

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee April 23, 2025

BALLARD: Alright, we'll get started. Good afternoon. Welcome to the Nebraska Retirement Systems Committee. My name is Beau Ballard. I represent the 21st District in northwest Lincoln, northern Lancaster County. And I'll have the committee members start off by introducing themselves. Starting [INAUDIBLE] far left with Senator Juarez.

JUAREZ: Thank you. Margo Juarez, south Omaha, District 5.

SORRENTINO: Tony Sorrentino, Legislative District 39; Elkhorn and Waterloo.

TREVOR FITZGERALD: Trevor Fitzgerald, committee legal counsel.

CONRAD: Danielle Conrad.

BALLARD: Also assisting our committee clerk-- or, also our-- assisting our committee is committee clerk Connie Thomas, and Jacob Janssen and Sam Johnson are our pages, both studying at the University of Nebraska. Today, we're going to be hearing AM1023 on LB645. If you're planning to testify today, please fill out a green sheet and hand it to Connie. This will help to keep an accurate record of the hearing. Please note, if you wish to have your position listed on the committee statement for a particular bill, you must testify in that position during the bill's hearing. If you do not wish to testify but would like to record-- would like to record your position on the bill, please fill out the yellow sheet near the entrance. Also, I would note the Legislature's policy that all letters for the record must be received via the online comment portals by the committee by 8 a.m. the day of the hearing. Any handouts submitted by testifiers will also include as part of the record as exhibits. We'd ask if you have any handouts that you please bring 12 copies and give them to the page. If you need additional copies, please hand to the page; the page will-- may ask-- may help you make more. Testimony on each bill will begin with the introducer's opening statement, and then after the opening statement, we'll hear from supporters of the bill and those from opposition, followed by those speaking in the neutral capacity. The introducer of the bill will then given opportunity to make closing statements, if they wish to do so. We ask that if you-- we ask that you bring your testimony, please give it-- give us your first and last name. Please spell your name for the record. Because this committee meets over the lunch hour and we have other floor debate here starting at 1:00, we'll be using the three-minute light system today. When the, when the light turns green, please start. Yellow light will be your one-minute warning, and a red light comes off, we ask you to wrap up

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your final thoughts. Remind everyone, "inscluding" on the committee, to please turn off or put your cell phones on vibrate. We'll begin today's hearing on AM2023 [SIC], and I will turn the reins over to Senator Sorrentino.

SORRENTINO: Good afternoon. Chairman Ballard, you're free to open on AM1023 to LB645.

BALLARD: Thank you, Vice Chairman Sorrentino, and members of the Retirement 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. AM1023 is an amendment I introduced as part of an ongoing discussion regarding LB645. While LB645 has already been advanced by this committee, because a-- one provision contained in AM1023 had not previously been the subject of a public hearing, it is procedurally necessary for the committee to hold a hearing prior to consideration of the amendment. As the committee members recall, after extensive discussions with the Nebraska State Education Association, the Nebraska Council of School Administrators, and the Nebraska Association of School Boards and the governor's office, my office drafted prior to-- the prior amendment to LB645, AM844-- AM849 at the request of the actuarial study be conducted on the amendment. That prior amendment contained three components which considered separately by the actuary. First, which contained the committee amendment 8-- to AM876 was a gradual reduction in the employee, employee-employer and state contribution rates to the plan based in the actuarial-funded status and the plan's assets. Second, which contains in the AM1023 would change the so-called Rule of 85 provision, which allowed school employees to retire early with an unreduced benefit under certain conditions. And third, it would increase the maximum cost of living adjustment from 1% to 2%. When my office submitted both the Rule of 85 and the COLA proponents, it was assumed that the actuarial cost of the components would not be affordable in the addition to the proposed contribution rate reduction in the first component. After the actuarial study of AM849 was received, representatives from the NSEA felt that the Rule of 85 change could adopt-- could be adopted along the side of the contribution changes and not damage the status of the plan. Rather than delay of General File consideration LB645 to wait for a hearing on Rule 85 [SIC], I agreed to introduce AM1023 on Select File and schedule a hearing for a consideration piece prior to Select File debate. Under current statute, eligible plans' members may qualify to receive an unreduced retirement benefit prior to the normal retirement age of 65 in the sum of their attained age and incredible service equal to 85 or greater, and are commonly referred to the Rule of 85.

