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Nebraska Retirement Systems Committee
February 04, 2016

[LB467]

The Committee on Nebraska Retirement Systems met at 12:00 p.m. on Tuesday, February 4, 2016, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB467. Senators present: Mark Kolterman, Chairperson; Al Davis, Vice Chairperson; Mike Groene; Rick Kolowski; Brett Lindstrom; and Heath Mello. Senators absent: None.

SENATOR KOLTERMAN: I'm going to call the committee meeting to order, welcome you all to the Nebraska Retirement Systems Committee hearing. My name is Senator Mark Kolterman. I'm from Seward, Nebraska. We have with us today Senator Mike Groene from North Platte; Senator Rick Kolowski from Omaha; Senator Brent Lindstrom from Omaha; Senator Heath Mello from Omaha; and Senator Al Davis, Vice Chair, will be coming shortly it's my understanding. Our legal counsel today and as usual, all along, is Kate Allen. Our committee clerk is Katie Quintero. And our page is Shannyn Bird, a UNL student. We're here today for the hearing on AM1865 to LB467. Please turn off your cell phones. I believe everybody here knows how to testify so we won't go into that. Your sign-in sheets need to be turned in. And state your name and spell your name. If you have handouts, please pass them in. We need eight copies. If you don't want to testify and want to submit something in writing, we're okay with that as well. So with that, I'm going to turn it over to Senator Mello and let him run the meeting while I open on the amendment.

SENATOR MELLO: Good afternoon, Chairman. [LB467]

SENATOR KOLTERMAN: Good afternoon, Senator Mello. My name is Mark Kolterman, M-a-r-k K-o-l-t-e-r-m-a-n. I'm here today to talk about testimony on AM1865 which is an amendment to LB467. LB467 was introduced last year to create a second tier of reduced benefits for officers in the State Patrol who became members on or after July 1, 2015. The second tier of reduced benefits for new officers is similar to the second tier of reduced benefits that was created for the school employees in 2013 and for the judges last year in 2015. As introduced last year, those reductions included contribution rates for new officers in the state would be 18 percent. A maximum COLA would be 1 percent unless the plan is 100 percent funded. If the plan is 100 percent funded, then the Public Employees Retire Board may grant a COLA up to an additional 1.5 percent. The retirees final compensation would be averaged over five years of the highest salary and officers who entered deferred option retirement program known as DROP on or after July 1, 2020, would be required to continue to make their contributions while they are enrolled in DROP. For a summary of AM1865, I would say this. After working over the interim, several additional issues were identified and have been incorporated into AM1865 which was introduced and filed on January 22, 2016. AM1865 strikes the original bill and inserts all new language

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

creating a second tier of reduced benefits. Under AM1865, the contribution rate and DROP changes were amended. Benefit changes were added to redefine compensation in order to avoid unearned benefit amounts and clarifications were made regarding military service credit for current and new members. Tier 2 benefits for new officers on or after July 1, 2016, under AM1865 include the following: Contribution rates for new officers in the state will be 17 percent; the contribution rate for current officers and their state match will remain 16 percent; the maximum COLA will be 1 percent unless the PLAN is 100 percent funded, and up to an additional 1.5 percent COLA may be granted at PERB's discretion. Current officers will continue to receive a maximum COLA of 2.5 percent. Final compensation will be averaged over five years of the highest salary. The final compensation for current officers will be averaged over three years. The definition of compensation is changed for purposes of benefit calculation in order to eliminate the practice of converting unused leave to cash in the year preceding retirement. For new members, compensation for purposes of benefit calculation will not include unused sick and vacation leave, unused holiday compensatory time, unused compensatory time or any other type of unused leave, compensatory time, or similar benefits converted to cash payments. A capping provision is added for new members which limits the increase in compensation to 8 percent per year for purposes of benefit calculation in each of the five years preceding retirement. This capping provision is the same as the capping provision in the school employees retirement plan. Officers hired on or after July 1, 2016, who are eligible for military service credit will only receive the credit to the extent they make contributions which will be matched by the employer. Eligible military service includes deployment under declared state emergencies as well as federal as described in the Uniform Service Employment and Reemployment Rights Act known as USERRA. Officers who become members prior to July 1, 2016, are not required to make contributions in order to receive service credit for purposes of final benefit calculations. AM1865 also clarifies that for officers who became members prior to July 1, 2016, military service credit eligibility includes deployment under declared state emergencies and federal service as described in USERRA. And finally the DROP is eliminated for new officers. Current officers remain eligible to join DROP. In conclusion, it is the committee's goal to continue to make each plan sustainable by addressing long-term funding needs and benefit costs. By reducing benefits for new officers, our cost of the benefits will decrease, which will reduce a potential cost to the state and to the taxpayers for any unfunded liabilities. An actuarial study will be completed after this gets approved. Any questions? [LB467]

SENATOR DAVIS: Thank you, Senator Kolterman. Any questions from the committee members? Seeing none... [LB467]

SENATOR KOLTERMAN: Thank you. [LB467]

SENATOR DAVIS: ...thank you, Senator. We'll now take proponent testimony on the bill. Any proponent testimony? Opponent testimony. Welcome. [LB467]

