning, Phyllis. [CONFIRMATION]

PHYLLIS CHAMBERS: Good morning. Chairman Synowiecki and members of the Retirement Committee, I am Phyllis Chambers, and I have been hired as the new director of the Nebraska Public Employees Retirement Systems effective January 2 of this year. I received formal approval from Governor Heineman on January 9, and I am here today seeking your approval to forward my name to the Legislature for confirmation. My previous employment was with Hartford Life where I was the state coordinator of the Nebraska 457 plans, which are the government employee deferred compensation plans. I worked with the state of Nebraska plan and also 76 counties in Nebraska. I traveled throughout the state, and I have been to every county seat in Nebraska. As the Hartford representative, I also attended the NPERS monthly board meetings and the Investment Council meetings. This experience gave me the working knowledge of the retirement systems and the background necessary to apply for this position. I've held several other positions in the financial services industry. I worked as operations manager at First Nebraska Trust Company where I worked with trust accounts. And then I was also a licensed stockbroker with Piper Jaffray in Lincoln so I have an investment background and I understand the importance of fiduciary responsibility, security, and confidentiality. I have many years of board experience working on both sides of the table as a director and as a board member. I was president of the Better Business Bureau for six years here in Lincoln and I reported to a 25-member board. I currently serve on the Lincoln Airport Authority Board. I was elected to office in 1995, and I've been reelected twice so I am a public official just like you are. I have served as chairperson three times, vice chair three times, and secretary three times, and I'm currently vice chair of the Airport Authority. I've also been on the board of the Starbase Nebraska program which is a program of the Nebraska National Guard.

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I've been a board member of the UNL Alumni Association and the Downtown Lincoln Rotary Club, and I've served on the management committee and the board of directors of the National Council of Better Business Bureaus. And I'm on the commissioner's committee of Airports Council International as well as a number of other organizations. As a child, I grew up in Kansas City, Kansas; graduated from Washington High School; and I came to the University of Nebraska to go to college. My twin brother received a football scholarship to Nebraska so I came along with him. I have a B.S. in family and consumer science and a master's degree in business from the University of Nebraska in Lincoln. Probably my best skills are my people skills. I work well with people of all types and all situations. And at the Better Business Bureau, I developed my skills in communication and problem solving and customer service and I was a trained mediator and arbitrator. I enjoy being around people and I enjoy working with people, getting them to work together. And some of my other management skills and experiences include leadership, strategic planning, analyzing, organizing, and most importantly, following through. I also have experience in marketing and public relations, public speaking, and issuing press releases to the media. I studied management information systems in my MBA classes and I served as chair of the automation committee for the Better Business Bureau. I also have budgeting experience, having served seven years on the airport's budget committee. The airport has an annual operating budget of \$10 million and assets of \$70 million. I am a very committed person with high ethical standards. And I recognize the tremendous responsibility that being the director of NPERS encompasses. If I am confirmed, I pledge to perform to the greatest of my ability to serve the Public Employees Retirement Board and the 97,000 members of the retirement systems. And I would be happy to answer any of your questions.
[CONFIRMATION]

SENATOR SYNOWIECKI: Thank you, Phyllis. And Senator LeRoy Loudon has now joined us for the confirmation hearings. Any questions from the committee? Senator Karpisek. [CONFIRMATION]

SENATOR KARPISEK: Thank you, Mr. Chair. Very impressive resume, Phyllis, wonderful; but my AA, Joan Snyder, says that they're friends so that's all I would need to (laughter) confirm that so very, very good so... [CONFIRMATION]

PHYLLIS CHAMBERS: Thank you. [CONFIRMATION]

SENATOR KARPISEK: ...I just wanted to get Joan in on that a little bit.
[CONFIRMATION]

PHYLLIS CHAMBERS: All right, thank you. [CONFIRMATION]

SENATOR KARPISEK: Thanks. [CONFIRMATION]

