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COMMITTEE ON NEBRASKA RETIREMENT SYSTEMS  
March 16, 2005  
LB 468, 710, 711

The Committee on Nebraska Retirement Systems met at 12:15 p.m. on Wednesday, March 16, 2005, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB 468, LB 710, and LB 711. Senators present: Elaine Stuhr, Chairperson; John Synowiecki, Vice Chairperson; Patrick Bourne; Philip Erdman; Don Pederson; and Marian Price. Senators absent: None.

SENATOR STUHR: Good afternoon, ladies and gentlemen. We're ready to begin the hearing today before the Nebraska Retirement Systems Committee, and first I'd like to make some introductions. And to my far right is Mr. Don Jones, who serves as our committee actuary; Senator Marian Price from Lincoln; and Senator Patrick Bourne is out of his chair ready to introduce the bill, the first bill that we have today; Jason Hayes serves as our legal counsel; and to my left, Senator John Synowiecki is the Vice Chair of the committee, and I am sure he will be joining us in a few minutes; and Senator Phil Erdman from Bayard; and Senator Don Pederson is not with us at this time; and Kathy Baugh serves as our committee clerk; Matt Rathje is our page, so and if you have any needs I know that he is going to take care of those. Just a couple...and I am Elaine Stuhr and I serve as Chair of the committee and I represent District 24. Some of the rules for today: Please turn off you cell phones and any pagers that you might have. Those wishing to testify should come to the front of the room; that helps speed up the process. If you are testifying, please print your name on the sign-in sheet and include all of that information. As you begin your testimony, be sure to state your name and then spell it so that the transcribers may get that information. If you have handouts, give those to the page and he will certainly assist you; also if you need a drink of water or such. Members of the audience should not show any support or opposition to a bill, and I merely say that because we had this happen just recently in one of the committees that I serve on, so. Today's bills are going to be heard in this order: LB 468 by Senator Bourne. LB 710 and LB 711 will be heard together and those are both introduced by Senator Erdman. So, Senator Don Pederson has joined us, and I believe we are ready now to open on LB 468, Senator Bourne.

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SENATOR BOURNE: Thank you, Senator Stuhr, members of the Retirement Committee. My name is Pat Bourne. I represent the 8th Legislative District in Omaha introducing Legislative Bill 468. This bill would allow judges to retire a little earlier without facing substantial losses and benefits, which is currently the case. Under the bill, a judge may retire at age 60 and still receive the maximum benefits if he or she qualifies for those benefits. A judge who does not qualify for the maximum benefits may still elect to retire at 60 years of age but the retirement annuity shall be reduced by 3 percent for each year between his or her retirement and his or her 65th birthday. As required by our rules, this bill was introduced during the long session in order to allow for an actuarial study to determine the cost of the changes proposed in it. With that, I would answer any questions.

SENATOR STUHR: Okay. Are there questions for Senator Bourne? If not, thank you very much. Those wishing to testify in support. Welcome.

JOHN LINDSAY: Thank you. Senator Stuhr, members of the committee, for the record my name is John Lindsay, L-i-n-d-s-a-y, appearing as a registered lobbyist on behalf of the County Judges Association. I've also been asked to advise that the District Judges Association also joins in this testimony, but in order to save time we won't have two people coming up and saying basically the same thing. This bill was introduced, as Senator Bourne stated, to have a vehicle available. Under legislative rules, of course, the bill has to be introduced in the long session; not in the short session. It is to have a vehicle available should the need arise between now and the next session. We are asking that the committee keep the bill in committee, not advance it to the floor, keep it within your control, and wait to see if there is anything that changes between now and next year. With that I'd be happy to answer any questions.

SENATOR STUHR: Okay. Are there questions for John? Senator Pederson.

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SENATOR D. PEDERSON: I was just concerned, how did you arrive at the age of 60 years for this?

JOHN LINDSAY: That's kind of been the number that has been used as this kind of proposal has been kicked around. It's been kicked around for about as long as I can remember--15 years or more. They've kind of been looking at that 60-year age. I don't know that there was a formula used or anything like that to arrive at it.

SENATOR D. PEDERSON: But it just seems different to me, in view of the fact that life expectancy keeps increasing and this is decreasing in a sense.

JOHN LINDSAY: Yeah, and there is a big penalty for, right under current law, a huge penalty for retiring prior to 65, even with 20, 25 years of service, or more in some cases, there is a big penalty. This would not...it would reduce that penalty but there would still be a penalty for that early retirement.

SENATOR D. PEDERSON: Then they could out and practice law if they wish at that time.

JOHN LINDSAY: If they wish, they could, yes.

SENATOR D. PEDERSON: Okay. Do you wish? (Laugh)

JOHN LINDSAY: I'm happy doing what I'm doing. (Laugh) No, they...I think if you just look at retired judges, what they do, some do practice law. Typically, they don't practice it real hard. I mean, it's more because they enjoyed it when they were doing it and it's more of an enjoyment than an earning a living sort of thing.

SENATOR D. PEDERSON: Okay, thank you.