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: (Exhibit 1) Thank you, Senator. Good afternoon, Chairman Kolterman and the other committee members. My name is Kurt Frazey, K-u-r-t F-r-a-z-e-y. I'm the legislative liaison representative for the State Troopers Association of Nebraska, otherwise known as STAN and I come before the committee today in opposition of AM1865 as it is currently written. Senator Kolterman along with a few of you sitting here today, and to include Kate Allen, legal counsel to the committee, have willingly engaged myself and STAN president Brian Petersen in genuine and productive dialogue since the introduction of AM1865. And for that, we are grateful. STAN president Brian Petersen has respectfully urged Chairman Kolterman to table AM1865 so that we may continue a productive dialogue and work together to assemble an amendment that is both fiscally beneficial to the state of Nebraska and members of the Nebraska State Patrol. Although we have an understanding and appreciation for concerns of sustainability of the plan, we are not currently in a crisis. The plan is 85-plus percent funded, and this is rather exceptional for state police plans. Members of the State Patrol do not pay into Social Security nor do they receive the benefit unless they work to qualify for credits outside of their career as a State Trooper. And even then, the benefit is greatly reduced. This structure is a departure from others in defined benefit plans within the state. STAN is opposed specifically to the following, but this list is not inclusive. STAN is opposed to the dissolution of the DROP program. Our understanding is that a study of the DROP program is expected in August of 2016, and we would suggest waiting for the results of that study to determine whether or not the program is cost neutral as past analysis has indicated. STAN is opposed to the changing of the calculation of retirement benefits based on a five-year average rather than a three-year average. And additionally the 8 percent annual increase caps complicates retirement calculations and may lend itself to error. The 8 percent cap reduces the incentives for desirable personnel to promote to positions of leadership and management and essentially robs the Nebraska State Patrol's future generations of capable leaders. The use of leave balances in calculating retirement benefits should remain as currently agreed upon: 120 hours of comp time and 240 hours of holiday comp. The elimination of these leave balances in calculating retirement benefits is detrimental to recruiting and can be addressed through strict enforcement of leave banks. STAN does not agree with the idea that members are spiking retirement benefits at this time. The change of contribution rates to 17 percent is believed to be too high and we would ask that a lower rate be applied as part of an overall package that is attractive to new hires and will, again, assist in recruiting and retention efforts. The State Troopers Association of Nebraska is currently involved in litigation with the state of Nebraska regarding retirement contributions. As such, negotiations regarding retirement benefits or additional legislation concerning the same subject has great potential to be tainted or in need of further amendments which may arise from the final judgement of this litigation. STAN suggests it may be advantageous and prudent for all parties involved to await the outcome of litigation prior to implementing further legislative changes such as AM1865. In conclusion, the State Troopers Association of Nebraska prides itself on providing a premier law enforcement service to the state of Nebraska. In order to continue doing so, we must recruit and retain quality personnel. In 2004, the authorized manpower of the Nebraska

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

State Patrol was 525 personnel. The Legislature has reduced the authorized manpower of the Nebraska State Patrol due to budgetary concerns to our current authorization of 483. Strategic planning projections put our need at 570 personnel by 2017. Additionally, the state population is projected to grow at a rate of 3.3 percent, or approximately 60,000 people in that same time period. The changes in benefits that AM1865 suggests will greatly diminish our ability to effectively recruit and retain quality personnel. STAN looks forward to working with Senator Kolterman and the committee to create a total package that will secure the legacy of future generations of the Nebraska State Patrol and its commitment to the citizens of Nebraska. I thank you for your time today and I welcome your questions. [LB467]

SENATOR DAVIS: Thank you, Mr. Frazey. Are there any questions? Senator Mello. [LB467]

SENATOR MELLO: Thank you, Vice Chairman Davis, and thank you, Mr. Frazey. I've got a couple questions. And to some extent I'll start off in regards to, I believe, a representative testified on behalf of the association last year--I believe it was Mr. Matt Schaefer--in regards to the original LB467. And I know I extensively asked him some questions in regards to what the troopers were going to be doing over the interim to try to find a way to make the plan sustainable for the long term, not just simply where the current funding status is. And after hearing about your testimony today and looking over that, I've yet to see any suggestion or idea that's come forward from the association to actually make the plan sustainable. And I'll give you the first opportunity to explain. Your testimony was all what not to do, and I didn't see anything of what STAN thinks should be done to ensure long-term sustainability of the plan. So I'll give you the first opportunity of that fairly wide question of, what is the association's plan to essentially address the funding shortfall? [LB467]

KURT FRAZEY: Definitely, and I would have hoped to have addressed that, but with the time limit, I try to keep it short. I actually had a conversation with Mr. Schaefer prior to today after reviewing his testimony from last year and I asked him those same questions. We've expressed some of our ideas in previous meetings that you and Senator Kolterman were in attendance. But the main hurdle that we've faced since last year's testimony has been the multiple changes within the Legislature, within our agency, specifically with Senator Nordquist leaving early. That was cause for the lines of communication to somewhat break down until we knew who the point of contact within the committee was going to be. Additionally, we were in flux with a new Governor, not knowing what his objectives were, and a new colonel as well at the helm of our agency. And all of those things definitely contributed to us not being able to develop a comprehensive plan and stay in good communication with the committee. I do think that we have some solid ideas, as I mentioned, that we've discussed. One of those is...regarding the DROP program, we are not opposed to changing the DROP program. We have discussed internally the option of having members that go into the DROP program still contribute into the retirement system but have it be at a diminished rate other than their full retirement contribution.

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

What that rate would be would obviously need to be determined through discussions, but we're not opposed to that. One of the things that I alluded to in my testimony with the holiday comp and the comp time affecting balances, I will admit to you that I think there are officers that allow those banks to go beyond the caps of 120 and 240 to help pad their retirement. STAN's opinion on that, that that's an unacceptable practice. We do not encourage officers to do that and it becomes a supervisory issue. Supervisors know what the caps are on those banks. And if they allow individual officers to exceed those caps, it's unacceptable. I'm not opposed to those officers exceeding those caps and being able to cash out those balances because I think at certain times there are situations where that may occur. But I would say that those payouts need to be in a flat cash payout and not be factored into their retirement calculations. As far as the contribution levels go, again I think that's something that we need to wait and see how the current litigation goes. We have been open through our attorneys to keeping those lines of communication open and willing to discuss the terms of the litigation and try and settle that. And we continue that today. [LB467]

SENATOR MELLO: Well, you mentioned the leave balances issue. And I have a...I think we can a respectful disagreement in regards to the issue of spiking. I don't know in looking at the data that we've been presented, and I know that you've been presented, the associations have been presented that as well, from NPERs in regards to the number of employees with the State Patrol who are retiring, who are retiring at a significant higher salary change in their final year of retirement. For all practical purposes, that's called spiking whether we like it or not because otherwise their salary would not have changed that dramatically in one year. And just in the most recent figures I have in front of me from 2015, out of the 12 retirements we had 8 out of the 12 had retired with over an 8 percent increase in their final year's salary; 6 of the 12 retired with over a 10 percent increase to their salary their final year; and 4 of the 12 retired with over an 18 percent increase of their salary. So I think to some extent that more than anything else, this committee has been very vigilant in the eight years I've been on the committee to try to close down what we would consider to be benefit loopholes when it comes to the ability to increase that final year's salary based on payouts or leave payouts or comp time payouts or vacation payouts. And I think to some extent, while you're right, it does have an administrative nature in regards to ensuring officers don't go over that cap, right now just in this most recent year, we're seeing that still happening and we're seeing that happening with officers, not administrators. In front of me I have two individuals who had their salary change by 2.25 percent which indicates to some extent they're administrators or management which is why they're at the lower end of that final year increase in comparison to front line officers who are seeing the highest, in the most recent year it was 29.45 percent of an increase of their final year salary. I'm not...I don't want to belabor the point, but the reality is that obviously I think is unacceptable in regards to what our understanding of the defined benefit plan intent was, was not to see someone increase their final year salary by 30 percent of the salary which then the state picks up the cost for perpetuity. Based on that three-year average, that jumps pretty dramatically. With that being said,

