

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee March 14, 2025

BALLARD: Good afternoon. Welcome to Nebraska Retirement Systems Committee. My name is Beau Ballard. I represent District 21 in northwest Lincoln, northern Lancaster County. I serve as chair of this committee. We'll start off by doing self-introductions, starting on my left with Senator Sorrentino.

SORRENTINO: Tony Sorrentino, Legislative District 39: Waterloo and Gretna-- or, in Elkhorn. Where am I?

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

CONRAD: Hi. I'm Danielle Conrad, north Lincoln.

CLEMENTS: Rob Clements, District 2: Cass County, eastern Lancaster.

BALLARD: Jacob Janssen and Sam Johnson are our pages for this afternoon. This afternoon, we'll be hearing one bill: LB645. And we-- taking them on the order listed outside the room. On the table near the entrance, you will find green testifier sheets. If you're planning to testify today, please fill out and hand them to Connie when you come up. This will keep an accurate record of the hearing. Please note that if you wish to have your position listed on the committee statement for a particular bill, you must testify in a position during that bill hearing. If you do not wish to testify but would like your record-- your position on the bill, please fill out the yellow sheet near the entrance. Also, I would like to note that the Legislature's policy is that all letters for the record must be received via an online comment portal by the committee by 8:00 a.m. on the day of the hearing. Any handouts submitted by testifiers will also be included as part of the record as exhibits. We'd ask if you had any handouts that you please bring 12 copies and give them to the page. If you need additional copies, the page can help you make more. Testimony for each bill will begin with the introducer's opening statement. After the opening statement, we will hear from supporters of the bill, and then those fro-- in opposition, followed by those speaking in the neutral capacity. The introducer of the bill will then be given an opportunity to make a closing statement if they wish to do so. We ask that you begin your testimony by spelling your first and last name. Because this committee meets over the noon hour and members have hearings beginning at 1:30, we'll be using the three-minute light system today. When you begin your testimony, the light will turn green. The yellow light will mark your one-minute warning. And when the red light comes on, we'll ask you to finish up your final thoughts. I will remind everyone, including the senators, please turn off your cell pho-- or put your cell phones on vibrate. We'll begin with our only bill of the day:

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LB645. And I will move over. Senator Sorrentino. Good afternoon, Vice Chairman Sorrentino and members of the Nebraska Retirement Systems Committee. My name is Beau Ballard. For the record, that is B-e-a-u B-a-l-l-a-r-d. And I represent the 21st District in northwest Lincoln, northern Lancaster County. Today, I'm introducing LB645 at the request of the governor to begin a conversation on what to do about our state's-- our state's retirement plans once they reach fully funded. For a little context, in 2013, the state of Nebraska was at a crossroads regarding its retirement plan. The recession in 2007 to 2009 resulted in some of the worst stock market performances since the Great Depression. Retirement systems across the country saw massive losses as states were struggling to find ways to address-- to address an increased unfunded liability as a result of diminishing investment returns. Coming into the 2013-2014 budget cycle, the School Employees Retirement Plan was facing a shortfall over \$108 million, and the fund was unsustainable trajectory in both the short term and long term. To address the long-term financial solvency of the school plan and reduce the need for an actuarial required contributions to the system, in 2013, the Legislature passed LB553, which brought comprehensive reform to the system, largely with the support of the education community. While these changes contained in LB553 created a second tier to benefits for new hires, the most important provision of the bill were to increase the employee-- employer, employee, and state contributions to the plan. Notably, the employees' contributions were permanently set at 9.78%, eliminating the plan reduction of the employee contribution rate to 7.28%, which was scheduled to go in effect in 2017. Additionally, LB553 doubled the state's contribution from 1% to 2%. Fast forward 12 years and the changes in the Legislature made in partnership with the education community have been very successful. As of July 1, 2024, the School Employees Retirement Plan was 99.91% funded, and is on plan to track-- is planned to be over 100% funded by next year. In fact, as you will see from the actuarial 2004 evaluation report that I just handed out, when you consider employees' contribution, employers' contribution, and state contribution, we're currently overfunding the school plan by 6.61%. As introduced, LB645 would provide for a gradual reduction for the state contribution to the school's retirement fund contingent on the actuarial funded ratio of the fund. Prior to introducing LB645, my office, as well as the Governor's Office, had multiple conversations with the NS-- with the, with the Nebraska State Education Association about the bill and the possibility of importing-- incorporating gradual reduction in employee contributions as well. But-- like many of us, due to drafting deadlines, we were unable to get that attached in LB641. Therefore, AM248-- which was filed last month-- would replace the

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provisions in the green copy and the revised proposal with a gradual reduction of both the state contribution and employees' contribution to the plan, again contingent on actuarial funded ratio to the fund. Under the amendment, for each fiscal year beginning of July 1, 2025, the state's contribution will remain at 2% of compensation of all members of the retirement plan until the plan reaches 96% funded. If the funding ratio is greater than 96% but less than 100%, the state's contribution would drop to 0.7% of compensation of all, all members of the retirement system, which is the rate's contribution-- which was the rate the state contributed in 2009. If the funding ratio is greater than 100%, the state would not make contributions in that fiscal year. Similar, AM248 provides employees' contribution remain at the current rate of 9.78% until the plan reaches 96% funded. Beginning January 1, 2026, the funding ratio is greater than 96%, employees of the contribution would drop to 7.28%, which was the employee contribution in 2008, which was really-- originally scheduled the contribution rate to 2017 before the passage of LB553. The employer contribution rate would remain the same under AM248. Under current law, employers' contributions are set at 101% of employee contributions. So the employers' contribution rate is 9.88%. The amendment would decouple the employee and employee contributions rate, providing that the employers' rate would remain at 2-- at 9.88% regardless of whether the employee rate was reduced in the given year. Under both the green copy of the bill and the amendment, if the actuarial funding ratio decreases, then both the state and employee contribution would automatically increase according-- accordingly to the fiscal year. Discussions are ongoing with both the NSEA, the administrators, and the Governor's Office. But with that, I look forward to this conversation and any questions that you might have.

SORRENTINO: Thank you, Senator Ballard. Are there any questions of the senator? Yes--

CONRAD: Thank you--

SORRENTINO: --Senator Conrad.

CONRAD: --Vice Chair. Thank you, Senator Ballard. So I want to make sure to establish a timeline and then get some additional information on the record to perhaps get a better understanding about how we got to where we are today. So I went back and I had an opportunity to review the letter that you shared with colleagues in regards to your intention to become chair of the Retirement Committee and I had a chance to listen to your floor speech. You gave no indication that there would be any major changes to retirement programs if you assumed the

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chairmanship. Yet a few days later, you put forward one of the most dramatic changes to teacher retirement in decades. Please explain the discrepancy.

BALLARD: Yeah. This was something that's on behalf of the governor. The Governor's Office approached me and said, hey, we, we all know our financial situation. The plan is almost 100% funded. And would you be willing to carry this and start the conversation? And I think that's something that we should have as a committee, is a conversation about this. If a plan is 100% funded, should the state continue to contribute dollars to that fund? And so it was never-- I-- never mine. I did not come into this, this position seeking out this. But it's something that I thought was important for this Leg-- for this committee to have and the Legislature to have as well.

CONRAD: OK. And you mentioned that you had multiple conversations with those impacted through NSEA. How many conversations did you have?

BALLARD: That's a good-- I don't recall the exact number. I know the Governor's Office had conversations. I had conversations with the president of the NSEA and their legal counsel, general counsel. I would say between one or two conversations in that, between receiving word and dropping the bill. And then there's been multiple conversations after as well.

CONRAD: Well, I imagine there have been afterwards. So the substance of the initial conversations then, did you take into account any of that feedback prior to introducing LB645?