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Prior to 2018, the Rule of 85 applied to school employees at or above the age of 55. In 2018, the Legislature passed LB415, which provides the school employees hired on or after July 1, 2018 must reach the age of 60 before being eligible for an unreduced benefit under the Rule of 85. AM1023 would change the Rule of 85 to effectively walk back the 2018 changes, allowing employees to hire on or after July 1, 2018 to retire with unreduced benefits at age 55 rather than age 60. AM1023 would also include additional changes, which the NSEA agreed to accept should the Rule of 85 changes be adopted. The amended-by-the-committee-amendment current language in LB645 would reduce the state contribution to the school retirement fund in fiscal year 2025-2026 to 0.7 of the compensation of all members, while fiscal year 2026 [INAUDIBLE] new [SIC] state contribution to fund the-- would be required. Under Rule-- under AM12-- AM023, no state contribution would be required in either of the next two fiscal years, and afterward, the state contribution will be "retermined" by the funded ratio of the actuarial value of the assets of the fund. I've requested the representatives of each of the effective group testifying today, as well as the-- as well as the NPERS to add-- answer any technical questions of the provisions of AM1023. Otherwise, I'd be happy to answer any questions at this time.

SORRENTINO: Thank you. Are there any senator-- or, are there any questions of Chairman Ballard? Yes, Senator Conrad.

CONRAD: Thank you, Vice Chair. Thank you, Senator Ballard. Just wanted to touch upon kind of a, a general consideration. So, under LB645, for the first time, the state contribution percentage rate for OSERS will actually be different than the school plan contribution percentage rate. Do you want to kind of clarify some thinking in that regard?

BALLARD: So, the OSERS, as far as Rule 85 [SIC] goes? Or as far as the contribution? I'm sorry, can you clarify your-- can you repeat your question?

CONRAD: Yeah, under LB645, for the first time, the state contribution percentage rate for OSERS will be different than the school contribution plan percentage rate. Do you want to speak to that?

BALLARD: And that's in LB645, not AM1023, correct?

CONRAD: Yeah.

BALLARD: Yes. So, I would love if the OSERS plan got to 100% funded. I-- that would be-- I think that would be a great conversation that we

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could have. And they would undergo the, the different contribution levels. But until that plan gets 100% funded, I think the state should have some skin in the game.

CONRAD: Oh, that's an interesting answer. OK. Because it's been a very consistent policy that the state would not assume any liabilities for the OSERS [INAUDIBLE] fund.

BALLARD: They're, they're totally different-- they're, they're different plans.

CONRAD: Yes, I'm aware of that.

BALLARD: You're aware. You're aware. And so, I think that that should be held separate, and we should be focused on the state plan in LB645 until that is to the-- to what we consider the healthy standard that the state plan is under right now.

CONRAD: OK. So, is it your contention that each of the components in the amendment before us have been subjected to an actuarial study, as required by a rule?

BALLARD: They have not, and that's why we're holding this hearing.

CONRAD: And I'm sorry--

BALLARD: And that's why we're-- that's we're holding this hearing; to, to trigger that actuarial study.

CONRAD: OK. I think that will do it for right now. Thank you. Thank you, Chair.

SORRENTINO: Any further questions of Chairman Ballard? Seeing none. Thank you.

BALLARD: Thank you, Vice Chair. Appreciate it.

SORRENTINO: Will you be here to close? I assume you will.

BALLARD: I'll be around.

SORRENTINO: All right. We'll begin the testimony. Where are-- are any proponents on AM1023 to LB645? Good afternoon, Mr. Royers.

TIM ROYERS: Good afternoon, Vice Chair Sorrentino, 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