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

I guess the one question I've got moving forward is the issue that has been raised and this concern from the association about the impact this would have on recruitment of new officers. Explain to me in a sense of Omaha and Lincoln being to some extent some of the main competitors of the State Patrol, who's also recently both gone through pension reform in regard to their defined benefit plans and have seen new tiers created for officers that have higher contribution rates with lower...with reduced benefits for these new officers. How is this...how to some extent what we're doing with Senator Kolterman's amendment different at all than what we're seeing with other local law enforcement agencies with defined benefit plans to address their funding shortfall? [LB467]

KURT FRAZEY: That's an excellent question. I think the primary difference between the Nebraska State Patrol and Omaha Police Department or Lincoln Police Department that is a major hurdle for us in recruiting is when we recruit our officers, they do not know where they're going to be stationed in the state of Nebraska. They could be in Chadron or they could be in Omaha, Nebraska. And for a lot of people, that is a huge hurdle. And one way that we get around that is by offering a better benefit package. Our pay is lower, but our benefit package is what I would consider better than Lincoln Police Department and Omaha Police Department. And so that is one of the tools that we use when we go out and recruit to try and overcome that trepidation about not knowing where they're going to be stationed in the state. They have to move their family. They have to put their kids in different school systems and that can be very traumatic. So we try and really stress that we have a defined benefit plan. It's been in place for a long time. It's secure. It's well funded. And that is an irreplaceable recruiting tool for us. [LB467]

SENATOR MELLO: I'll let some other people ask some questions. Thank you, Mr. Frazey. Appreciate it. [LB467]

KURT FRAZEY: Very good. [LB467]

SENATOR DAVIS: Other questions? Senator Kolowski. [LB467]

SENATOR KOLOWSKI: Thank you very much, sir. On the placement of troopers around the state, how often are they moved from those locations? Do you have a cycle in mind of X number of years? And I'm saying this having a brother, a younger brother who is a State Trooper in Illinois. And in that state I know they spend the first 12-24 months up in the Chicagoland area, a high-pressure zone and all those kind of things that go with it. And then they find themselves spread out around the state after they sort of earned their spurs in that environment. [LB467]

KURT FRAZEY: Sure. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

SENATOR KOLOWSKI: What about Nebraska, what do they do there? [LB467]

KURT FRAZEY: The State Patrol doesn't have a mandatory transfer policy. The only policy that we have is you have to remain in your initial duty station after you come out of the training academy for two years before you are eligible to transfer to another duty station. And those transfers are based upon when vacancies arise due to retirements or people moving to a different division. But we don't have a practice of requiring our personnel to remain in Omaha or Lincoln for any set amount of time. The duty stations are determined at probably about the four-month mark of when troopers are in the academy and that's based on vacancies in the state and where the manpower is needed. Does that answer you question, Senator? [LB467]

SENATOR KOLOWSKI: Is there a bidding process that troopers use then as a spot comes open in the state, or spots come open? [LB467]

KURT FRAZEY: It is based on seniority, yes. [LB467]

SENATOR KOLOWSKI: Seniority and longevity. [LB467]

KURT FRAZEY: Yes, sir. [LB467]

SENATOR KOLOWSKI: Okay. Thank you very much. [LB467]

SENATOR DAVIS: Senator Groene. [LB467]

SENATOR GROENE: When you have an opening, you have plenty of applicants, don't you, because I know of a lot of young men who aspire to be State Patrolmen. [LB467]

KURT FRAZEY: I would like to say yes. I do believe there are a lot of people who aspire... [LB467]

SENATOR GROENE: Young people...(inaudible). [LB467]

KURT FRAZEY: For an example, Senator, we're currently finishing up a hiring process right now. I believe our academy starts February 22. That's a six-month hiring process. We were hoping to have 30 people start the academy in February. If I'm not mistaken, the initial number of applicants that we received was 303. We are now down to 26 and we have not completed the process and camp has not started. We hope that we won't lose any further people during the

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

process. But I can tell you that typically we lose, from the time the academy starts until the time a trooper is off probation which is approximately one year total, we lose about 10 percent of our people. [LB467]

SENATOR GROENE: But from 303, you culled it down to 30. [LB467]

KURT FRAZEY: Correct. [LB467]

SENATOR GROENE: And then you invited them to training. [LB467]

KURT FRAZEY: Correct. [LB467]

SENATOR GROENE: After that you cull some more because they just don't realize what they got into or what...however you want to say it. [LB467]

KURT FRAZEY: Well, that 10 percent would be from the time that people start the academy until the six months at the academy. And then six months after that, they're with a field training officer for their initial probation. And during that 12-month period, we typically lose around 10 percent. [LB467]

SENATOR GROENE: Then why don't you bring 33 in then to the academy? [LB467]

KURT FRAZEY: Well, that's another great question. If we had the qualified applicants that could meet our qualification process we would. Like I said, we had hoped to start the academy this year with 30. [LB467]

SENATOR GROENE: All right. [LB467]

KURT FRAZEY: And we're already at 26 and we have not started. [LB467]

SENATOR GROENE: So 270 didn't even meet the qualifications. [LB467]

KURT FRAZEY: And just...correct. And for comparison purposes... [LB467]

SENATOR GROENE: And another question, on your...you said you needed...you should have 500-how many to be at full force? [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: I believe 570 is what our manpower is projected... [LB467]

SENATOR GROENE: And you're at what? [LB467]

KURT FRAZEY: ...at 2017. [LB467]

SENATOR GROENE: No, what do you have now, four hundred and...? [LB467]

KURT FRAZEY: Four hundred eighty-three is what we're authorized and I believe we're short about 30, 35 people. [LB467]

SENATOR GROENE: Because you're short, do you deny vacation time? Do you deny sick leave? Is that an excuse for banking all these extra days, that they aren't allowed to use them because you're understaffed? Or if they want to use them and go on vacation, they can go on vacation. [LB467]

KURT FRAZEY: There are instances where vacation is denied for the particular time that the officer requests it. But the agency does do I think a good job of making sure that the officers are allowed to take vacation time at some point. [LB467]

SENATOR GROENE: So there's no excuse for banking them because they weren't allowed to use them, the sick days or the vacation days. [LB467]