BALLARD: I, I, I did. So I took the original language from the Governor's Office. I thought about adding-- this was-- I'll step back. I understand-- I was approached by the Attorney General's Office after I took the chairmanship, and they said, we just got done with a major lawsuit. If you have any reduction in state contributions, please look to comparable benefit for employees as well. And so my, my initial thought was to-- I didn't know-- I wasn't sure of the percentage I wanted to reduce it to. And so I thought may-- maybe include a, an open percentage. But I was like, I don't want to do that just to, to add to confusion. So I submitted it as, as drafted and then was going to plan on having continual conversations with the NSEA.

CONRAD: Senator Ballard, I think that you're well-aware of the fact that the bill that you introduced caused a great deal of headache and heartache for, for thousands of educators across Nebraska, both retired and current. I know my interactions via email, phone, text, calls,

in-person visits have been time-consuming and heart-wrenching. And I guess your explanation at this point in time is that you wanted to balance the budget on the backs of teachers and there was a bill drafting error and that's why you brought forward the bill.

BALLARD: Not a bill drafting error. Just a-- it's-- you can notice that this is LB645. This isn't LB2 or LB1. This is, this is one-- this is a day ten bill. So I needed to get something introduced. I, I-- and I think there's a misconception. This is not-- you, you and I could probably disagree. I don't believe this is a raiding of any fund. This is-- we're not coming in as other communities across the country have done and clawing money out. That's not what we're doing in this bill or in the green copy as well. It is looking forward that if a plan is 100% funded, that we are not going to continue to put taxpayer dollars into these funds.

CONRAD: Senator, there's no doubt that the measure that you introduced does remove the state contribution that has been in place and as part of the long-standing, decades-old agreement. So the clawing back of the state contribution to teacher retirement is-- speaks for itself. If there was indeed some sort of time compression or drafting error, why didn't you issue a clear statement upon introduction about your true intentions?

BALLARD: This was-- I wanted to have the best amend-- my, my, my apprehension was to have multiple amendments dropped and have more confusion caused. So I was intentional with having good conversations with, with the stakeholders, with the teachers' union and say, we're going to drop one amendment that-- I don't want to say it satisfied. I don't want to speak for the teachers' union. I believe they're going to come up today. I don't wanna speak for the teachers' union, but I think they are hap-- are satisfied with the direction we are going. But I wanted to make sure that we had everything-- all our ducks in a row. You're right. I had thousands of emails from teachers, and I responded to, to almost every single one. And-- teachers from my district, I called personally, explained what we're doing. And when I explained what we're doing, they said, oh, that makes sense. That's not what we were communicated to. I don't know if you've had similar experiences. I-- maybe not. But that's most of the teachers that I talked to. I had people stop me in grocery stores, at the gym, and where-- they had concerns. And when I said, hey, this is not-- we are not raiding your fund. We are looking at how to-- a plan that we have done incredible job as past Legislatures. You were part of that community, part of that committee that, that implemented LB553. And we've done incredible jobs of funding it. And we-- and in-- there should have-- I'll back up. We

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have done a-- good steward of making sure this fund is fully funded. And so now we have to-- we are in a good position to take a look at, should we reallocate those dollars to other priorities of the state?

CONRAD: If you had it to do over again, would you proceed forward in such a haphazard and careless manner? Or would you have clearer communication and more stakeholder buy-in?

BALLARD: I disagree with your framing of haphazard and careless. I don't think I was careless in this provision. I think we're all under a ten-day kind-- time constraint. I would have-- I would have drafted it slightly different. I may have put that open-ended percentage decrease. But I was confident I had-- I was confident in my, my ability to bring stakeholders to the table and talk about a reduction for teachers. And I think that this is going to be a huge win for-- I mean, you've-- you knock on doors, you've been knocking on doors for a number of years and talking to teachers and say, hey, we need pay increases. This is a real-world take-home pay increase that we are-- that we could possibly give teachers. And so I think it-- continued conversations need to be have-- had, and I look forward to having those.

CONRAD: Mm-hmm. Senator, as you agreed to put it in this measure and assumed leadership of this committee, did you have any sort of awareness or research looking at past actions of this committee or past successful efforts that have emanated through the Retirement Systems Committee and through the floor of the Legislature about the length of time that it typically takes to navigate the complexities of making changes to our retirement system? You've seen this year successful measures moving forward that have literally been in discussion for years and years and years with countless stakeholders. They weren't sprung on stakeholders with no warning to make major changes. Why would you pursue this sort of strategy instead of an interim study?

BALLARD: That's a good question. I think bringing stakeholders to the table. And I think we are under some kind of time constraint. I think there's members on this committee that will agree that we have to find money, find funds, and this is-- we are allocating a large chunk of taxpayer dollars to this fund that's 100% funded. And I wanted to have the conversation in this committee in the spring, in March instead of in July or August.

CONRAD: Mm-hmm. So the main impetus was to balance the budget?

BALLARD: I wouldn't think of it as the main impetus. That was--

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CONRAD: You've mentioned it a couple times already today.

BALLARD: To balance-- I think that's important. I think we're con-- I mean, as you know serving on Appropriations, that's a constitutional duty that we have. And this is a tool in the toolbox to do that. But I am also looking at-- we can give a, again, a real-world take-home pay increase to teachers.

CONRAD: And Senator, just-- I can check for the record as well, but how many other cost-cutting measures or revenue-increasing measures did you introduce this year?

BALLARD: I'll have to go back and look. And I'll get back to you on that.

CONRAD: Your work has been primarily focused on raiding teacher retirement to balance the budget?

BALLARD: I don't, I don't think I-- I disagree with that. Raiding's the wrong word, Senator.

CONRAD: Mm-hmm. Well, that's definitely been the emotion that has been recounted to me from thousands of teachers over the past month or two since this was introduced. I mean, incredibly heart-wrenching stories.

BALLARD: Yeah. And I, and I've had conversations with numerous teachers as well, and I've explained that this is not my intention, to raid their fund. We-- and so I will continue to have those conversations. And since introducing this amendment, I've had-- teachers have thanked me for giving them an opportunity to reduce their contributions.

CONRAD: And just for the record, are teachers responsible for our bal-- for our budget deficit?

BALLARD: Are teachers responsible?

CONRAD: Mm-hmm.

BALLARD: I, I mean, we're not taking-- again, I, I--

CONRAD: What caused the budget deficit, Senator?

BALLARD: A, a number of things.

CONRAD: Such as?

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BALLARD: Tax cuts, spending. A whole, whole-- numerous amount of things. So-- and this is looking forward. This committee, this Legislature has to say, if a plan is 100% funded, Senator Conrad, should we continue to fund it? That is a conversation I think we should have.

CONRAD: And that would be a follow-up question, Senator. Is-- so your approach would be for only-- because I know a lot of teachers are very concerned about being singled out as compared to other retirement plans that we manage. Is the threshold for consideration in making major changes in your eyes the 100% threshold?

BALLARD: Yes, Senator. I think there's only one other plan that is at the 100%. I know that, that's where your question was going. And I'm willing-- we are willing to look at that if that's something you want to look at. The judges, I-- we can, we can have that conversation as well.

CONRAD: Right. That's what I'm trying to understand. If your threshold is percentage of funding and there's another plan that was similarly at a similar percentage for funding, why didn't you attack their retirement?

BALLARD: I'm willing to have that conversation. I, I-- this was--

CONRAD: But why didn't you? You don't have to be willing to have the conversation. This is the conversation.

BALLARD: I, I think it was the-- it was the-- learning this experience, learning this role, I think we have to-- that could be a conversation we could have next year. I-- it's-- the, the dollar amount is not quite the same as this one. And that 100% threshold is key to this, Senator Conrad.

CONRAD: Right. And it applies equally to other plans that you did not touch. Senator, I'm going to ask you very candidly because it-- this has been a part of the conversations that I've had with teachers, current and retired, in my district since this has been introduced. Did you and the Governor's Office bring forward this measure as retribution for teacher engagement and advocacy in regards to voucher schemes?

BALLARD: That was never under consideration.

CONRAD: If I were to file a public records request on conversations about the preparation for this measure, would there be any communications to suggest otherwise?

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BALLARD: None with my office.

CONRAD: Would you be willing to disclose all communications with your office about the introduction of this measure?