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SENATOR SYNOWIECKI: Any additional questions from the committee? Phyllis, as you are very well aware, there were some circumstances that brought you to this position. While I don't have it in front of me, there was a performance audit conducted on the administration of the retirement systems. And there were some fundamental flaws identified and some problems identified. Can you speak to some of the things you're doing to reconcile that? I know there was a lot of disconnect between the former administrator and the staff and that sort of thing. Can you speak maybe to some initiatives that you've undertaken to rectify some of those situations that were identified in the performance audit. [CONFIRMATION]

PHYLLIS CHAMBERS: Certainly. Well, I have been in the job just a little over a month now. And I have to say that we've been going full speed working with the board and the staff. The performance audit identified...most of the issues in the performance audit have been resolved pending the information technology system, the issues around that. And those we'll be speaking to when we come to the Retirement Committee next month and also for the Appropriations Committee. We are currently in the process of developing an RFP for the conversion of that system. We want to come in with the lowest possible bid that we possibly can to change this system. We also...last fall they hired a new IT manager who some of you have met and he is doing a fantastic job so we're working with him on that. I have identified several priorities I guess and I'm working on all of those at this time. Some of them are of the nature that I really don't want to speak about in a public hearing. [CONFIRMATION]

SENATOR SYNOWIECKI: Sure. [CONFIRMATION]

PHYLLIS CHAMBERS: But we're working on those and want to get those resolved as quickly as possible. I've also besides the technology, we would like to work on the operations of the agency and that is getting people to work together. I've identified some...I've been evaluating performance of some of the people and so it is my hope that we...the office seems to be rather fragmented and people are kind of working in their own departments and they're not really working together. And so it's my hope that we'll get that resolved so that we can be more productive. And I'd like to get a lot of these issues behind us so that we can actually be doing what we're supposed to be doing, which is taking care of the members. [CONFIRMATION]

SENATOR SYNOWIECKI: Thanks, Phyllis. Any additional questions? Senator Louden. [CONFIRMATION]

SENATOR LOUDEN: Yes. As I looked through your resume, you have 82 acres in Sheridan County. Whereabouts is that? [CONFIRMATION]

PHYLLIS CHAMBERS: It's 17 miles north of Hay Springs, 17 miles east of Chadron. [CONFIRMATION]

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SENATOR LOUDEN: Okay, up there around Beaver Wall? [CONFIRMATION]

PHYLLIS CHAMBERS: Pine Ridge, yes, it is. Exactly. [CONFIRMATION]

SENATOR LOUDEN: Okay. How did you acquire the land? [CONFIRMATION]

PHYLLIS CHAMBERS: My husband's cousin lives there. He has family there and we bought the land next to his, some land adjoining his. [CONFIRMATION]

SENATOR LOUDEN: Okay. And they operate it then or do you use it as recreation land or what's it used... [CONFIRMATION]

PHYLLIS CHAMBERS: Both. They run cattle on it and then we use it as recreation land as well. We have a cabin. We go out and take the four-wheelers out, ride them in the hills. [CONFIRMATION]

SENATOR LOUDEN: Is that land valued as agricultural land or is it valued as recreational land? [CONFIRMATION]

PHYLLIS CHAMBERS: I think it's valued at agricultural land. [CONFIRMATION]

SENATOR LOUDEN: Okay, thank you. [CONFIRMATION]

PHYLLIS CHAMBERS: All right. [CONFIRMATION]

SENATOR SYNOWIECKI: Thank you, Senator Louden. Any additional questions from the committee? Phyllis, thank you. [CONFIRMATION]

PHYLLIS CHAMBERS: All right. [CONFIRMATION]

SENATOR SYNOWIECKI: Anyone additional that would like to speak on the confirmation of Phyllis Chambers? Seeing that no one wants to speak to the confirmation of Phyllis Chambers, the public hearing for Phyllis Chambers' confirmation is now closed. We now move to Don Pederson confirmation hearing. Anyone wishing to speak relative to the confirmation of Senator Don Pederson. [CONFIRMATION]