KURT FRAZEY: Are we talking in excess of the 280 hours? [LB467]

SENATOR GROENE: Of the days, Yeah. Yeah. [LB467]

KURT FRAZEY: The 280 hours is enforced on an annual basis. If you have more than the cap which is agreed upon with the Legislature at 280 hours, you have to use it by the end of the year or you lose it. [LB467]

SENATOR GROENE: All right. [LB467]

KURT FRAZEY: So the vacation banks are not allowed to continually accrue time beyond 280 hours. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

SENATOR GROENE: So when they retire, they should only have 280 hours that last year that they could cash in. [LB467]

KURT FRAZEY: That is correct, Senator. [LB467]

SENATOR GROENE: And that hasn't always been the case, is that what we heard? [LB467]

KURT FRAZEY: I would say that that is not always the case, yes. [LB467]

SENATOR GROENE: All right, thanks. [LB467]

KURT FRAZEY: And again, I think that's a comes back to the supervisory issue. [LB467]

SENATOR GROENE: And you agreed that wasn't right. I understand. [LB467]

KURT FRAZEY: Yes, I do agree with that. [LB467]

SENATOR GROENE: Thank you. [LB467]

SENATOR DAVIS: Senator Mello. [LB467]

SENATOR MELLO: Thank you, Chairman Davis. Mr. Frazey, I just want to make sure that it's very clear because this is on the record. The proposals that STAN is opposing both in regards to not eliminating spiking when it comes to comp time and holiday comp time and the change in regards to the three- to five-year average, that is only for new employees. And I'm still trying to wrestle my hands around the fact that there's an argument to be made that we should allow new employees that are being hired to continue to spike their pension their final year of employment and not try to have a five-year window to help ease out that, so to speak, final year three-year salary. What suggestions do you have then to deal with those two issues? [LB467]

KURT FRAZEY: Well... [LB467]

SENATOR MELLO: I know the DROP you mention it, and I'll get to the contribution limit. But those two items more so than anything else seem to be almost a universal concern of policymakers, not just in this committee, but across the country in regards to eliminating the practice of spiking. But then also the three- to five-year scenario seems to be almost a standard practice with every pension plan right now in the country of trying to elongate those three final

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

years which everyone knows is your most highest income years earning so to speak in public service. Explain to me what other options do we have to deal with those two issues then. [LB467]

KURT FRAZEY: Well, in regards to the term spiking, I'm looking at the statistics that was provided in our last meeting and I will concur with you that 2015 does look abnormal in comparison to the other years. But in actuality, when you look at the other years, if we go back the last ten years, actually 2014 was significantly lower than 2013. The number did increase in 2015, but I want to stress that I don't think we should call it a crisis because we had one year that appeared to be higher than previous 11 years. And even in 2011 when the last of the Halpin employees retired, that was significantly lower as well. [LB467]

SENATOR MELLO: Maybe I'm...Mr. Frazey, I want to make sure I clarify, I'm looking at the 2014 retirements and 10 out of the 19 retirements were over 8 percent. [LB467]

KURT FRAZEY: I don't have the individuals and we've requested that information for our administration and they will only give us for rank and file. We have not been able to get it for our administrative staff. But the statistics that were supplied by yourself and Ms. Allen and Senator Kolterman at our last meeting, I'm looking at the comparison of average monthly benefit data in dollars. And this was reviewed on December 29 of 2015. And 2014 is peaked at \$4,100 versus 2015 it jumped to between \$5,400 and \$5,500. So that's a one-year spike in 2015, but compared to the previous years that pattern does not hold true. [LB467]

SENATOR MELLO: It may be worthwhile, we can hopefully share some of this specific individual data because the 2014 numbers on an individual basis of the, as I said, 19 retirements; 10 out of the 19 were over 8 percent; 8 out of the 19 were over 10 percent, actually were over 13 percent; you look at the 2013 numbers, 11 out of the 24 were over 8 percent...actually 12 out of the 24 were over 8 percent; and 11 out the 24 were over 10 percent. So I mean I'm looking at numbers right now from the last three years and we're seeing more than half of the people retiring spiking their pension in the sense of over what we would say is that 8 percent number. [LB467]

KURT FRAZEY: Okay. [LB467]

SENATOR MELLO: And I'm...we've got data that goes back to...you know, goes back years obviously from the last 10 years it looks like. And it appears to some extent the numbers are fairly consistent, which is why we saw that \$12 million liability the state has in regards to this comp time and this holiday comp time issue. So I mean, to some extent, I have a tough time I guess...I have nothing but respect for the Patrol, nothing but respect for STAN in regards to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

talking with Senator Kolterman, Senator Davis, myself, and others in regards to trying to look forward to LB467. But I have a tough time buying the argument that looking at these numbers, officers aren't cashing out a considerable amount of their comp time that's increased their last year's salary by more than 8 percent. I mean the numbers, individual numbers really I think are more concerning than the aggregate numbers that we got before that we shared with you and the association. So... [LB467]

KURT FRAZEY: And I would definitely welcome to see those individual numbers, Senator. I'm going off of the aggregate numbers that were provided to us. My suggestion would be rather than automatically change the system that we have now from a three year to a five year is allow us to do some self-policing, if you will, and ensure that those caps of 120, 240, and 280 are enforced. And at that time if the agency isn't responsible enough to police themselves and enforce those caps that we've agreed on with the Legislature, then I don't think STAN would be opposed to returning to the subject and going to a five-year plan. But as it stands now, I would like to see us have the opportunity to talk to the membership, make sure they understand the ramifications of what's happening, talk to supervisors to make sure they understand the ramifications of what's happening and that they have to strictly enforce those caps because I can tell you that the majority of the membership does not agree with that philosophy. [LB467]

SENATOR MELLO: Well, it's...we'll make sure we get this information to, no doubt, to yourself and STAN and your representatives. I mean, to some extent, Mr. Frazey, looking at some of the data, I mean there's years...this goes back, I'm looking at 2011, just the years I've been in the Legislature there's an individual who had a 49 percent increase in their final year of their salary and that...I mean it really kind of begs the question how because we've had these conversations of where did this \$12 million liability come from when it came to the comp time issue. And it just...it's a bit concerning that there's not a bit more urgency, I should say, in regards to it's not purely an administrative issue. This has been going on it looks like for years in respects to such a wildly large amount of the population who's retiring with over 8 percent. And that directly just impacts the plan. I mean more than anything else it lowers, obviously we know, the funded percentage of the plan. [LB467]