BALLARD: That-- I know we are--

CONRAD: Yes or no?

BALLARD: Disclose would just-- come out-- and have, and have-- you and I have a conversation of what--

CONRAD: No. Publish all text and emails about the communications related to this measure.

BALLARD: Senator, I have nothing to hide--

CONRAD: OK.

BALLARD: --in this, in this piece.

CONRAD: Will you post those online?

BALLARD: I don't know if I'll post my communicat-- private communications online with members of the Governor's Office like that. I would be willing to have a conversation with you.

CONRAD: The Governor's Office communications are already subject to public records requests. I'm asking about yours.

BALLARD: And you can file those with the Governor's Office, Senator.

CONRAD: I'm asking about your communications.

BALLARD: I don't-- no, I'm not going to do that, Senator. But I have no-- I-- that was never under consideration.

CONRAD: So let's talk a little bit about the amendment that you filed here today. So it-- the plan originally, many years ago, when we're facing a crisis, anticipated significant negotiation and engagement from the employer, the school district, the state, and the individual employees. So your amendment touches upon the employee can-- contributions and state contributions but leaves untouched the employer contribution. And why is that?

BALLARD: We wanted to maintain a certain level of funding, and I believe that this is a recruitment and retention piece for employers.

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And so I think that we wanted to make sure that this fund did-- this fund was as close to 100% funded as possible. And that was a piece. But I've committed to conversations after we got the, the study from the actuary to have those conversations with school administrators.

CONRAD: So let's talk about this study. I understand that stakeholders asked for things like an improvement to the COLA be a part of that study. And that was not a part of the study. Why not?

BALLARD: I believe it was a miscommunication with the actuary. That's-- we wanted to have that part of the-- this study. That we-- we just missed that. So that's-- and we're committed to-- if there is money available, we are committed to bringing that back up to the, the COLA.

CONRAD: OK. I think that will be my questions at this moment, but I'll reserve the right to ask or-- others. Thank you, Senator.

BALLARD: Thank you, Senator.

CONRAD: Thank you. I'm in charge now? OK. Very good. Other senators, if you have questions for Senator Ballard. Yes, Senator Juarez.

JUAREZ: Thank you. So I too, like many others probably on the committee, have received tremendous amount of emails regarding what's being proposed here. And of course, the teachers are very concerned about the, you know, the safety of their retirement funds being there for the future. Right? So I'm wondering, you know, why is it that we want to go ahead and do something just because it's at 100% funding? I mean, why don't we do something instead? You know, giving it a, a, a greater cushion, like maybe 105% funded or 110% funded? And then possibly look at making adjustments like this. I mean, just because we're at 100%, to me-- you know, I just don't think that that should be the, the reason why we're doing this. Did, did you-- have you talked to someone in regards to, you know-- i-- is that a feasible option to consider? I don't know. I mean, what do you-- what are your thoughts on that?

BALLARD: That's, that's always a conversation we have. But I, I will tell you this, Senator, that if I-- when I go talk to constituents and I say, hey, we have this plan that is 100% funded, would you want your tax dollars continue to fund it? Or would you like to put in a mechanism, a trigger to, to reallocate money to other state priorities? And so I-- we can have that conversation. But when I talk to individuals, when I talk to constituents, they say if a plan is 100% funded, maybe we should reallocate resources elsewhere.

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JUAREZ: But how-- so how long has the fund, you know, been at the 100% threshold?

BALLARD: To be clear, it is not there yet, but it will be very soon.

JUAREZ: OK. That's all I can think of for right now. Thank you.

CONRAD: Other senators? Yes, Senator Clements.

CLEMENTS: Thank you, Senator. Thank you, Senator Ballard. There's been also some questions about the Omaha teachers' plan, as whether the state is going to reduce its 2% contri-- cont-- contribution there. Is there any change with the Omaha plan?

BALLARD: There's not any changes with the Omaha plan. I would love to have this same conversation with Omaha in a number of years, because that means their plan is close to 100% funded. That'd be a great conversation to have with this committee. I don't think I will be around in that-- in those conversations, but I think it would be an exciting conversation.

CLEMENTS: All right. I didn't think there was anything in the bill. I just wanted to make sure of that. There was also some concern from retired teachers that I've had emails from that this bill would cause their benefits to be reduced. Will there be any reduction in benefits?

BALLARD: No. That is a-- that is a, a contract with their employer.

CLEMENTS: Very good. I, I also-- you know, like, like you've said-- received hundreds of emails about this. And it did appear to me that there was misinformation apparently. Or-- did, did you-- when the-- the teachers you've talked to you, have you found that the information they received initially was incorrect?

BALLARD: I will use the term misin-- I will use the term incorrect.

CLEMENTS: Incorrect? All right.

BALLARD: Maybe-- yes. I'll-- we'll, we'll, we'll keep it there.

CLEMENTS: Very good. Well, in the-- the state teachers plan benefits, are they affected or reduced in any way with this bill?

BALLARD: Their benefits? Their retirement benefits? No.

CLEMENTS: OK. Thank you.

BALLARD: Thank you.

CONRAD: Senator Hardin. I'll ask you specifically because you haven't had a chance to weigh in yet.

HARDIN: Well, I'm sitting here looking at Truth in Accounting. They're-- they are a think tank out of Chicago. And I kind of have followed them since I was, oh, playing around in this space of unfunded liabilities. And essentially what they're sha-- they're saying in their state of the states that comes out of the fall 2024-- and they're doing a reflection. It's always looking back now about a year and a half to 2023 by the time all of the numbers come in. And so what they're looking at here-- and again, I'm going up a-- just a million feet in the air. And what they say is the same good news that we see kind of year after year. And just to kind of set this frame for you, this is looking at the world of public pensions. We're talking cops, fire, teachers, judiciary. In every state. All 50 states. And I-- we just lost a little bit of bragging rights that I had been bragging on for the last few years. Out of the 50 states, frankly there are only about a total of 19 states-- not quite that many-- just looking through their material here-- and I'm glad to share this with anyone who's interested-- states that are in the black in regards to their GASB look ahead, the Government Accounting Standards Board. For those who aren't aw-- aware of it, that's a 30-year look ahead just saying, how do we-- how are we doing with our pension scenario for our public sector workers? Nebraska has always until this year-- I was sitting there looking at it-- and Iowa made the list this year. And so that's what I was reading about. I said, how the heck did Iowa make the list? But usually it's energy states that are in a really good place. It's the Wyomings, the North Dakotas, the Alaskas, so on and so forth. And what I always bragged about with Nebraska is to say, we're the only nonenergy state that makes that list of what was deemed sunshine states. OK? We're still in that list. What was perplexing me is, how the heck did Iowa get in there with us? Because they've never really been that shiny before. So that's kind of what I was reading on. But it's just to say from way up in the air, I'd still rather be us than them when you look at how we're postured with our retirement compared to other states. I moved here. I-- people know. I spent 27 years in Colorado, and that's where I got into this world, because Colorado, generally speaking, is a dumpster fire when it comes to their public situation. Connecticut-- you can kind of read through those 50. And I'm glad-- like I said, I'm glad to share this with you, Senator Ballard. And it's one opinion, but you tend to-- as you look at these think tanks from around the country that compare all 50 states, they tend to trend in the same directions. The numbers fluctuate a bit, but the--

you generally never find number 1 who's number 50 on the other list. Right? And so just saying, big picture, that is what's going on. And we are in a place according to these 2023 numbers-- because that's what this is. This is old. But we're trending in the right direction. In fact, they talk about for seven years, which is pretty crazy given the fact that seven years includes COVID. And so as a state, we're going upwards. We're one of a few states that is. I'm just pointing out the big picture. It would be, I think, a different conversation if we were in the bottom seven or the bottom eight in the country, or frankly even fair to middling, somewhere in the middle. We are, we are absolutely in the top ten. This, this lists us as, as the, the eighth strongest position in the country. Food for thought.