DON PEDERSON: Good morning, Senator Synowiecki and members of the committee. It's different being on this side, you know, and just at the end of last year I was on the other side. But I'm here today because the Governor has appointed me to the board of the Public Employees Retirement System. I didn't apply for it. I think it's one of those situations where sometimes you speak up while you're doing something and then things naturally occur. And in that respect...well, let me tell you first about myself. I served in

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the Nebraska Legislature for the past ten years representing North Platte. I'm a lawyer by profession. I haven't had the opportunity to operate as a lawyer very much because it was so time consuming here in the Legislature. But now I have freedom and now I'm still not going to practice law, but that's by choice. I'm still associated with a law firm in North Platte. I have four sons, one of which you probably know better than the others and he has something to do with athletics. But anyway about the Employees Retirement Board, while I served in the Legislature, and I know Senator Synowiecki knows this, as we were sitting on the Appropriations Committee, we kept saying why is the need multimillion dollars more this year for technology with apparently no end in sight. And as we delved further into it, we saw that what they had had essentially was an out-of-date or at least a system that was not functional and they kept trying to repair it and went through an awful lot of people within that particular system trying to get the right people to convert that system. But we finally reached sort of an impasse on the Appropriations Committee saying, we're not going to give any more money to the system until we know what's going on. And ultimately this involved, as Senator Synowiecki has mentioned, a performance audit. The former chairman of this committee, Elaine Stuhr, the Governor, and myself jointly requested that there be an investigation made by Performance Audit to find out what is happening to the system. Why is it not functioning properly? And it also involved the previous director of the system as Senator Synowiecki has mentioned. And there was a very extensive performance audit that was performed and there were a number of deficiencies that were determined within the way in which the Public Employees Retirement System was functioning. And a lot of it had to do with, frankly, with the prior director; had to do with the fact that the bylaws and organizational structure of the organization all went through the director rather than the board being as involved as it should have been. I do know that now since that has been brought to light, there have been a number of changes that have been made. I know that the legal counsel for the system has been in the process of revising the bylaws to where the board will be more active in the system and have more of an awareness. Prior, quite frankly, I think it was more like whatever the director wanted they ended up just doing it. And now the system, I think, is working much better. I think as far as Phyllis Chambers is concerned, I think that she's going to fill a big gap that was present there. I think she is not intimidated by the system itself. I think that she has, because of her financial background, I think it will be a benefit to the system because I think the prior director was somewhat threatened by the financial aspects of the thing. And when we're talking about the public retirement system, we're talking about, I think, the biggest dollar item within the state system. It's billions of dollars that are held in this public retirement system. And it's very important to have it appropriately managed. And I think that I saw...I attended the last meeting just as an attendee because I wasn't approved yet or confirmed and I saw a lot of very favorable things taking place. I saw a cooperation with the State Investment Officer which hadn't been present before. And I think that Phyllis Chambers will bring a lot to the table in that respect. I saw a good cooperation among the current members of that board. You understand that the way that the statute is set up, most of the members of the Public Retirement Board are designated through a

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particular facet of the fact that the board takes care of the Patrol system, the school system, and the, let's see, Patrol, schools, and what's the other one? [CONFIRMATION]

SENATOR SYNOWIECKI: Judges, teachers. [CONFIRMATION]

DON PEDERSON: Yeah, the teachers, yeah, the big one. Okay. Anyway, they're designated from that particular aspect and none of them have really been viewed for any expertise in any particular area. And there was another interim study that we had last fall that suggested maybe we should look into the manner of appointment of people, the makeup of the particular board. Because although it's important to have the input from people in that respect, it kind of takes some self-restraint to not just point to your particular interest. But I see from the people that are on there right now that there is certainly a willingness to look into all aspects of it. There are two of us that are...that will be on that board, assuming that I'm confirmed, will be the nondesignee representatives. They're just general representation. And I think that that works just fine. But I think that there's a whole new atmosphere that I saw when I attended that first meeting, and I was encouraged by it. I think you should be also that they're really working in that direction. So I think that with an awareness that I've had of what's happened and what can happen with that system, I think that's the reason that the Governor nominated me. And I ask myself why I'm doing that, but anyway, I think that I can bring something to that group to help implement the changes that were suggested by the performance audit. And for that reason, I would ask to be confirmed. [CONFIRMATION]

