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FLOOR DEBATE

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LB 320

SENATOR SCHIMEK: Thank you, Mr. Clerk. Senator Stuhr, would you care to open on your bill?

SENATOR STUHR: Thank you, Madam President and members of the body. LB 320 changes the contribution rates under the Judges Retirement Act. And I will begin by briefly summarizing the basics of how the act is funded, the provisions of the bill as introduced, and the committee amendment which replaces the bill. Presently, the Judges Retirement Act is funded in four ways. And you might follow along with the pink sheet. One of the pink sheets that was handed out to all of you does indicate how it is funded presently. Judges contribute 6 percent of their monthly compensation until they have achieved the maximum benefit, 20 years of service. Thereafter, they cease to contribute. The state collects and remits \$1.00 on each county and district court case filed in the state, as the state's share of contribution. And I might add that \$1.00 raises about \$439,000. Purchasing power stabilization funds deposits of \$72,244 are made each year through Fiscal Year 2010 through 2011. According to statute, the state appropriates sufficient funds to amortize changes in unfunded actuarial accrued liabilities at an amount equal to the excess of the current normal cost over receipts from other sources. In other words, member contributions, court fees, and state appropriations are how the retirement is presently funded. I might just mention that retirement systems are a little bit different, in the fact that you change one amount, and it has a domino effect in changing other amounts. The deficit between contributions and the normal cost for this fiscal year is \$726,000. You might look at your second pink sheet, the handout, and you will see what I am trying to imply. Because the \$727,000 is not included in the appropriations budget, we propose raising member contributions and court fees. The plan uses a technique known as a five-year smoothing to even out gains and losses. And because of the investment returns of the past couple of years, we are still recognizing losses previously incurred. The deficit for the next fiscal year is expected to be 1.5...in the \$1.5 million range. Of course, that depends on investment performance. For many years, we appropriated the difference between the actual contributions and the normal cost. Because of very good investment performance, no contributions were required from Fiscal Year 1996-97 through