BALLARD: No, I agree. And I appreciate your question, Senator Hardin. You're always-- very thoughtful, big, philosophical questions. And I appreciate that serving on many committees with you. You're absolutely right. This state has prioritized retirement funds, and we are in a great position to, to have this conversation. And so I think that's something we can be very proud of as a state.

HARDIN: Thank you.

CONRAD: [INAUDIBLE]. Just one last question to follow up why-- I think where my friend, Senator Hardin, was headed. In regards to having the conversation, you've initiated the conversation at a time of great risk and significant economic volat-- "volatility," which has great bearing on our retirement plans and state returns. So should we in fact pause this conversation until we have more economic stability?

BALLARD: I don't, I don't think so. I think our plans-- our retirement coun-- or, our Investment Council has done a great job of mitigating risk. And I think that we are in a good position to receive the returns that we need, even in some volatile times. And so I think this is something we should look-- seriously look at doing this year.

CONRAD: Didn't the study in relation to this very proposal lift up a significant amount of risk and volatility in making these changes at this point?

BALLARD: They did have-- they did have some risk, but risk to reducing past that, that trigger threshold. I mean, I-- as Senator Hardin was saying, any, any state would-- most states would love to be in that 96% funded range. And so that's what they're looking at. And I understand the actua-- the-- I understand the study. Actuaries like certainty. And in this-- there's-- with the triggers--

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CONRAD: So do retirees.

BALLARD: The-- yes. The actuaries-- in the language. I mean in the language. They like-- so this trigger is a little difficult, and I understand that. I appreciate all their work and their-- with my office and this, this study. And so trying to, to make sure that we are-- because my biggest-- my-- I don't want this yo-yo effect. And so that's what we're, we're trying to avoid with this.

CONRAD: So essentially at this point, Senator, you feel like you know better than the actuaries.

BALLARD: I think they're-- no, I'm not saying that, Senator.

CONRAD: That's what you just said.

BALLARD: I'm not saying that.

CONRAD: OK.

BALLARD: No. They said their, their probability was in the-- was lower than the probability of success.

CONRAD: Than the probability of what?

BALLARD: So-- and I, I'll get the number. I closed my binder, but I'll get the-- I think it was 40-- the probability-- I'll find it for you, Senator. I don't wanna take too much time. But it-- the probability.

CONRAD: All right. Thank you.

BALLARD: Yes.

CONRAD: Senator Juarez.

JUAREZ: Thank you. Senator Ballard, I was just curious. In your conversation when you had a meeting with the governor about bringing this to us, I wondered-- in your conversation with him, did you have any suggestions with them about how to redu-- the state could reduce expenses in any areas? When you were discussing--

BALLARD: That, that's--

JUAREZ: --this proposal, just in general, did you guys have any discussion about that?

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BALLARD: I think that's always part of the discussion with the, the Governor's Office, is trying to, to cut expenses and try to find efficiencies. But I, I can't recall any direct conversations or direct proposals with this, with this [INAUDIBLE] with LB64 [SIC].

JUAREZ: OK. Well, I guess-- I know that I'm not on Revenue or Appropriations, but I guess one suggestion that I would put forth to him is-- you know, he sent the Na-- National Guard down to the border and he went up down to the border. And I'm assuming that, you know, maybe he went on the taxpayer's dime unless he funded his own trip down there. But I'd like to put forward those suggestions to possibly cut back on those kinds of expenses. So that way, you know, we're looking at having the funds going to the proper places where we really need them. Thank you.

BALLARD: Thank you.

CONRAD: OK. Any other? Thank you, Senator Ballard.

BALLARD: Thank you.

CONRAD: First proponent.

KENNY ZOELLER: Good afternoon, Senator Conrad and members of the Retirement Committee. My name is Kenny Zoeller. That is spelled K-e-n-n-y Z-o-e-l-l-e-r. And I serve as the Director of Governor Jim Pillen's Policy Research Office. I'm here today to testify in support of LB645, and I'd like to thank Senator Ballard for bringing this bill on behalf of the governor. I'd like to focus my testimony on the history of the state school plan, the environment in which the changes were made in 2013, and the opportunity that we have today. In 2013, then-State Senator Jeremy Norquist introduced and passed LB553, which is largely the current version of the plan that our teachers have today. The environment in which these changes were made were a dark time for all retirement plans. Nebraska, like others, lost a significant amount of value on investments due to a global recession. As you can see from the handout that I passed out, when LB553 was implemented, the state school plan was 77.15% actuarially funded. Getting to a 100% funded seemed at that time to be generations away. However, thanks to the strong fiscal discipline and stewardship of the Legislature, multiple governors, the Investment Council, and NPERS, we are now to a point where this plan, in its most recent actuarial report, is 99.91% actuarially funded, and at the time of the report had over 100%-- was over 100% funded using market asset metrics. This brings us to the reason why we're here today. LB645 is an opportunity

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for the state of Nebraska to be forward-thinking in how we fund our teacher retirement fund that can benefit-- benefit both the teacher and the taxpayer. The Governor's Office has had multiple discussions with representatives of the teachers' community. And while we do not have a final product agreed upon, AM248 is a great start. From here on out, the governor asked the committee to continue the work on this bill and continue negotiations with the following, quote, North Stars in mind. First and foremost, the financial health of the plan is paramount. Any changes made must be sustainable and continue us on an upward trajectory. Two, we need to find the proper balance where we can increase pay for teachers and provide financial flexibility for state taxpayers. And then three, ensure that dollars that are freed up by the state can stay in the state education's investment as outlined in the governor's original budget that he introduced. This bill is truly an exciting opportunity for the state to deliver wins for teachers and taxpayer. Thank you for your time. And I'd be happy to try to answer any questions you might have.

CONRAD: Questions?

JUAREZ: Yes, I have a question.

CONRAD: Senator Juarez.

JUAREZ: Thank you. I just want to ha-- get a clarification on this chart here.

KENNY ZOELLER: Yep.

JUAREZ: And this may be a dumb question, but I still want to make sure I understand it. What do you mean by this column of inactive members? Who does that include?

KENNY ZOELLER: So my understanding, that would be, I believe, beneficiaries, not individuals that are contributing into the plan, or individuals that have potentially exited the plan. I'll get you the specific definition of what we're utilizing when we say inactive members on that, though.

JUAREZ: OK. Thank you.

KENNY ZOELLER: Yeah.

CONRAD: Other, other members? Questions? Thank you, Mr. Zoeller. Other proponents.

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NICOLE FOX: Good afternoon. Nicole Fox, N-i-c-o-l-e F-o-x. Representing the Platte Institute. And I apologize. I don't have handouts. I'm going to email because I, I caught a typo, so. I will get that emailed to you as soon as I'm done. Over the past 10 to 12 years, the Legislature has practiced significant due diligence to ensure that the retirement plans of Nebraska political subdivisions are monitored closely and that promises made to workers are fulfilled. I won't go into some of the points I was going to make just because they've been discussed already by Senator Ballard and-- as well as Mr. Zoeller about the history of increasing the compensation. But what I would like to point out that they have not discussed is that in addition to what Senator Nordquist passed previously, the Legislature also passed LB759 in 2014. This was passed to require political subdivisions with defined benefit retirement plans with funding levels below 80% to file a report and action plan annually with the Legislature and be subject to a public hearing. With LB759 in place, the Legislature holds itse-- both itself and local political subdivisions accountable to assuring obligations to the state's public workforce are kept in check on-- check on ongoing basmis-- basis. Now, I know that the school plan is not subject to this, but I-- we do feel at Platte that this is a good guardrail to have in place. And under LB645, obviously it would not go down to the 80% threshold. As a result of guardrails like those established in LB759 to promote adequate funding of public pensions, Nebraska is well-positioned comparatively on the national front. When it comes to public employee defined benefit pension funding levels in aggregate, Nebraska ranks fourth in the nation at 81%. And that's behind Wisconsin, District of Columbia, and Wyoming. Additionally, according to a 2025 January report by the Reason Foundation-- who does a lot of work in the public pension arena-- Nebraska was one of six states in 2022 that set aside more assets than the estimated value of their retirement obligations. The other states were Washington, Wisconsin, Oklahoma, Utah, and South Dakota. So we feel the funding levels under LB553 were a fix for a pension system that at the time was underfunded. But now rectified and with future guardrails in place, we feel that LB645 is reasonable at a time when prudent use of taxpayer dollars is necessary. And like I said, I apologize you don't have my handouts in front of you, but I will get those to you as soon as possible. With that, I'm happy to take any questions.