SENATOR SYNOWIECKI: Thank you. Any questions from the committee? Any questions from the committee? Don, thanks lot for your service. As you know, given the operations of the Appropriations Committee, many times when you're dealing with cash funds, there seems to be more of a willingness to let them go. But because of your engagement of them issues and because you uncovered a lot of problems, it led to...it really led to us being aware of the problems and gave us an opportunity to take steps to rectify it. And I don't want to speak for Senator Heidemann, but we are continuing that engagement. I think it would be appropriate now with you on the PERB board as well to...for your continued participation in that process. [CONFIRMATION]

DON PEDERSON: Yeah. I think that, as I said, it's an awful lot of money in there. And now I'm seeing that as kind of carrying out the intent of the performance audit, we are now having an involvement by the state technology people. Brenda Decker I think is really very, very capable. And I see that there is now a cooperation which wasn't available before apparently. There's a cooperation with the state. It seems silly to hire people within a system to do the same thing that the state is already capable of doing and using that expertise certainly will save a lot of money and I think it will have a better finished product. We've always had a problem in this state in the functioning of state government by technology. I mean everything that we've done just seemed to be a problem. And I think now with Brenda Decker designated as the officer in charge of

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technology in the state, I think we have a continuity now that we haven't had before. We have a new investment director, and I think that he is going to be very, very good in this respect. And I just see a level of cooperation that hadn't been there before so.

[CONFIRMATION]

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

SENATOR ERDMAN: Don, just an observation that I think your analysis of the importance of this coordination is vital and I think the NITC where Brenda is a part of as our CIO is a big part of that. And I know that as a former member of the NITC we've had some discussions about some of these recommendations that keep coming before the Appropriations Committee and others before session and asking for money to fix something that should maybe be replaced. And I know that the better coordination we can have between these groups in trying to resolve these the better chance we have of making the right decision. And I'm also encouraged to see the improvements that are being made and know that we always have to continue improving. But it does appear to me, both as a member of the Retirement Committee for six years and, you know, as a former member of the Performance Audit Committee, a number of areas that seem to have been affected by some of these proceedings that better coordination I think helps us in all areas and especially in making these decisions to better manage these plans. So appreciate your previous involvement and know that will be a strong foundation for your future involvement. [CONFIRMATION]

DON PEDERSON: Well, hopefully that will help with the long-range effect of this. You really have a feeling of a lot of responsibility because you have all of those people who are retirees or who will be retirees and you want to know that their system is safe. You want to know that the process is directed towards providing adequate security for their funds. And when I first was on the Appropriations Committee, there was a prior director. And there was complaint after complaint on the prior director because people couldn't find out what their retirement funds were. You know, it would take like six to eight months before they, on an inquiry. How much retirement fund do I have? When can I get it? Well, that got fixed, but then the boat got more leaks in it. So now I think that with new direction I think that it will be beneficial to the state. And it's for that reason that I feel that I could be of assistance in helping solve that. [CONFIRMATION]

SENATOR SYNOWIECKI: Any additional comments or questions from the committee? Thank you, Senator, appreciate it. [CONFIRMATION]

DON PEDERSON: Thank you. [CONFIRMATION]

SENATOR SYNOWIECKI: Anyone else wishing to speak on the confirmation of Don Pederson? Seeing none, the confirmation hearing for Don Pederson is closed. Thank

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you. [CONFIRMATION]

Chairperson

Committee Clerk