SENATOR STUHR: Are there any other questions? I just might ask, do you think you are planning to do an actuarial study? Have you...?

JOHN LINDSAY: We do not have plans for it at this time.

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SENATOR STUHR: You do not.

JOHN LINDSAY: Right. That's my understanding.

SENATOR STUHR: Okay. All right. Any other questions?

SENATOR D. PEDERSON: Well, who is going to do the study?

JOHN LINDSAY: Pardon me?

SENATOR D. PEDERSON: Who is going to do the study?

JOHN LINDSAY: Well, I may be...I don't know if there will be an actuarial study. As I mentioned, we're...the concept right now we are not pushing, other than having the vehicle. An actuarial study could be done if it appears that something does need to be done next year. But, like I say, as far as current plans right now, my understanding is that we don't have one planned. If that is not correct...if my understanding is incorrect I will advise you, Senator Stuhr, and get that information to you.

SENATOR STUHR: All right. Thank you. No other questions? Thank you, John. Are there others wishing to testify in support? Are there those wishing to testify in opposition? Those wishing to testify in a neutral capacity? Welcome.

ANNA SULLIVAN: Good afternoon, Senator Stuhr and members of the Retirement Committee. My name is Anna Sullivan; that's S-u-l-l-i-v-a-n, director of the Nebraska Public Employees Retirement Systems. And as you know, our job is to administer the judges' retirement plan. The Retirement Board did not take a position for or against this particular bill. We would definitely need to have an actuarial study to know the cost and the impact on the plan if this proposal were to be considered seriously by the committee and the Legislature. We would certainly want to then be involved with any planning or work associated with the bill, and I am sure you would invite us to that discussion. So I would be happy to answer any questions if you have any.

SENATOR STUHR: Are there any questions for Anna? If not, thank you.

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ANNA SULLIVAN: Okay, thanks.

SENATOR STUHR: Senator Bourne, do you wish to close? He waives closing. And that concludes the hearing on LB 468. We will now open the hearing on LB 710 and LB 711, introduced by Senator Erdman. Welcome.

LB 710 711

SENATOR ERDMAN: Madam Chairperson, members of the Retirement Committee, my name is Philip Erdman; I represent the 47th Legislative District. It is a pleasure to be on this side of the table. I am here to represent LB 710 or introduce LB 710 and LB 711. Together, these bills represent the beginning steps to develop a statewide retirement plan for law enforcement officers. Actually, the accurate statement was probably the interim study that we had before this committee was those beginning steps, and these are the follow-up. LB 710 is intended to begin the process of improving the pension plans for law enforcement officers in the state of Nebraska. LB 710 increases the employee contribution rate for police officers employed by cities for the first class participating in a retirement plan, from 6 percent to 7 percent of salary. It's been brought to our attention that LB 710 does include officers who are in the hybrid-defined benefit plan and an increase in these plans would require an additional benefit, which was an unintended oversight, and we'll be working with the committee to draft an amendment to address this issue and possibly include striking that section so that their plan would not be affected. LB 711 creates a statewide defined benefit retirement plan for all law enforcement officers. LB 711 is the beginning of the process to develop and implement such a plan. The language and provisions of LB 711 are loosely modeled after Wyoming's law enforcement pension plan. Section 1 of LB 711 establishes a law enforcement officer pension fund for cities of the first or second class and villages. Section 2 provides that each employee under the plan will contribute an actuarially determined amount, not to exceed 8 percent, and each employer shall contribute a matching percentage to the fund for each employee. Section 3 requires that officers retire at age 60 and provides the option of retiring after 20 years

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of continuous service in the same law enforcement department. The benefit for each retiree would consist of 2.5 percent of the average annual salary of the five highest salary years of the officer, multiplied by the number of years of service. The bill allows for portability of the money contributed by the officer, if they leave the department or an option to remain in the plan, if the officer has completed at least 10 years of service upon leaving. Section 4 under LB 711 provides for a disability pension of 62.5 percent of salary for those injured in the line of duty and 50 percent of salary for those that are injured off-duty. Section 5 establishes a death benefit of 50 percent of the officer's salary to be paid for the surviving spouse per month, as well as a monthly 6 percent of salary for each child under the age of majority. Upon the death of a retired officer drawing pension from the fund, the surviving spouse receives two-thirds of the officer's pension and \$60 per month for each child under the age of majority. The remaining sections of the bill are provisions dealing with administration, maintenance, and oversight of the pension plan and accounts. There are individuals who are here to testify specifically on the proposals and how it applies to the model language from Wyoming. And I would be happy to yield the remaining time to those individuals and would reserve the right to close.

SENATOR STUHR: Okay. Thank you, Senator Erdman. Are there questions? I just have one, in the fact do you have any idea how many law enforcement officers we would be talking about roughly?

SENATOR ERDMAN: I think if you look at the green copy of the bill, Senator Stuhr, it's going to be different than probably the number that those who are going to testify in support would intend. The reason LB 711 is in the form that it is, is to have a vehicle in process to work with. There are other requests that have been made to cover other law enforcement individuals, who may not be specifically included. So the answer that I would give you on this may not be the actual total answer that would be included and maybe some of the other individuals who could give you the specifics on LB 711. But conservation officers for Game and Parks, for example, aren't in there. Local...or county law enforcement, such as sheriffs and others aren't included.