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Association, and I'm here on behalf of our members to speak in support of AM1023 to amend LB645. AM1023 would correct a poor decision that unduly impacted every educator under NPERS hired after July 1, 2018. Those educators currently have to wait five more years to be eligible to retire under the Rule of 85 compared to those of us who started our career prior to 2018. There are three main reasons we support this change. First, it has a minimal financial impact on the retirement plan. According to the actuarial study dated April 10, reverting the Rule of 85 change would only impact the required contribution rate by 0.25% next year. But even if we fl-- even if we flash forward to the year 2040, the study projects that this change would still impact our contribution rate by less than 1%. This is largely because having these employees wait five more years may delay when their retirement payments start, but the monthly payments themselves will actually be higher because the average salary will increase, and their total years of service would be higher for the purposes of calculating payments. So, take me, for example; if I waited five more years, I would receive about \$1,100 more a month, assuming modest wage, wage growth, if I chose to continue to work for five more years. So, you might be asking yourself then, if the payout is that much larger if I wait until 60, why then would we advocate for moving the eligibility age back to 55? And that question brings me to the second reason we support this change: our young educators deserve the same flexibility that I and other veteran teachers enjoy when it comes to deciding when we turn off the classroom lights for the last time. For many, they retain the joy of teaching and have the energy to keep going, and it makes sense for them to keep teaching well past their first year of retirement eligibility. But others may want or need to retire at 55. Not too long ago, I visited with a young special education teacher. She works with some of our highest-needs students; she handles diapering, feeding tubes, she's hit and scratched on a regular basis. In fact, she wears padding under her clothes so the scratches don't cause her to bleed. And despite those things, she loves her job; she loves serving those kids each and every day. But she's also well aware of the physical and mental toll those things are taking on her, and she wants to retire at 55. And I had to explain to her that she can't retire at 55 because she started her career after 2018. And she van-- very candidly told me she isn't sure she can make it to 60. So, when the study came back and showed that we here in Nebraska could afford to make this change, I thought of her, and I would encourage you to think of her as well, because students and families that she serves deserve a teacher like her, and she deserves to choose to retire at 55. Because, by the way, if she does, she still would have put in 34 years of service. And that brings us to the third and final reason we support this change. There

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is no doubt we have trouble getting young adults into the profession and retaining them. We have an inverted population pyramid right now for teachers, and as a geography teacher, I can tell you that's not a good thing. So, imagine the impact it will have if we can tell our early career educators we secured their ability to retire five years earlier. And keep in mind, the first year where somebody could retire sooner under this is the year 2044, so there won't be an immediate impact on staffing. To close, LB645 wrongly started as an attempt to take advantage of the financial strength of our retirement system to resolve a budget deficit. Over the course of this session, through tireless advocacy and dialog, it is transforming into a bill that will benefit hardworking school employees across the state. AM1023 would cement that transformation by putting those hired after 2018 on an equal playing field with those who were hired before them. This is a chance for you to show your support of Nebraska's educators, and the effects will be profound. Thank you, and I'm happy to answer any questions you may have.

SORRENTINO: Thank you, Mr. Royers. Any questions of Mr. Royers? Margo?

JUAREZ: OK, I'm--

CONRAD: Senator Juarez.

SORRENTINO: Senator Juarez.

JUAREZ: Thank you. I'm trying to understand the big picture with, you know, feedback that we've gotten before about our staffing needs, and I-- and that is a primary concern to me. I mean, here we are attempting to offer this great benefit for someone to retire at 55, but we have the staffing issue, right?

TIM ROYERS: Right.

JUAREZ: OK, so how long do you foresee on the horizon that it's going to take to, you know, resolve these staffing issues? I mean, isn't it true that at the college level, students aren't majoring in education? And do you really think that the students are going to find out about this attractive benefit to entice them to think about majoring in education at college? I'm very concerned about this.

TIM ROYERS: Yeah. Yes, I do think they will, and, and the reason I, I say that is twofold. One, we've reached out to our-- we've had conversations with our student members who are aspiring to be educators who know are-- who aren't educators yet. And this has been very well received. But also, importantly, if you look back at the--

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in 2018, when the bill that changed the Rule of 85 was introduced-- or, it was 2017 and then it was adopted in 2018. So, if you go back to the hearing in 2017, one of the groups that testified in opposition to changing the rule was aspiring educators; it was college students. So, they came in saying this change would have a chilling effect on folks wanting to enter the profession. And so, given that that was their concern in 2017, I think the fact that we're honoring those concerns and undoing that change now would absolutely help our capacity to entice additional folks into the profession, and retain the young folks who are in their first few years of the profession as well.

JUAREZ: OK. My next-- I'm sorry, can I ask another question?

SORRENTINO: Sure.

JUAREZ: My next question is, do you have any statistics on the teachers that may come from another school district and say support, you know, Omaha Public Schools, which is the largest? Do we have any data about that?