CONRAD: Thank you. Questions? Thank you, Ms. Fox.

NICOLE FOX: All right.

CONRAD: Thank you. Other proponents? Opponents. Any opponents to LB645?

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JEREMY KNAJDL: All right. Thank-- good afternoon, Chairwoman Conrad and esteemed members of the Nebraska Retirement Committee. My name is Jeremy Knajdl. That's J-e-r-e-m-y K-n-a-j-d-l. I'm the business manager for Minden Public Schools, and I'm here today representing the Nebraska Council of School Administrators in opposition to Leg-- LB645 and AM248. At its core, LB645 and AM248 will increase the state and employee contribution rates to the school employee plan based on how well the plan is funded, while ever so slightly increasing the employer contribution rate. Based on current funding ratios, the bill and amendment would drop the state's contribution percentage by 1.3% and drop the employee contribution by 2.5%. That's a 3.8% drop in the contributions that will be going into the system. Although the employer contribution percentage effectively does not change, it does increase the employer match of employee contributions from 101% to 135.71%. Using statewide school district reported data from schools' annual financial reports for the '23-24 school year-- which is the latest school year available-- and based on a 3% annual increase in eligible wages year over year, I estimate that this would equate to approximately \$195.5 million-- \$195.5 million that won't be contributed to the retirement system over the next biennium. According to the 2024 Nebraska Ret-- School Retirement System actuarial report, since 2007, the school plan has been-- has had an annual negative net cash value flow when comparing total contributions made to the plan and benefits and expenses paid out of the plan. Having \$195 million in contributions missing from the plan over the next biennium will only exacerbate this negative cash flow problem. During the same time period, the ratio of active employees re-- participating in the contributing-- contribution to the plan versus retirees has dropped from 2.58%-- or 2.58 active participants for every retired employee receiving benefits in 2007 to 1.52 active employees per retiree. And that, that has been over a 17-year time period. Unless the current trends of teacher shortages, fewer college graduates going into education, and fewer school employees in general changes, this ratio only looks to get smaller. So obviously, it's not been the amount of contributions alone that have built this system, but favorable market conditions have helped that out. The current funding ratio is based on a 7% return. If there's a 10% drop, which is negative 3%-- which incidentally happens to be how much the stock market has dropped since November 5-- that would create a \$1.69 billion loss in the retirement system. Also-- I mean, this has happened in 2021-22 as well, where it went down \$1.55 billion. Finally, if, if it does drop below 96%, now the employee goes back to 9.78%. And this is a January 1 effective date, which makes it really hard on an employee themselves. Imagine going on your Christmas break. This is your paycheck. You come back out at Christmas break, and now you're

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2.5% lower because your contribution rate just went up. And, and if this were to happen mid-biennium, now what happens if we're mid-budget and we have an economic downturn and now the state has to come up with \$30-plus million in the middle of-- when their rate goes from 0.3% to 0.7%-- 0.7% to 1%. We have the best retirement system in, in the nation, and we wouldn't want to do anything to jeopardize that. States around the nation only wish their plan was as good as ours. So we need to ensure that we're able to take care of those that have and will take care of and educate our past-- take our-- and educate our past, present, and future generations. This concludes my testimony on opposition to LB645 and AM248. I would like to take-- thank the committee for their time. And I would be happy to answer any questions.

CONRAD: Great job. Do committee members have any questions for this testifier? I have just one. And, and thank you for being here and sharing this. I think you provided a lot of really good information with really practical examples about some of the risks of this proposal and how it might work in practice. To the best of your knowledge, were any of the schools, school administrators, budget offices, school districts, school boards, were they consulted on this measure prior to introduction? Did you have any heads-up on it?

JEREMY KNAJDL: That I don't know. I mean, I know that the bill was introduced, and that's when I started looking at it.

CONRAD: I-- you, you found out about it upon introduction?

JEREMY KNAJDL: Upon introduction and through our-- through the Nebraska Council of School Administrators.

CONRAD: OK. And just because I know people are trying to kind of sort through a late-filed amendment, the amendment doesn't vitiate any of your concerns but perhaps raises some new questions it sounds like.

JEREMY KNAJDL: It, it did, just because the original bill itself, the-- at 96%, it was-- the state would be funding at 0.8%. And now with the amendment, it's actually dropping to 0.7%.

CONRAD: OK. Very good. And thanks for making the long trip in. Appreciate it. Thank you. Other opponents? Hello. Welcome.

COLBY COASH: Thank you, Senator Conrad, members of the Retirement Committee. My name is Colby Coash, C-o-l-b-y C-o-a-s-h. I represent the Nebraska Association of School Boards. And my testimony today is really behalf-- on behalf of the school boards. It's, it's really testimony on behalf of the property taxpayers who the school board members

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represent. As it relates to this particular bill, as has been testified to, the, the, the plan is in good shape. We're proud of it. It's, it's meeting its needs. As we looked at this, we thought leaving the plan alone makes sense. It's always when you-- things are good, you pull money out, it changes, and then you're not able to be responsive to that. I think this is a conversation for this committee. But what I would tell you is that, you know, throughout the green copy, the amendment, the employer contribution is lar-- ha-- has not been adjusted, but the, the state contribution, the employee contribution has been adjusted. But the employer whom I rep-- represen-- my members represent ha-- has not been. We really would like to be part of that conversation. And, and I want to put it on the record, though, that we are happy that, under some of these amendments, that the, the teachers could possibly get an increase in, in take-home pay. We are very supportive of that possibility. We simply ask that, as the bill moves forward, the committee consider not only the state and the employees' contribution but also the employers'. There were, there were three partners who kind of locked arms in 2013. I had a front row seat to that. And that got us to where we are. And we would-- I'm just asking on behalf of one of those partners that we, we continue to be included in these conversations as the committee con-- considers this measure. And I'll stop with that and answer any questions.

CONRAD: Are there questions for this testifier?

JUAREZ: I do.

CONRAD: Yes, Senator Juarez.

JUAREZ: So would, would you say that your members are-- you know, are they a little hesitant about this proposal? You know, how do you feel that they look at, you know, the future and thinking that just because we're at 100% that we can start, you know, making some adjustments here?

COLBY COASH: Right.

JUAREZ: Overall, what do you feel that their perspective has been?

COLBY COASH: Well, I think there, there's a, a concern that-- two, two concerns. One is, is that as this plan changes, the employer isn't really affected in a positive way in the way that the other groups are. But leaving it as is seems, seems to be the, the, the best approach. But if the, if the committee's going to have a conversation about reducing contributions, we think-- the, the proposal that got us where

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we are was three boats all rising. And now we're at a, a situation where that, that's a little off balance. The concern would be that a reduction in contributions-- wherever those contributions come from-- along with economic and market considerations, lower and, and put this plan back to where it was, which caused some pretty extreme action in 2013 that all of a sudden it'll be the local property taxpayers that have to pick up the balance of what's happening here to make sure that the plan remains solvent.

JUAREZ: OK. Thank you.

CONRAD: Just a quick question, Mr. Coash. Just in terms of timeline, considering there's at least three key stakeholders in regards to this conversation, when did the School Boards Association first hear about this proposal?

COLBY COASH: So-- when the bill was introduced is the-- when, when we-- this came in-- came in front of us. I recognized it because I'd seen how we got to where we were. And I will say since then we've had conversations. But the first, first heads-up was when we-- when that was new to us.

CONRAD: So at no time prior to introduction, the Governor's Office or Senator Ballard's office reached out to you, to you or your association?