KURT FRAZEY: I think at the root of it, Senator, would be a suggestion: If people are not being policed and they're allowed to accrue more in those comp balances than what they should, if they're allowed to cash those out and receive just a flat cash payment but those overages are not used in their retirement calculations and we stick to the normal caps of 120, 240, I think that in and of itself would help alleviate some of the issue. And I would rather start in a position such as that rather than automatically going to five-year flattening. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

SENATOR MELLO: The last question I have was regarding the contribution rate and you saying during the testimony it's too high, we'd ask for a lower rate. What's the lower rate? I mean that's...the question is, to some extent, what is the Patrol--and I asked you this with the first question--what is the Patrol willing to do to help fund and keep your defined benefit plan instead of seeing it being merged into a cash balance plan or defined contribution plan because so far you've simply ask the state to put more money into the plan by saying higher contributions, but the Patrol doesn't want to put higher contributions. There's no real benefit reduction, so to speak, in regards to...specific benefit reductions I should say in regards to the three- to five-year change and/or a disagreement on, so to speak, the spiking retirement benefits issue. What's that contribution rate? What's your guys' ideal contribution rate then in regards to ensuring that we're putting new money into the plan both from an officer's perspective and from the state's perspective? [LB467]

KURT FRAZEY: Sure. When I was hired in 1996, my contribution rate was 9 percent. Prior to the lawsuit being filed, it was 19 percent. So there was a 10 percent increase in 19 years. I think we would agree based on some of the language that's in the current litigation that state statute is clear that if there is an increase in my contractually based contribution rate, my benefits have to increase as well. So if I'm going to go from 9 percent to 19 percent in 19 years, then my defined benefit needs to increase in conjunction with that and that never occurred. If the Legislature is willing to figure out how they want to increase the benefits of the defined benefit plan in conjunction with raising our rates, I would open to that discussion. But I haven't heard anything from the committee on what that benefit increase would be. We're sitting here talking about decreases in benefits and increases in contributions and that's just contrary to, I think, what the intent of the law is. [LB467]

SENATOR MELLO: Okay. Thank you. [LB467]

SENATOR DAVIS: Did you have a question? [LB467]

SENATOR KOLOWSKI: Yes. Thank you,... [LB467]

SENATOR DAVIS: Senator Kolowski. [LB467]

SENATOR KOLOWSKI: ...Mr. Chairman. Mr. Frazey, what percent of...well, let me ask the first question. The history the Patrol not being involved in Social Security, what...was it at one time and then it got out of it, then went to this plan? Do you know what the dates and why that happened? [LB467]

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Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: I don't, Senator. To my knowledge and since I've been employed since 1996, we have never contributed to it. I would have to say that that would be sometime I'd need to research. I don't know exactly if we did at one time and that changed. I'm not aware that we ever did. [LB467]

SENATOR KOLOWSKI: Okay. So it might have been a decision right from the git-go? [LB467]

KURT FRAZEY: It may have been, yes, sir. [LB467]

SENATOR KOLOWSKI: What percent of your personnel have had military experience, do you know that? [LB467]

KURT FRAZEY: I do not know that, sir. [LB467]

SENATOR KOLOWSKI: And what percent of your personnel are continuing in military careers: Reserve, Guard, or any other capacity at the current time? [LB467]

KURT FRAZEY: I don't know the exact numbers, but if I had to take an educated guess, I would probably put it in the 10-15 percentile. [LB467]

SENATOR KOLOWSKI: Thank you. [LB467]

SENATOR DAVIS: Senator Mello. [LB467]

SENATOR MELLO: Mr. Frazey, just as a clarification to your last...the last question I ask you, once again, this only applies to new recruits or new members to the plan. So I want to reiterate in the sense that everything you just discussed prior to in regards to any current litigation regarding yourself or anyone else, this has nothing to do with that in the sense that this is only affecting new hires to the Patrol and, i.e., the new members to the Patrol defined benefit plan. So I want to give you the opportunity if you want to clarify what you just said in the sense that there is no, with new members, since there is not a new contractual obligation with them the same way that there is with existing members, there is not that same, quote unquote, argument that can be made of increasing contribution rates have to also increase benefits because they do not have a contractual agreement right now with NPERS or with the state. I'm going to give you an opportunity to clarify that and/or agree with what I just said to help make it...just to clarify it for the records purpose more than anything else. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: Very good. I agree and I am aware that the amendment only applies to new hires after July of 2016. And I think that's one of the reasons why my testimony has some strength today because I can sit here very objectively and argue against AM1865 because I don't benefit from it at all. I am simply here today to testify on behalf of the future generations of the Nebraska State Patrol. And I think that having a higher contribution rate such as 17 percent is detrimental to us being able to recruit and retain quality people. We've already proven we're having a hard time recruiting quality people. And I think if we have a higher contribution rate, it's going to have an adverse effect on that which has a trickle-down effect to the state of Nebraska. And at the end of the day, neither one of us want that. [LB467]

SENATOR MELLO: You're correct. I would absolutely agree. But I would also ask you the question in regards to if the concern is really coming from the association about recruitment and retention, where has the issue of recruitment and retention when it comes to salaries and other benefits fallen in line in regards to your ongoing discussions and negotiations with the executive branch who, that branch actually sets and signs your collective bargaining agreement that deals with new wages and/or higher levels of wages for new recruits and/or higher wages to retain existing State Troopers and/or evaluating other benefit packages? Where has that fallen in regards to outside of simply the issue of a defined benefit pension plan? [LB467]

KURT FRAZEY: I am not member of our collective bargaining unit...team. What I can tell you is that our collective bargaining with the previous administration was very difficult. I have high hopes for the current administration and that we will be able to collectively bargain for a better benefit package that will help with recruiting and retention. But that is yet to be seen. But I am hopeful with the new administration that we can achieve that. We are open to discussing a pay package outside of collective bargaining. We have the ability to do that with mutual agreement of both parties in writing. And I can sit here today and tell you that I speak for the entire STAN membership that we are definitely willing to come to the table and discuss those pay packages outside of collective bargaining if the committee so chooses to do so. [LB467]

SENATOR MELLO: Okay. Thank you. [LB467]

SENATOR DAVIS: Senator Lindstrom. [LB467]

SENATOR LINDSTROM: Thank you, Senator. What's the average age for a recruit? [LB467]

KURT FRAZEY: For a recruit? I believe it's 28. [LB467]

SENATOR LINDSTROM: Twenty-eight is the average? [LB467]

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Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: Yes, sir. [LB467]

SENATOR LINDSTROM: Okay. Thank you. [LB467]