TIM ROYERS: I don't have the specifics with me, but I'll get that for you, Senator. But certainly, one of the reasons we like this change is because presently, there are a number of teachers who retire from nearby suburban districts in their 50s, and then go teach for several years in Omaha Public Schools. So, as the former local president in Millard, I can tell you firsthand, we, we had a, a significant number of our retirees choose to continue teaching, just teach in that different district. And so, one of concerns that we have is that if this goes into effect in the 2040s, are we gonna start to see that pipeline to OPS fade? Because predominantly, it's those folks who are able to retire in their 50s who choose to continue on their career in OPS. The folks that choose to retire in their 60s, they genuinely wanna retire. Maybe they do a little subbing, maybe they do a little mentoring-- they don't wanna continue in a full-time capacity; the folks who retire in their 50s generally do. And so, while I don't have those exact numbers for you right now, I will work to get you those numbers here as soon as possible, because I know this is a pretty late-in-the-game introduced amendment, so.

JUAREZ: OK, thank you.

SORRENTINO: Senator Conrad?

CONRAD: Thank you, Senator Sor-- Vice Chair Sorrentino. Thank you, Mr. Royers. I see also that Chair Ballard filed an additional amendment

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yesterday on this measure, AM1108. I don't know if his plan is to subject that to public hearing or not, but have you had an opportunity to review that?

TIM ROYERS: I-- I'm candidly not familiar with AM1108, so I'll need to.

CONRAD: Yes, very good. I know you are new to your leadership position at NSEA but have a long and deep history in education and in the teachers union. Are you aware-- have you had a chance to review your records or talk with your predecessors? Is there any precedent for making this kind of a major change to teacher retirement in this short amount of time?

TIM ROYERS: I am not familiar with a change this late in the session, no.

CONRAD: Very good. Thank you.

TIM ROYERS: Yep.

SORRENTINO: I do have one question.

TIM ROYERS: Yeah.

SORRENTINO: And I've gone through the actuarial report, and this is not a question about that. I mean, there is potentially some savings, I think, to the state given AM1023. But my focus would be-- it would appear that by moving the retirement age to 55 for this most laz-- recent group, we will eventually lose not all, but some of the teachers, earlier in their career; those that can afford to, or would ever retire at age 55 that have already met that. And it's likely they will be replaced with younger teachers. I don't know if we're gonna be able to hire younger teachers at, you know, smaller, smaller amounts of money. They're gonna want more; it's a tough job. My question is more about-- is, is losing experienced teachers, replacing them with younger and inexperienced teachers, is this a good thing for the kids? I mean, the, the-- we can talk about fiscal impact, but--

TIM ROYERS: Yeah.

SORRENTINO: --education has another component. So, I guess I would ask for your input on that.

TIM ROYERS: Yeah, I think it-- I think it's a great question. I think it's-- I think it's important for us to ask that question if we're

discussing a topic like this. My answer is twofold. I think first, if you look at the current Tier 1 employees who are already-- well, Tier 1, 2, and 3 are all currently Rule of 85-eligible at the age of 55. Many of those educators do not retire at 55; they continue well past their initial year of eligibility. And that's why in my testimony I stressed offering the same degree of flexibility to choose when it's time to be done. Because oftentimes, folks continue, and one of the main reasons they continue is because while you may be able to retire, health insurance is certainly an element between ages 55 and 65 that's not necessarily accounted for. And so, many folks continue because, again, they still have a love for the profession, they still have a lot of energy in the tank; they want to keep going. I don't want anyone to be in a classroom out of compulsion. I think, to your question about, you know, "is this what's best for kids?" If someone has put in more than 30 years of service, and in part because of the role they've done they're exhausted and they feel it's time to step back from a full-time capacity, I think that's in the best interest both of that teacher and of the students in that school. And I think it's also important that even in that s-- to point out that even in that scenario, many of those folks then move on into capacities that remain productive and supportive for students and staff, right? So, many of those folks that retire then take on a mentoring role where they support those incoming teachers and provide them guidance and support as they try to navigate the challenges of the job that you, that you mentioned. And so, I think, yes, obviously, having veteran staff in front of students is incredibly important. But we want to make sure they're in front of those kids for the right reasons, not for the wrong reasons.

SORRENTINO: All right. Thank you.

TIM ROYERS: Mm-hmm.

SORRENTINO: Oh, Senator Conrad?

CONRAD: Go ahead. No, go ahead. Go ahead, Senator.