COLBY COASH: That's correct.

CONRAD: OK. Thank you. Other questions?

CLEMENTS: I had a question.

CONRAD: Yes, Senator Clements.

CLEMENTS: Thank you. Thank you, Mr. Coash. Were you a member of the Legislature in 2013?

COLBY COASH: I was.

CLEMENTS: All right. So you were aware that-- the LB553 at that time.

COLBY COASH: I was.

CLEMENTS: Well, the state contribution went from 1% to 2% in that bill. Is that right?

COLBY COASH: I-- yes.

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CLEMENTS: Was it intended to be 2% forever or 2% until we fixed the problem?

COLBY COASH: Well, I think it was intended to be 2% to get us out of the hole that we dug, that-- I, I won't say we, but the market had affected. I, I, I can't speak as to the, the longevity of, of that contribution. I just know that there was a lot of work done. And I wasn't on this committee or-- well, I wasn't on this committee who kind of picked this up at-- in 2013. But the work that was done was a partnership between the employer, the employee, and the state. And how I desc-- have described it was it was kind of a, a figurative holding of hands. We're all going to jump together and we're going-- because there was a lot of give-and-take on both the employee and employer, and of course the state through-- at the time-- Senator Nordquist's leadership had to really step up as well.

CLEMENTS: Thank you.

CONRAD: Other questions? Thank you. Thank you, Mr. Coash.

COLBY COASH: Thank you.

CONRAD: Other opponents? Seeing none. Neutral testimony. Welcome.

TIM ROYERS: Good afternoon, members of the Retirement Committee. For the record, my name is Tim, T-i-m; Royers, R-o-y-e-r-s. I'm the President of the Nebraska State Education Association. And I'm here on behalf of our members to testify in a neutral capacity on LB645. It is important to start by reiterating the importance of the historical context that has put us in the position to be discussing this bill today. 12 years ago, NPERS had a substantially lower funded ratio than it enjoys today. And I think one thing to stress that hasn't been mentioned yet is the fact that, had no action been taken, the state would have been obligated to have filled a nine-figure shortfall over the biennium when that was occurring. So it was through the hard work of members of this body, including Senator Conrad who was here at the time, and organizations like ours and NCSA a compromise was reached in which public school employees and districts covered 80% of the shortfall that was presented 12 years ago. Many, including then-Governor Dave Heineman, were insistent that our plan would be insufficient to the point where he actually vetoed the plan. Despite their predictions, here we are with purportedly a good problem to have, in that we have potentially reached the point where the plan is above 100% funded ratio. We are here in a neutral capacity because AM248 represents a step in the right direction. And we want to recognize and

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thank Senator Ballard and the Governor's Office for their willingness to work with us on crafting a solution that honors those past commitments. The amended bill does not just assist this body in its attempt to craft a balanced budget. It also does right by our educators and our school communities. In a time where we know resources are limited, AM248 presents a chance to provide meaningful improvement in educators' take-home pay at no cost to the taxpayer. However, we are also here in a neutral capacity because we continue to have concerns. First and most obvious, AM248 has not yet been adopted, and I think we've made our public concerns about the underlying bill very well-known. And for the record, as a former debate coach, a different point of view is not misinformation. It's a different point of view on the same situation. Additionally, the actuarial study dated March 7 did not provide us with the information we needed to determine if AM248 will present a possible challenge to the health of the plan down the road. And I think probably the most important thing I can say on this is for you as state leaders, if there is a shortfall in future years, it's the state that's obligated to fill the gap, not us. And so my fear is, in your quest to reduce an appropriation, I fear you're setting yourself up for a much larger gap in the future. We are also here in a neutral capacity because we had asked that the amended version of this bill return all contribution rates to what they were before the Great Recession and the subsequent shortfall. While AM248 does that on the employee side, we also feel it is important-- important to do that on the employer side as well. And the study does indicate that the employer rate could be reduced by more than 2% and still meet the most recent actuarially required contribution rate. The reason this is important to us is because reducing the employer rate would either, A, free up resources to reallocate to other areas of compensation-- namely salary; or, B, result in a net reduction in spending on the part of the school district. I had Elkhorn as an example presuming Senator Sorrentino was going to be here. It would save Elkhorn \$2 million annually. It would save Millard \$3.9 million annually. It would save Lincoln Public Schools \$7.1 million annually if the employer contribution was reduced 2%. This is quite literally a long session, and we do not want to rush a bill as important as this. We would encourage this committee to seek another study, in part so we can also consider additional elements of the compromise 12 years ago that we think in hindsight may have been overcorrections-- namely capping the COLA at 1% for people hired after 2013. So once we have the full information, we hope to continue to work with you to craft an amendment that could stick. And obviously happy to answer any questions. And we appreciate your time and consideration.

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CONRAD: Very good. Questions for this testifier? I have just a couple, Mr. Royers.

TIM ROYERS: Yes.

CONRAD: Could you help me to understand the timeline a little bit better? Consider-- considering what a, a drastic change this was proposed to be and still is to our teacher retirement plan, when was the first time you heard about it?

TIM ROYERS: I was made aware-- I believe it was January 8-- that there was a potential bill that was going to be introduced because our GR team had a conversation with the Governor's Office about the bill. And that was the first time we were able to present our concerns with the bill.

CONRAD: OK. And were your concerns with the bill taken into account by either the Governor's Office or Senator Ballard?

TIM ROYERS: I would say no, given the fact that the bill was introduced as is. But no, it was not until after we notified our members of the concern of what LB645 was and you and others were inundated with emails were we able to have a sit down and work on this.

CONRAD: And then since that advocacy initiated, what have communications with your members, your office, and Governor Ballar-- or, Gov-- the Governor's Office, and Senator Ballard been like? Have they been responsive to questions and concerns?

TIM ROYERS: Yeah, I, I, I would say so. And I think that's the prime reason we're here neutral and not opposed, is because we have seen some willingness to work on this issue. Yes.

CONRAD: Well, you forecasted and anticipated my next question. I was confused as to why you were here in a neutral position, so I appreciate you clarifying that.

TIM ROYERS: Yeah. We're-- like I said, we're not fully satisfied with the situation, but we do want to honor a willingness to at least sit down and hear our concerns. And that's why we're here in a neutral capacity.

CONRAD: OK. And then just one last question. I, I've been a member of the Legislature for 11 years, and I'm not sure-- the, the-- there's probably a handful of issues that I can think about where I got as much feedback from Nebraska citizens as I did on this measure.

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TIM ROYERS: Mm-hmm.

CONRAD: Hundreds would probably not be the right allocation in terms of emails. It was probably closer to thousands of emails that I received all across the state-- current teachers, retired teachers, rural teachers, urban teachers, deeply conservative teachers, nonpolitical teachers, those that share my political viewpoints. And it's hard to state for the record I think what we all were seeing and feeling in terms of Nebraska citizens speaking out. There was absolute terror. There was absolute anger. There was the emotions and the volume in terms of citizen engagement in regards to this proposal. Was very pronounced. And so that's what I received in my office. You are kind of at the center of the storm otherwise. And I know that everybody's doing a nice job, you know, being really focused on the facts here. But I want the record to be clear because those communications are not in the record.

TIM ROYERS: Yeah.

CONRAD: Help the committee understand and state for the record what the response was from teachers when you first-- when they first learned about this.