SENATOR DAVIS: Senator Kolowski. [LB467]

SENATOR KOLOWSKI: Sir, how many have come in with prior law enforcement experience within your recruit classes? [LB467]

KURT FRAZEY: I don't have a specific number, Senator, but I would feel very confident in saying that it's a low, single number, single-percentage number. We don't...in 2010, we had a transfer camp. It was the only time that we've ever done it and it was for previously certified law enforcement officers to come to the State Patrol. We ran an abbreviated academy class that was only ten weeks long. Mixed success with that. If that answers your question. [LB467]

SENATOR KOLOWSKI: Yes, and I understand what you're saying with those camps and culture and all the things you're trying to get established. Thank you. [LB467]

KURT FRAZEY: Yeah. [LB467]

SENATOR DAVIS: Senator Groene. [LB467]

SENATOR GROENE: What is the beginning pay for an officer? [LB467]

KURT FRAZEY: The beginning pay? [LB467]

SENATOR GROENE: Yeah. [LB467]

KURT FRAZEY: I believe it's approximately \$43,000. [LB467]

SENATOR GROENE: And what is the average retirement age? [LB467]

KURT FRAZEY: We can retire after 25 years of service and age 50. You can retire after 25 years of service prior to age 50, but you're penalized five-ninths of a percent for each month that you leave prior to the age of 50. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

SENATOR GROENE: All right. Well, I'm looking at the final pay of these retirees: \$92,000, \$97,000, \$74,000, \$87,000, \$91,000, \$92,000, \$81,000, \$56,000, \$89,000, \$76,000, \$69,000, \$72,000. In the last year it was \$76,000, \$81,000, \$100,000, \$83,000, \$109,000, \$103,000, \$87,000, \$82,000, \$86,000, \$101,000, \$113,000. That's not bad pay. [LB467]

KURT FRAZEY: No, I would agree with you, sir. [LB467]

SENATOR GROENE: So it isn't at the end of your career the pay. And it isn't because we don't...it's the oldest thing with labor and management. Either we fund more money and it goes to the guys that are there or we hire new people. So that's part of the reason we don't have the full force, too, right? [LB467]

KURT FRAZEY: Correct. We're having a hard time...we're retiring people faster than we can hire them. And I think that contributes to a little bit of the dilemma with the retirement plan as well. We have people that are drawing on the system but we don't have people contributing to the system. We're not hiring as many people as we did 15, 20 years ago. [LB467]

SENATOR GROENE: That's because what we appropriate for the State Patrol is being used for existing officers and we don't have the money to hire? [LB467]

KURT FRAZEY: That would be a question for the Appropriations Committee and the Governor's Office. Unfortunately, I don't have that information, sir. [LB467]

SENATOR GROENE: All right, thank you. [LB467]

SENATOR DAVIS: Mr. Frazey, a couple questions. First of all, is there any rhyme or reason to the listing here? I mean is this from top to bottom in terms of importance to you? [LB467]

KURT FRAZEY: No, sir. [LB467]

SENATOR DAVIS: So, random. And so I want to talk about the DROP program a little bit because obviously this is for new hires, what we're doing here today. You're still speaking for the DROP program. I'm curious as to why you think that's such an important device. [LB467]

KURT FRAZEY: A couple of points. I have not seen any data yet that shows that the DROP program is not cost neutral. I know the Legislature did a study when it was introduced in 2008 and at that time it was thought to be a cost neutral program. If there are other studies that have

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

been done since that show that it is not cost neutral, I haven't had the opportunity to see those. So if it's not cost neutral I could see us talking about making changes to it or eliminating it. But if it is cost neutral I think it would be premature to eliminate it. And I think before we went to the step of completely eliminating it, it would probably be beneficial to look at altering it in some regard. In discussions that we've had internally have been to allow members that go into DROP to continue to contribute into their retirement but at a diminished rate. For example, if they're currently contributing at 16 percent, they enter the DROP program. They would still contribute at say 50 percent, at 8 percent, 50 percent of their original rate to help fund the retirement system. And just in a grass-roots poll of the membership, I think that would be something that would be acceptable the them. But again, the DROP program allows us to keep a lot of experience at the Patrol, a lot of historical knowledge. It's a good recruiting tool and I just hate to see it completely eliminated. [LB467]

SENATOR DAVIS: When I talked to some of your younger officers, and not even what one would say a starting officer, people who have been there for a while, I don't really get from them that there's a lot of support for that program. That's why I'm asking you questions about it. You know, some of the younger guys feel it's an inhibitor to them moving up because other people stay around because it's a significant benefit when you can take that retirement piece and plunk it in. You have a significant kickup in salary that last five years. [LB467]

KURT FRAZEY: Absolutely. And I would suggest that what is important to a younger trooper is probably not the same as someone that is getting ready to retire. We have a little bit different outlook on life. [LB467]

SENATOR DAVIS: We know how that works in every profession. And I think it's important to say on the record and I think you understand this, but retirement systems are not designed to plow money into a person who hasn't really put the resources into it. So I call them a pay-as-you-go plan. So when we have these issue of spiking and not enough resources have ever been put aside for that individual to self-fund on through his retirement years. That's why spiking becomes an issue to a committee like this because suddenly the state is going to have to funnel some money in to take care of these problems that needed to have been addressed. And we have done that with a lot of the other plan. And I think part of what we're trying to do here is harmonize the plans as much as we possibly can, you know the three defined benefit plans that we have. And this is probably more of a statement than anything else. But you know, when you started it was at 9 percent. Now it's at 19 percent and I understand a little bit of the heartburn that you have there. The other alternative is to see a defined benefit plan go away completely and I don't think that's what you want any more than what this committee is looking at. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: I agree, sir, and that's one of the main reasons that I'm here. I don't want to see the defined benefit program go away and, quite frankly, I don't think the committee does either. It's obviously beneficial for everyone involved. But once we start chipping at different aspects of the defined benefit program, it makes it more and more easy each time to go back to the table and take more away. And so that's why we're so protective of what we have right now. We want to maintain it. [LB467]

SENATOR DAVIS: Well, and from our perspective, every time we have to have an injection of taxpayer dollars into a defined benefit plan because it's not properly funded, it gives a lot more impetus to the argument of let's just do away with these and go to a defined contribution plan. So we're walking a delicate road here. [LB467]