SORRENTINO: Senator--

JUAREZ: Thank you.

SORRENTINO: --Juarez. OK.

JUAREZ: OK. So, your comment made me think of more data I would like to know if you have. Do you-- can you have access to information that shows me what teachers did leave right at retirement? You know? And,

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if they continued on, how much longer that they stayed. I-- you know, it's just really important to me to analyze all the data that's available in order to understand, you know-- to make the right decision here.

TIM ROYERS: Yep. We'll work on that for you.

JUAREZ: OK, thank you.

SORRENTINO: Senator Conrad, did you have further questions?

CONRAD: Thank you. Yes, thank you. Just maybe a couple more, Mr. Royers. So obviously, this issue impacts tens of thousands of Nebraskans, and implicates millions and millions of dollars, perhaps even billions. I'm uneasy with the process; I think that's pretty clear. Why should the Nebraska Legislature move forward with this change right now? Why shouldn't this measure be carried over for additional negotiation and analysis?

TIM ROYERS: Yeah. I think it's-- I think it's a wonderful question, Senator, and I, I fully respect your process concerns. I think if I'm in your chair, I'd have those exact same concerns. So, I'll give you a multi-part answer similar to how I gave his.

CONRAD: Sure.

TIM ROYERS: We have, in recent years, as the health of the plan came into greater clarity-- and the reason I say that is because when I look back-- to your point about-- you know, I, I did try and review transcripts of hearings over preceding bills to try and get some institutional background, given that I'm in my first year in the role. So, for example, when I reviewed the, the hearing over Senator Kolterman's bill that ultimately changed the Rule of 85 that we're trying to undo, at that point, the projection was the plan would be fully funded by the year 2040. So, we've come quite a considerable distance on our projections on funding status, just in a-- in those few years. The reason I bring that up is because in these past few years, as it's looked like we've reached that point faster, in part because of the prudent decisions that this body made back in-- 12 years ago when you, when you were a part of the body the first time, and we intentionally put additional resources into the plan to, to have it be the funded status it is. As it came into greater clarity that we were going to hit that 100% mark sooner, we started to reach out about benefit changes. Could we do some things to strengthen the

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benefits? Could we do some things to look at contribution rates? And candidly, there was little-to-no interest in doing those things.

CONRAD: Just a quick-- who did you reach out to?

TIM ROYERS: The-- I'm referring to when Senator Kolterman was chair of the committee--

CONRAD: Oh, OK.

TIM ROYERS: So, so yeah. So, that being said-- and this goes back to my remarks at the end of my prepared testimony-- I certainly share your sentiment that the original version of this bill was brought-- it was a poor bill, it was brought for the wrong reasons. But it was the first time we had a chance to force the conversation about the state of our retirement plan, because you have to provide a corresponding benefit whenever you look at the state's contributions.

CONRAD: Yes.

TIM ROYERS: So, from my chair, this might be the only opportunity to introduce this with a chance of it being on a bill that will actually get to the finish line. Now, that being said, fully respecting that you and others might not be comfortable with it being introduced this late in the game, if the end result of this is we've had this conversation, it's on the radar, but it's not gonna be something we get to until next year, I'm perfectly fine with that and happy to continue to work with you and Senator Ballard and everybody else. Because I respect that even if the report looks like it'll be fine and have a minimal financial impact on the plan, there are a lot of moving parts, and to your point, a lot of people impacted. And I-- to, to diminish those concerns would be reckless of me. So, I hope you understand why, from my chair, we've supported the idea of introducing the amendment but fully recognize that there might be a fluid outcome, and we're happy to work with the body based on its comfort level.

CONRAD: No, I, I do appreciate that, because I think everybody wants to get it right.

TIM ROYERS: Yes.

CONRAD: Right?

TIM ROYERS: Yes.

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CONRAD: And I think it's harder to meet that goal when things are so rushed and so complex.

TIM ROYERS: Fully-- and Senator Conrad, to your point about-- you know, prior to me coming into this role, I was a local president and a chief negotiator for more than a decade. There were plenty of times where we had a really great idea and we would discuss it, but the feedback would be, you know, we're real late in the process and we already had a pretty good idea what this was going to look like. And we did come back the next year and work on it. And again, would I love to have this now? Of course I would. I'm not going to be lying. If this committee wants to advance it and the body advances it, I think that'd be great. But I'm also completely understanding of where you're coming from, and if that's the outcome, I'm committed to trying to work on a separate bill that has this as a standalone that'll have a proper hearing at the proper time next session, and I'm happy to work with you and Senator Ballard and others on that.