TIM ROYERS: Yeah. I, I would say we were completely overwhelmed by the response. We, we knew there, there-- that there would be opposition. Obviously, I'm, I'm a contributing, paying member of NPERS myself, you know. So we, we knew people would be opposed. We did not anticipate-- and I want to make it clear too because, again, there have been some interesting accusations about the manner in which we communicated about this bill. We, we did not do a special, you know, alert. We, we provide an update to our members every single week about what's going on in the Legislature. This was our-- we put out our weekly update. Certainly this was at the top of the list because, to your point, we knew this was the thing that would-- of-- was of the most concern to us at the time. And, you know, there was no corresponding social media campaign. And yet, through pure, organic reaction to the, to the notice we sent out to our members who subscribed to the Capitol update, I think that's an important thing too. We didn't send it to all members. We only sent it to members who voluntarily choose to get our weekly updates on what's going on in the Legislature. So not even sending it to the full membership that we represent, we had by far the largest reaction to any bill that I've certainly seen in my time being active. I spent that entire weekend for-- same as you. Emails, phone calls. I had Zooms with people to talk through it. It was, you know, even-- it was an even stronger reaction than in the multiyear school choice saga that we've

had. And I think if there's, if there's anything I've learned is that-- again, I knew that this was going to elicit a strong reaction, but I can, I can say very confidently this is probably the most sensitive issue for educators, in part because presently we pay nearly 10% of our paycheck in. There's a significant percentage of our monthly earnings that we put in to make sure our plan is solvent, to make sure-- we pride ourselves on the fact that we want to do the 80% of the legwork that I mentioned. And the idea that a future contribution to our plan would be taken away to balance a budget that, through no fault of our own, has a deficit. I think in the eyes of many educators, it was seen as the latest in a line of insults to the profession that's contributed to a decline to want to be in the profession in the first place.

CONRAD: Thank you, Mr. Royers. I appreciate that. And I-- maybe Senator Ballard can share more of his thinking in terms of how we move forward together in his closing. But if there-- essent-- esse-- I don't want to speak for you, but I'm trying to understand clearly your last point of your testimony, that you're in a neutral position today because you want more information, more time. If this bill or amendment goes forward as presented, you would become opposed or you'd remain neutral or maybe you don't know? Is the neutral position only to ensure all stakeholders have more time for study and negotiation?

TIM ROYERS: I, I would say certainly more information is needed because, for example, the study that we got on March 7 basically indicates it's a coin flip in terms of whether in the next 20 years we're going to dip back down below. And something that I've said consistently throughout all this-- to the Governor's Office, to Senator Ballard, and most importantly to our members-- is-- I mean, I would love to live in a world where we could do a 2.5% increase in pay to our teachers. But I can't in good conscience advocate for that if the data tells me that, 10, 15, 20 years from now, we're going to actually see us go in the opposite direction and it's going to be taking more money out of people's paychecks to try and recover that. So, yes, absent additional information that tells us for sure this is a viable plan, no, we can't be comfortable moving forward with this.

CLEMENTS: Senator.

CONRAD: I'm sorry. I was just-- I'm still in conversation with the testifier. And I just finally wanted to just say thank you to the teachers who wrote in-- and some active NSEA members, some not, right? Because there's folks that are outside of your organization that also participate in the plan and benefit from the plan, right? And I truly believe but for the advocacy of citizens speaking out and engaging, we

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wouldn't see amendments like the one that was filed here to try and make this bad bill somewhat more palatable or move towards a kind of win-win situation. I know that Nebraskans and Americans feel very dismayed about the state of our politics today. But whe-- whenever I'm talking to community groups, I point to citizen engagement on this issue as exhibit A in making a positive difference. The emails, the phone calls, the in-person visits, the texts, the letters to the editor speaking out online. But for teachers organizing and advocating, we wouldn't see the administration and Senator Ballard backtracking as they are with the filing of this amendment. And so I want to say thank you to all the citizens who took time to share their heart and the personal impacts that dangerous measures like this have, particularly when they're not carefully curated and orchestrated with all stakeholders.

TIM ROYERS: I, I would agree, Senator. And I think that's another-- I think that's the other prime reason we're here in a neutral capacity, because as, as imperfect as we feel the current situation is-- I think as you know all too well-- unfortunately, in several other policy areas, even when there has been an outpouring on an issue, there hasn't been a backtracking. And in my mind, the fact that there was a willingness to backtrack, even if I still feel we have steps to go, should be honored, because, unfortunately, that's not, that's not the case in every instance, and I think that that's an important thing to recognize.

CONRAD: Very good. Thank you. Senator Clements.

CLEMENTS: Thank you. Thank you, Mr. Royer [SIC]. I had a question about-- the emails I received initially about LB645 talked about threatening the long-term security of the system and worry-- being worried about their benefits being reduced. But since the amendment was filed, now I, I'm getting positive comments from teachers where it's actually reducing the contribution another 2%. It just confuses me why reducing 2-- another 2% in contributions would now be positive for the teachers.

TIM ROYERS: Well, because there's a, there's a fundamental difference in purpose between the original version of LB645 and the amended version. The original version of LB645 seeks to reduce only the state's contribution for the purpose of helping your task on the Appropriations Committee in balancing the budget. That's fundamentally distinct from the amended version, which says, they'll continue to do that, but also we're going to in-- we're going to reduce the employee rate, which means now-- because, again, to go back to what happened 12 years ago,

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we did 80% of the legwork to resolve the shortfall in the retirement system. The amended version is a first step in recognizing the fact that it was on the-- for the majority, on the backs of the districts and its employees that made those moves. And so-- and those-- thank you, Senator-- were at-- our urging for what I just said to Senator Conrad. While I'm-- while we still have a ways to go, in my mind, if all we do is maintain an immovable line and don't recognize any progress-- in my mind, if I'm in your chair, you're not very willing to work with me. And so I want to make sure to recognize the fact that there was progress being made. And, and-- now, by the same token, if we go in the other direction, we'll let our members know that we've gone in the other direction. And I imagine the tenor of the emails will change again. And that's just how this works. Because to Senator Conrad's point, cit-- citizen advocacy to me is the most important thing that should drive your capacity as a policymaker to figure out what the best decision is. So I don't think-- and to your point about, well, this seems that there's an even greater amount taken out-- again, to circle back to what we heard at the opening, we are at a point where, based on the study that was submitted in the summer, we are contributing roughly 6% more than we, quote, need to be to maintain 100% funded. Our ask is that we recognize-- I know we talk about a different three-legged stool in this body a lot, but there was-- there were three components that, that went into the decision 12 years ago. Our ask is very simple. If it's time to adjust that again-- which, "if" is a key word that we need another study to confirm that-- all three components need to be adjusted if the time is right.

CLEMENTS: OK. Thank you.

TIM ROYERS: Yep.

CONRAD: Other questions? Senator Juarez.

JUAREZ: Thank you, Senator Conrad. So, you know, I guess I'm trying to understand the big picture here. And, and especially of a scenario that-- let's say, for example, if we went with the bill, if it, if it got passed, public dollars going for pri-- to private schools. OK? And if that scenario went forward in this state, wouldn't you foresee that there might be teachers, hypothetically, who might lose their job if a plan like that went forward?

TIM ROYERS: That was, that was certainly a point we were very vocal about in the past two years. Yes.

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JUAREZ: OK. So, you know, if there are teachers who do lose their jobs, then obviously that's going to affect the contributions that will go to this plan, right?

TIM ROYERS: Sure.

JUAREZ: Because they won't be participating. Have you guys put up any numbers or scenarios if that happened and what the impact would be on the plan? I'm just curious if anything--

TIM ROYERS: No. Not in that particular scenario, Senator. I apologize.

JUAREZ: OK.

TIM ROYERS: Yep.

JUAREZ: Thank you.

TIM ROYERS: Mm-hmm.

CONRAD: Oh. Last question.

TIM ROYERS: Yeah.

CONRAD: Thank you, Se-- thank you, Senator Juarez. Mr. Royers, I'm not sure, but I was reading some recent news reports in relation to the progression of this legislation. There was also a connection being made with a bill that Senator Spivey is I think working on and perhaps even has prioritized about creating kind of a leave bank or sick bank for teachers with an employer-employee match. I don't think we'll probably have time to, to get into the intricacies or the nuance about that strategy or substance perhaps here today, but did you want to lift up any of those connections with other legislation moving through the body in case other committee members didn't have a chance to--

TIM ROYERS: Yeah.

CONRAD: --to read that news story yet?