KURT FRAZEY: Absolutely, but I think the numbers right now, that we're 85 percent to 87 percent funded is pretty promising. I don't think we currently have a crisis. And I understand that we have to project out three, five, ten years. But currently, I don't think we have a crisis and I think some of the things that I spoke about with Senator Mello as far as ensuring that our caps are maintained and that we do everything internally that we have to or even change some of the language pertaining to how those cash balances are used to calculate retirement benefits I think is the first step versus some of the more severe strategies that are outlined in AM1865. [LB467]

SENATOR DAVIS: Thank you. A couple other questions. When you talked about the supervisory administrative work not being done properly with regard to the hours of holiday time, comp time, whose employees are those? [LB467]

KURT FRAZEY: Whose employees? [LB467]

SENATOR DAVIS: Are those people employed in the department? [LB467]

KURT FRAZEY: Yes, they are, sir. [LB467]

SENATOR DAVIS: So if they know what the rules are, why are they not following them? [LB467]

KURT FRAZEY: It's an excellent question, Senator, and I don't have an answer for you. [LB467]

SENATOR DAVIS: Maybe you could ask that question. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: I definitely will. [LB467]

SENATOR DAVIS: Thank you. Senator Groene. [LB467]

SENATOR GROENE: Thank you, Vice Chairman. You keep saying it's at 85 percent. It's at 85 percent because last year we had to ARC it \$600,000, \$700,000. Senator Mello thought it was \$2 million or \$3 million the year before. That's added cost to the taxpayer of a fund that's supposed to be self-funded. So the spiking is affecting it. We've had to add money to the retirement plan from the General Fund budget the last two years and we've done it in the past. So to say it's eighty...it's fine, it isn't fine. The actuaries keep coming back to us and say we need to add more money to it besides your contributions and the state's as your employer. That's the problem. I think that's...you know, it's fine if it was 85 percent and it's going along fine. But that isn't...the situation is we are adding extra money and that's what concerns the Legislature. So I mean, you do know that, we've added extra money? [LB467]

KURT FRAZEY: Yes, Senator, I do. [LB467]

SENATOR GROENE: All right. Thank you. [LB467]

SENATOR DAVIS: Senator. [LB467]

SENATOR KOLOWSKI: One last one if I may. Thank you very much, sir. Mr. Frazey, when you're at peak times, different events in the state, State Fair, something of that nature, I'm thinking from educational standpoint, are there substitute teachers like I would do in education? Do you ever go to substitute Patrolmen that are retired to bring them on into a high-volume situation to get past something, or you never touch them once they retire? [LB467]

KURT FRAZEY: I'm not aware of that practice if it's ever been done, Senator. I think once they're retired, they're outside of the agency. And for various reasons, they don't use them. [LB467]

SENATOR KOLOWSKI: I was just wondering from that perspective. [LB467]

KURT FRAZEY: Yeah, not a bad idea. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

SENATOR KOLOWSKI: No, with your numbers down, if you had a crisis what would you do if you needed additional help because you'd be pulling it from other parts of the state that you're already undermanned in as you do that. [LB467]

KURT FRAZEY: And that's typically what we do. To use your example, the State Fair, we take volunteers from across the state that go into Grand Island at that time of the year to help add additional personnel to the Grand Island area. But as you said, that then puts those other areas of the state at a weakness and a draw. [LB467]

SENATOR KOLOWSKI: And last question, what percent women, what percent men within the entire unit? [LB467]

KURT FRAZEY: I believe we're at about 3 percent female. [LB467]

SENATOR KOLOWSKI: Three (percent), yes, sir. Thank you. [LB467]

SENATOR DAVIS: Any other questions? Senator Lindstrom. [LB467]

SENATOR LINDSTROM: Kind of just a random one, if I were to apply to the State Patrol and the Omaha Police Department, which one is harder to get into? [LB467]

KURT FRAZEY: I think that's a little bit of a subjective question. (Laughter) [LB467]

SENATOR LINDSTROM: I understand. [LB467]

KURT FRAZEY: And I don't want to be on the record as... [LB467]

SENATOR LINDSTROM: You don't want to...(inaudible)...Omaha Police Department. I guess my question is when it comes to recruiting and how this inhibits recruiting, I think to myself, a few years ago, 28 years old, am I thinking about contribution levels and things of that nature? I'm not so sure that individuals at that age are necessarily thinking about that. That's why I say if you're...if I'm wanting to go into law enforcement and I'm looking at either the State Patrol or say Omaha PD, does that actually play into the recruiting process in an individual's mind that wants to serve? So I'm not...it's hard for me to see the recruiting argument I guess is where I'm at on that particular issue. [LB467]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

KURT FRAZEY: I understand. We do...the initial portion of our hiring process includes a benefits briefing, if you will. [LB467]

SENATOR LINDSTROM: Okay. [LB467]

KURT FRAZEY: And while I did make the statement earlier that I think the younger generation doesn't necessarily think about retirement benefits and retirement contributions, I think it becomes important and people do put a lot of weight with it when they understand that they're hiring on to a job that, number one, they don't know where they're going to end up; number two, they have to go to a six-month paramilitary academy versus a shorter, nonparamilitary academy with LPD or OPD. It's a six-month long academy. There's a lot of benefits that in talking with younger people, they may not initially think about it. But after we've had our benefits briefing and we talk to them extensively and we try and do that because we don't want people to leave after three years, five years, ten years. And I think if you look at the longevity of people with the State Patrol, the average length of service is over 25 years. We hire somebody, we want to keep them. And I don't think a lot of other agencies can say that. [LB467]

SENATOR LINDSTROM: Thank you. [LB467]

SENATOR DAVIS: Any other questions? Thank you, Mr. Frazey. [LB467]

KURT FRAZEY: Thank you very much, committee. Appreciate your time. [LB467]

SENATOR DAVIS: Next proponent...opponent, I'm sorry. Next opponent. Seeing none, is there any neutral testimony? Welcome. [LB467]

ORRON HILL: (Exhibit 2) Thank you. Good afternoon, Chairman Kolterman, Vice Chairman Davis, and Retirement Systems Committee members. My name is Orron Hill, spelled O-r-r-o-n H-i-l-l. I'm the legal counsel for the Public Employees Retirement Board and I'm here to testify neutrally on AM1865 to LB467. As you know the PERB is responsible for administering three defined benefit plans: the Patrol plan, the school plan, and the judges plan. In carrying out its fiduciary duty to administer the plans the PERB must ensure the plans are well-funded, sustainable, providing benefits in accordance with all the governing law, and providing retirement benefits consistent with the members' salary over the life of their career. Currently the Patrol plan has the lowest funding status of all the defined benefit plans. Yet, it offers the richest benefit. Unlike the school and judges plans, the Patrol plan offers, amongst other things, a unique statutory death benefit that passes to spouses and/or children under the age of 19; the ability to retire earlier than any other defined benefit plan; and the highest monthly income replacement