CONRAD: No, I, I appreciate that. And I guess, you know, the most recent fiscal note that's been posted shows, I guess, a \$30 million savings, and then maybe a \$50 million savings, generally speaking, in this biennium and the next. I understand from our colleagues on the Appropriations Committee that they've penciled in \$100 million transfer to balance the budget from teacher retirement, so I don't have any idea how that's gonna work, or if this amendment is meant to spark an additional cost savings. Do you have any sense of that?

TIM ROYERS: I, I think that's part of the other provision within the amendment, in regards to making sure that over the biennium, the state has a 0% contribution. I didn't speak to that because the part that we support is the part that looks at the Rule of 85.

CONRAD: OK. And then, I guess the last piece would just be maybe trying to think through or connect some dots here. So obviously, it's a laudable goal to ensure that teachers have more money in their pocket--

TIM ROYERS: Right.

CONRAD: --that they get to keep--

TIM ROYERS: Yes. Right.

CONRAD: --their money. And it's hard to argue against that for a billion different good reasons.

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TIM ROYERS: Right.

CONRAD: So, I understand what you're looking at in that perspective. I understand what Senator Ballard's looking at that perspective, and perhaps that ends up being a silver lining out of this swirling cloud that exists. You don't have to respond to my description of the, the process. But I-- I'm also wondering if you want to talk through or think about-- I mean, if the ultimate goal is to increase teacher pay, shouldn't that move through Education?

TIM ROYERS: Oh, you mean, like, shouldn't the--

CONRAD: Proposals to--

TIM ROYERS: --should the underlying bill have moved through Education?

CONRAD: Proposals to increase teacher pay should probably go to Education.

TIM ROYERS: I, I would say philosophically, I see where you're coming from. I, I think because this is underlying about the ret-- I don't want to speak to the process, because I'm not familiar.

CONRAD: Sure.

TIM ROYERS: But I see what you're going from, is what I'll say.

CONRAD: And let me-- and I know we've worked together on some issues over the last biennium in the Education Committee, but I mean, we've been able to make some modest progress in some retention, stipends, and bonuses, and that's been really meaningful. And Senator Linehan did an awesome job leading a lot of those efforts, but, you know, ultimately, we've heard countless good ideas before Education that would increase take-home pay for teachers, paras, et cetera, et cetera. Senator Juarez sits on that committee with me. And, you know, ultimately, the body has lacked the political will to figure out how to fund those good ideas,--

TIM ROYERS: Mm-hmm.

CONRAD: --which directly boost teacher pay and advance recruitment and retention, and address teacher shortage. So, is part of NSEA's thinking that because there's been a lack of movement in regards to teacher pay initiatives through Education or Revenue, are there places that, that they're basically trapped into finding this as the only the only, the only way to increase--

TIM ROYERS: I think I've spent my--

CONRAD: --take-home pay?

TIM ROYERS: Yeah, I think how I would answer is I have spent my entire career, from a union standpoint, whether it was negotiating locally or advocating here, looking for those silver linings. Because there's generally been a struggle to find the political will to do what I think is the best possible thing to improve the compensation that you're speaking to. So, I think that goes back to where I respect that you and I might not quite agree on advancing the underlying bill, because I respect your process concerns. But from my standpoint, I've got to look for any win I can deliver to the educators of the state. Even if I'm not happy with what started the conversation, if I can turn it into something that is an advancement that betters our educators, then I, I have to hang on to that, because there are candidly limited opportunities, given political will that you alluded to, for us to have those victories otherwise.

CONRAD: Right. And what happens if you're wrong?

TIM ROYERS: I hope not. I think-- so, my-- here's the reason why I'm--

CONRAD: I hope not, too.

TIM ROYERS: Yeah. No. Here's the, here's the reason-- here's the reason why I'm comfortable. It goes beyond hope, candidly. If we change nothing, the most recent actuarial study indicates that we are so over-resourcing the plan currently that in 18 years we will not need to have an annual contribution into the plan. So, that gives-- that tells me that the health of the plan is very strong. Also, when the amended version was given an actuarial study, it went from the coin flip that I alluded to in the hearing--

CONRAD: Just a few weeks ago.