TIM ROYERS: Yeah. Yeah, absolutely. And I, I do want to make it clear that's-- certainly has, has been flagged as a nice interaction. I would agree it's a nice synthesis. But as I said in the article too, I don't want to bank on both horses crossing the finish line because you never know. But that being said, yes, one of our organization's most important bills is LB440, which would establish six weeks of paid family medical leave for every teacher in the state. Contracted

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teachers are in, in a unique position, meaning because they're under a one-year contract, we know in August exactly what their annual expenses are going to be. If a teacher goes on leave, the only added expense in that situation is the long-term sub. Right? We don't hire-- we don't replace them with another contracted person with salary and benefits. It's just a long-term sub. So LB440 would leverage a 0.35% matching payroll fee that would be collected purely to cover that added sub cost. Now, the nice synergy between that bill and a potential outcome of this one is we might be able to make sure that everybody comes out net ahead even if there's a-- that added program. And I would go back-- while, Senator Juarez, why we-- while we have not reviewed the potential scenario of loss of positions in a world where vouchers happen, your point, however, is very well-stated, that one of the reasons that was very well-articulated during opposition testimony that we should be mindful of the overall plan health is the struggle we're having with recruiting people into the profession. And in my mind, if we can live in a world where we are taking an advantageous position in our retirement system to restore all three components back to what they were before the Great Recession and provide a phenomenal benefit to our teachers that our neighboring states do not possess-- which would allow us to attract more people into the profession and honor the fact that family and medical issues should come first and not have to worry about financial security-- I think we're actually going to be resolving some of the long-term health concerns about the plan today, because we're going to have more people paying into the system because people want to be teachers again. So, yes, I think there's a potential for amazing synergy where we could have folks come out net ahead, see no cost burden to either districts or employees, have an amazing guarantee of six weeks of paid family medical leave, and make sure, again, do right by our state appropriations and make sure we continue to have a fully funded retirement plan. So, yes, I think there is a great potential there to stick the landing and address a number of different teacher concerns.

CONRAD: Thank you. Thank you so much. Others? All right. Thank you.

TIM ROYERS: Thank you very much.

CONRAD: Any other neutral testifiers? Senator Ballard, would you like to close?

BALLARD: Yes, I will.

CONRAD: And while Senator Ballard's taking his position, it seems that the committee has received no ADA testimony. And we've received written

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position comments of 5 proponents, 17 opponents, and 1 neutral. Senator Ballard.

BALLARD: Thank you, Senator Conrad. I'll be extremely brief because I know members have committees and Judiciary already has late nights this week, so we don't want to delay them any further. I, I just want to thank all the testifiers-- support, opposition, and in neutral. I think this is a win-win. We re-- we save tax-- we lower taxpayer dollars. We reduce-- we give teachers more take-home pay. I was doing some back-of-the-envelope map-- math. This could be a significant in-- take-home pay for teachers. And so I am committed to working with school districts, the NSEA, the Governor's Office, and this committee to try to figure out how we move this bill forward. With that, I would answer any questions.

CONRAD: Se-- senators, any questions? I have one. Senator Ballard, just in terms of your intentions for timeline moving forward, are you planning to ask the committee to move forward on this bill this year? Or are you going to work with all stakeholders until you can get additional study and have consensus?

BALLARD: I would love to do both. I know we're running short on time. I realize that. I, I get to work-- I've had multiple meetings with the NSEA. I plan to have more meetings with the administrators and this committee because I think this is something we could do this year.

CONRAD: OK. So is your commitment that you won't move forward with anything in regards to this type of proposal until you have agreement and buy-in from the state, the school districts, and the teachers?

BALLARD: I will have those conversations, yes.

CONRAD: No. My question was, will you not move forward unless you have buy-in from each of them? Not if you would have the conversations. If--

BALLARD: That, that is--

CONRAD: Will you have consensus or agreement?

BALLARD: That is my goal, to get buy-in. I will-- I'll, I'll leave it there. I'm not going to commit to-- my goal is buy-in. Whatever-- I don't know what that looks like, if that's even feasible, but I will try my hardest to get buy-in from the-- all stakeholders. And I think you heard from the NSEA that they are in-- we are moving in the right direction. And my number one goal in this is to make sure teachers are taken care of.

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CONRAD: OK. And then just finally-- I mean, the school employers haven't even been consulted as of yet.

BALLARD: We've had conversations. They were very interested in seeing what the study had. And if there's any wiggle room, we would make-- we would make that happen.

CONRAD: And what do you mean by wiggle room?

BALLARD: With the actuarial study. We didn't get the actuarial study until-- I think it was Friday. And so we are in those conversations to see if it's financially feasible.

CONRAD: Mm-hmm. And just to be clear, doing back-of-the-napkin scratch math in-- isn't really sufficient when it comes to stewarding retirement programs.

BALLARD: I'm saying the take-home pay for teachers. So taking-- I mean each teacher's salary's different. So I-- what I meant that-- not the overall system, but what a-- each teacher can take home additionally is fairly significant for families.

CONRAD: And then finally, if your measure were to move forward as amended, how will it save any state taxpayers any dollars?

BALLARD: So-- I'm sorry. I miss-- I misspoke there.

CONRAD: Sounded like it.

BALLARD: It did. I, I, I apologize. Misspoke. But we are-- we can reallocate resources to other state priorities, whatever those might be.

CONRAD: Like filling the budget gap.

BALLARD: Whatever those might be.

CONRAD: Senator, do you regret your vote to pledge a significant amount of state resources to huge tax cuts for millionaires and billionaires that have precipitated said, said budget deficit?

BALLARD: I do not.

CONRAD: Speaks for itself.

BALLARD: I--

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CONRAD: Thank you so much. Other questions? Senator Juarez.

JUAREZ: Yes, Senator Ballard. So I would like to know-- you know, what are your thoughts on this idea of if the voucher system went through? Would we have a di-- be making a different decision on what we want to do about this staggered contribution into the retirement fund? You know, the huge concern that I have about this is I honestly don't know what's going to happen with that bill if it's going to be going forward. That is such a huge unknown to me. I'm uncomfortable making decisions like this without having a better picture of what's going to happen in our state. What are your opinions about that?

BALLARD: The teach--

JUAREZ: Do you not think the voucher system is going to go through in our state? Because-- I wish that Senator Sorrentino was here, because I think he was proposing to put that, put that forward to us. Do you have any comments on that?

BALLARD: I, I do not have any-- I, I don't-- I don't sit on the Revenue Committee. I don't know if the bill's moving forward. I'm willing to have those conversations. But I would like to go back-- or-- do you have any additional questions?

JUAREZ: No, I just have-- I just wanted to get your opinion on that concern. I'm very uncomfortable making a decision about this, your proposal, when I don't feel I have a, a clear picture of what's going to happen in our state regarding our schools. You know, regarding our teachers. I mean, you're saying that-- you're making the comment-- and repeatedly you have-- about how the teachers will have more take-home pay. Well, yes, that'll be true if they can stay employed, right? If no bigger adjustments happen in our public schools in Nebraska. If they're, if they're employed, yes. There might be that decrease that they'll have in take-home pay. But, you know, I just want to make sure that they're going to have jobs too.

BALLARD: I understand. So-- and I, and I will end-- I will end-- I, I disagree. We gave tax cuts to wor-- hardworking Nebraskans, not millions and billion-- you know that, Senator Conrad. You know our tax structure. So don't-- and this-- I, I will say one thing--

CONRAD: Senator Ballard--

BALLARD: --backtracking--

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CONRAD: --for the record, OpenSky's analyzed the tax cuts. 75% of the benefit went to the 20-- to the top 20% of earners.

BALLARD: You know our tax bracket, Senator Conrad. I mean, teachers are getting tax cuts. And then I will say-- I, I will-- what my final comment-- I know we have a minute and a half. Backtracking-- I think the term was backtracking. I mean, giving teachers a more take-home pay is not backtracking with the amendment. I consider that a win for teachers, to get more take-home pay. So I'll-- with that, I will leave it at that and answer any additional questions.

CONRAD: OK. Any other additional questions? Thank you, Senator. With that, we'll close the hearing on LB645.