Nebraska Retirement Systems Committee
February 04, 2016

percentage, up to 75 percent, and this is of any of the defined benefit plans. This rich benefit is not without cost. Patrol plan members currently pay 16 percent of their compensation to the Patrol plan and the employer matches that amount. At first blush this may seem high when compared to the contributions in the school plan at 9.78 percent and in the Tier 2 judges plan which is at 10 percent. However, the school and judges plan members also contribute to Social Security at a rate of approximately 7.5 percent of compensation. Thus, in total school plan members contribute about 17.28 percent of compensation, and Tier 2 judge plan members contribute about 17.5 percent of compensation. The Patrol plan member and employer contributions are currently insufficient to cover the actuarial costs of the Patrol plan. The July 1, 2015, actuarial valuation shows that the total actuarial required contribution is 41.59 percent. The member and employer contributions only total 32 percent. This leaves a deficit of 9.59 percent. This deficit requires an additional required state contribution from General Funds, AKA taxpayer dollars. The July 1, 2015, additional required state contribution was over \$2.7 million dollars. The previous year it was around \$2 million and there was a supplemental appropriation for military service credit of about \$600,000, a little bit less than that. The additional required state contribution is projected to continue if benefit changes are not made. And this is key because if the Legislature does not make these additional required contributions, the plan's funding status will drop. The state has been evaluating the sustainability of all the defined benefit plans. In response, as has been stated, amendments to the school plan occurred in 2013 and to the judges plan in 2015. The changes in both plans reduced benefits and/or increased contributions for new members. The changes increased the funding status and sustainability of those plans. The Patrol plan is the last defined benefit plan to be addressed in the effort to make the plans consistent and sustainable. NPERS provided the Retirement Systems Committee information regarding military service credit and the salary increase patterns as part of their efforts in evaluating the Patrol plan's funding status and sustainability. For example, Patrol plan members covered under the current labor contract between the state of Nebraska and The State Law Enforcement Bargaining Council, what I'll refer to as the SLEBC Labor Contract, are allowed to carry over 120 hours of compensatory time and 240 hours of holiday compensatory time, or comp time, for a total of 360 hours of comp time. This is in addition to their 280 hours of normal vacation leave they are allowed to carry over. See pages 34 and 37 of the SLEBC Labor Contract, respectively. This equates to 9 weeks, or 2.25 months of pay. Page 81 of the SLEBC Labor Contract states, in relevant part, and I quote, "State Patrol employees hired after January 4, 1979 who are eligible for and elect to enter the Deferred Retirement Option Plan, DROP, shall be paid for all unused compensatory time at the time of entry into the Deferred Retirement Option Plan. Payment will be made at the employee's hourly rate in effect at the time of entry into the plan. This payment shall be made within the employee's next two regularly scheduled pay periods." The Patrol plan members use this practice to apply 14.25 months of compensation to their final 12 month period of service. This practice spikes their final average monthly salary. As final average monthly salary is a component of the formula for determining the members' retirement benefits, this practice directly leads to a spike in the members'

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

retirement benefits. This creates an unfunded liability for the Patrol plan, and has a negative impact on the Patrol plan's funding status and sustainability. This spiking is further aggravated by the fact that the comp time is sold at the members' current rate of pay, not the rate of pay at which the comp time was accrued. A review of the 198 Patrol plan retirement benefits which began payout since January 1, 2004, through roughly October 2015, showed that 173 retirees sold leave and/or comp time in their final year of service. Of those 198, only 15 retirees were rules covered, meaning not covered by the SLEBC Labor Contract, and did not sell any leave or comp time back. The average salary increase in the year of retirement for all was 16.76 percent. The highest salary increase in the year of retirement was 49.51 percent. The average benefit increase was \$178 per month, or \$2,136 per year, per plan member. If we assume that the 198 members who retired in the last ten years are representative of future retiree pools, the estimated impact on future benefit payments could be an increase in monthly benefit payments of \$35,285, an increase in yearly benefit payments of \$423,422, and an increase in the total benefit payments over 30 years of \$12,702,671, not including cost-of-living adjustments. AM1865 clarifies the current laws and addresses the Patrol plan's funding status and sustainability. It does so, as has already been stated, by increasing the contribution rate and employer match for members hired after July 1, 2016, new employees; increasing the number of years used to calculate new employees' final average monthly compensation; reducing new members' ability to spike their salary for retirement purposes by eliminating leave sell back options and implementing salary capping for retirement purposes; modifying the cost-of-living adjustment provisions; eliminating the deferred retirement option for new members; and clarifying how military service credit is to be awarded, how the costs are to be paid, and who is responsible for being paid. I would like to add one note in response to some prior opponent testimony. Prior opponent testimony said we are currently facing an issue where we have members drawing from the plan that are not contributing to the plan. The DROP as it is currently structured creates that situation. We have members who, for up to five years, are drawing benefits and are not contributing to the plan. If the DROP plan were not in effect, new employees would have been hired upon retirement and those employees would have been contributing to the plan. This is also for only new members and going forward. Current employees would not be impacted by this. The argument that the current litigation that has been discussed during the opponent testimony should be a factor is of minimal concern as there is no contract right for an employee who has not engaged in employment with the state of Nebraska. The PERB appreciates the value of any legislation that ensures the plan is well-funded, sustainable, and providing net benefits consistent with the members' salary over the life of their career, or that clarifies statutory language. We certainly appreciate the Retirement Systems Committee's active involvement in ensuring the defined benefit plans are well-funded and sustainable. This concludes my testimony. I would be happy to answer any questions. [LB467]

SENATOR DAVIS: Thank you, Orron. Any questions? Great testimony. Thank you. [LB467]

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Transcriber's Office

Nebraska Retirement Systems Committee
February 04, 2016

ORRON HILL: Thank you. [LB467]

SENATOR DAVIS: Anyone else testifying in the neutral capacity? If not, we'll close the hearing...I guess, Senator Kolterman, do you want to close? [LB467]

SENATOR KOLTERMAN: Yeah. I know we're in a hurry to go. I just want everybody to know how much I appreciate all of your hard work on this both from the perspective of those that even oppose it. We've got work to do, but let's...we'll address the concerns in Exec and move forward. Thank you. [LB467]

SENATOR DAVIS: Thank you, Senator Kolterman. I close the hearing. [LB467]