TIM ROYERS: Right. Just a few weeks ago, the, the modified trigger structure that was introduced in the amendment, the latest actuarial study indicates that now, it's more than 75% of the time we'll see the reduced contribution rates. That's a marked improvement from the original actuarial study. Those data points give me comfort that we, that we will be OK. And if not, then we'll have to be here in a future year at a hearing, and we'll have to right that, unfortunately.

CONRAD: Where is the-- is there a magic number between coin flip at 50 and now at 75 that gives you peace of mind to move forward?

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TIM ROYERS: I think the biggest thing that gave me peace of mind, when I compared the two different actuarial studies, is the first study actually had verbiage indicating they had strong concerns about the way that it was set up, and that there would be an abrupt change in contribution rate. Not only was there an increased probability listed in the second study, they no longer had that warning that there would be abrupt transition between contribution rates. And while-- both in my role, and sometimes from a political lens, the rhetoric we share might be a little more bombastic than it is just truly driven on-- actuarial studies don't do that; it's very rare for them to speak out of turn. So, for them have such a profound change in their assessment of, of what's being proposed tells me that from, from a finan-- from a projection standpoint, we, we did craft a better version is, is my-- that's my assessment.

CONRAD: OK. Thank you.

TIM ROYERS: Yep.

CONRAD: Thank you.

SORRENTINO: No other questions? Thank you for your testimony.

TIM ROYERS: Yeah, thank you for your questions. I appreciate it.

SORRENTINO: Do we have any more proponents on AM1023 to LB645? Seeing none. Do we have any opponents?

TIM HRUZA: Good afternoon, Senator Sorrentino, members of the Retirement Systems Committee. My name is Tim Hruza, last name spelled H-r-u-z-a, appearing today on behalf of the Nebraska Council of School Administrators. I want to send apologies from Mike Dulaney who's tied up in other commitments today, so you get me. I want to thank Senator Ballard for-- Chair Ballard for the conversations we've had surrounding this amendment. I appear in opposition today, and, and Mike's letter that I'm distributing to you kind of explains it. But simply, opposing the amendment for the reason that-- I think Senator Conrad asked the initial question on this, which is that we have not seen an actuarial study about the two changes that are proposed in the amendment. The Rule of 85 is contemplated in the previous study, but it makes-- it proposes or takes a look at the plan changes prior to the new version that you see in the bill with the stepped-down approach. We think we need a new actuarial study before we feel comfortable supporting moving forward with this. The same goes for Section 2 of the piece, which would adjust the state's contribution

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this year. We think that that should be amortized, and, and that the actuary should take into account what that-- the effect that might have on the plan into future years. So, with that, I'm happy to answer any questions that you have. I am no expert in any of this, but I appreciate your time today and thank Senator Ballard and the committee for their work on this bill.

SORRENTINO: Thank you for your testimony. Any questions?

CONRAD: I just have one.

SORRENTINO: Yes, Senator Conrad.

CONRAD: Thank you, Chair-- Vice Chair. Tim-- Mr. Hruza, did you have a chance to look, or perhaps have your clients had a chance to look at the most recently filed amendment, AM1108, that came in on this yesterday?

TIM HRUZA: We have. I can tell you that my understanding on that is that it corrects or adjusts the timing of when those, those step-downs are made to the July 1 date. I think from Mike's position, from our standpoint, that we're comfortable with that change, and thinks it's a, a good clarifier for the bill, so.

CONRAD: OK. Very good. Thank you.

TIM HRUZA: Thank you.

SORRENTINO: Seeing no further questions, thank you for your testimony. Can we have the next opponent, please? Good afternoon.

COLBY COASH: Good afternoon, Vice Chair Sorrentino, members of the Retirement Systems 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 we are here in opposition to this amendment. As, as we looked at this, and we looked at, you know, where we are in the stage of this process-- LB645, as it sits currently, we're, we're very comfortable with where it is. How we got there was a little up and down, but we really appreciate Senator Ballard bringing us to the table and getting LB645, as it sits, in a good place. The current version of the bill has an actuarial model to back it up; there's a cushion there that makes us comfortable. I've been around long enough to know that cushions are really, really important, and and contrib-- and the contribution rate is currently going down. And the current plan moving forward is stable, and we just, we just encourage the committee to, to keep on with what, what we have in, in place with us. You know, I

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listened to Mr. Royers. We're, we're right there with him to work with him and his organization to look at these issues moving forward, but we-- we'd like to keep LB645 as it sits moving forward.

SORRENTINO: Thank you. Any questions? Thank you for your testimony.

COLBY COASH: Thank you.

SORRENTINO: Do we have any more opponents? Seeing none. Is there anyone who would wish to testify in a neutral position? Seeing none. Chairman Ballard, you're invited to close.

BALLARD: Do you have any questions for--

CONRAD: I have one.

SORRENTINO: Oh, you did? I'm sorry, Senator Conrad, I didn't see you.

CONRAD: Sorry.

SORRENTINO: All right.

CONRAD: I thought they were going to jump up. Sorry. They were just maybe waiting.

SORRENTINO: Good afternoon.

TYLER CUMMINGS: Good afternoon, Vice Chair Sorrentino. My name's Tyler Cummings, that's T-y-l-e-r C-u-m-m-i-n-g-s. I'm the interim director for the Nebraska Public Employees Retirement Systems. We've been asked to testify in a neutral capacity in case the committee has any technical questions. So, if you do have any, I will try my best to give you an answer. If not, I can follow up with you all.

SORRENTINO: All right.

CONRAD: I just have one.

SORRENTINO: Are there questions? Senator Juarez-- Senator Conrad.

CONRAD: Thank you, Vice Chair. Thank you, Interim Director Cummings. Good to see you again. Quick question. Do you know-- could you provide the committee with an update on the status of your nomination being sent to the governor, or to the full Legislature?

TYLER CUMMINGS: I--

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CONRAD: Have you received any updates recently?

TYLER CUMMINGS: No, I, I can. I wasn't expecting this question.

CONRAD: OK. That's OK. We can continue the conversation offline if need be.

TYLER CUMMINGS: Yeah, yeah.

CONRAD: Thank you.

SORRENTINO: Any further questions, Senator Conrad?

CONRAD: No, thank you.

SORRENTINO: Thank you for your testimony, Mr. Cummings. And I believe now, Chairman Ballard, you are free to close.

BALLARD: I'll be, I'll be brief to try to give you a little bit of a lunch hour.

SORRENTINO: A little bit.

BALLARD: I think in our previous conversation-- previous hearing, I was focused on how to give teachers benefits; how to make this a win-win-win for everyone. And that's what this amendment was supposed to do. In conversations with the NSEA, they said we want to have this hearing, and I brought, brought the amendment to have the-- to have this conversation. So, I appreciate the, the committee's willingness to use their lunch hour. I know this has been a long year, and this could be our last hearing of the year. And so, I appreciate the-- their willingness to, to spend the hour with us, and I would be happy to answer any questions.

SORRENTINO: Any questions? Senator Juarez.

JUAREZ: Thank you. OK, so I have just a couple of clarifications for myself. Who brought this amendment that we were considering today?

BALLARD: It was the, the idea of-- it was a collaboration with the NSEA and myself, and the, the administrators were also in the room as well.

JUAREZ: Well, you know, obviously, hindsight always works 20-20, right? I wish that we would have thought about this great idea when we did the actuarial studies previously, because-- could you give me an idea-- how much does an actuarial study cost?

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BALLARD: Roughly-- it, it varies. Roughly, it'd be about \$8,000, would be an estimate. I can get you the exact amount. I can get that to you, the exact amount, what the last one cost.

JUAREZ: OK. Well, I guess to somebody-- to many people, that's probably not a lot of money, but, you know, I wish we could have not had this additional cost, and had this great idea and had all the analysis done with the prior actuarial analysis that we did, but--

BALLARD: Yeah.

JUAREZ: It is-- it is what it is.

BALLARD: Yes. And, and to-- just to be clear, Senator Juarez, at the request of the NSEA, we did include Rule of 85 in this previous actuarial study, and so that's where this conversation started.

JUAREZ: OK. Thank you for clarifying.

BALLARD: Thank you.

SORRENTINO: Other questions? I'm seeing none.

BALLARD: Thank you, Senat-- thank you, Vice Chair. Appreciate it

SORRENTINO: All right. That will-- we do have one online comment. 1 proponent, no opponents, and zero neutral. And with that, that will conclude our hearing on AM1023 to LB645. Thank you.