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And then it also exempts other municipalities who have similar plans, as well. So as far as who we are talking about, I would imagine the people behind me can give you the answer for the specifics of LB 711.

SENATOR STUHR: Okay. All right, thank you. Any other questions? Senator Pederson.

SENATOR D. PEDERSON: Senator Erdman, how significant in this plan is that it's a defined benefit as distinguished from a defined contribution?

SENATOR ERDMAN: Currently, the individuals in the plan, the officers in the first class have a defined contribution plan, a majority of those who aren't in the metropolitan areas. So I would imagine that some enhancement of their plan is a key part of it. You'll hear testimony on why they have chosen the defined benefit option as a request, and I think that's something that we as a committee and, ultimately, as a Legislature will have to weigh and determine what is appropriate, what is affordable, and what is the best approach for ensuring adequate law enforcement.

SENATOR D. PEDERSON: And this calls for an actuarial study, and how is that going to occur?

SENATOR ERDMAN: I will allow you to ask that to the next testifiers.

SENATOR D. PEDERSON: (Inaudible.)

SENATOR STUHR: Okay. Senator Bourne.

SENATOR BOURNE: Real briefly, Senator Erdman, is the LB 710 enhances or increases the current plan that these law enforcement officers are in and LB 711 is a new plan where we bring them into the state. Is that in lieu of the local plans that they might already be in, or does the state plan, would that augment what they already have?

SENATOR ERDMAN: LB 710...I guess this is strategic, I guess. If we were going to go ahead with something, and we needed the opportunity to enhance the assets that would be available to create a statewide plan, LB 710 would give us

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that option to do it incrementally. In other words, we could increase the contributions from both the employer and the employee to build the assets that could then be rolled over into a different plan. So LB 710 is designed to address the current system as it stands, which is the first-class cities. LB 711 would be a plan that would essentially, as I understand it, would replace those and come up with the alternative to that that would give those individuals then a plan administered by the state. There would be the local pay in by the municipalities, the employer would pay in and it would be administered by the state. So there would still be that necessary match from those entities; it would be administered by the state.

SENATOR BOURNE: Okay, thank you.

SENATOR STUHR: (Exhibits 1, 2, 3) Okay, thank you. Those wishing to testify in support, please come forward. And I do have a letter here from Officer Corey Haybrock in support, also James Baird Jr. in support, and Kim Christensen from York in support. So, welcome.

STEVE GRABOWSKI: (Exhibit 4) Good afternoon, Senator Stuhr and members of the Retirement Committee. My name is Steve Grabowski, and I'm the president of the Nebraska Fraternal Order of Police. The Nebraska Fraternal Order of Police represents over 2,500 of Nebraska's police officers, deputy sheriffs, corrections officers, probation officers, and conservation officers. I'm also a lieutenant with the Sarpy County Sheriffs Department. I've worked at the Sarpy County Sheriffs Department for over 24 years. I have been a certified law enforcement officer in Nebraska over 30 years. First of all, Senator Stuhr and committee members, the members of the Nebraska FOP would like to thank this committee for taking time to do the interim study that looked into the retirement systems for Nebraska peace officers. The Nebraska Fraternal Order of Police would also like to thank Senator Erdman specifically and his staff for the hard work that they have done on LB 710 and LB 711. Senator Stuhr and committee members, I want to assure you the Nebraska FOP is committed to seeing that LB 711 will be a bill that will address the retirement needs of Nebraska's peace officers. We know that a piece of legislation of this magnitude will take time, effort, and money. I believe the

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Nebraska FOP has already demonstrated that commitment to LB 711 in the amount of work that state Vice President Mark Overman has dedicated to this endeavor. We have also contacted Pat Beckham with Milliman USA, an actuarial firm in Omaha. Ms. Beckham did a study for the Fraternal Order of Police, POAN, and the Nebraska Sheriffs Association awhile back, so she is somewhat familiar with the scope of the different retirement systems for peace officers in Nebraska. The members of the Nebraska Fraternal Order of Police are ready to help this committee in any way to ensure that LB 711 turns out to be a fiscally sound and fair retirement system for all of Nebraska's peace officers. We would like to see LB 711 include all of Nebraska's law enforcement officers that are not already included in a defined benefit system, such as Omaha Police Department, Nebraska State Patrol, Douglas County Sheriffs Office, Douglas County Corrections, and Lincoln Police Department. They already have a defined benefit plan and would not be included in a retirement plan, such as LB 711 proposes. Senator, I started with the Sarpy County Sheriffs Department in 1980 when I was 30 years old. In early 1984, I was assigned to work an undercover assignment. We worked with other agencies to include Omaha Police Department, and we did the same job, buying narcotics in an undercover capacity. There was an OPD officer that started the task force at the same time, and coincidentally he had started with OPD in 1980. I believe he was 23 or 24 years old at that time. To make a very long story short, senators, he is now retired from the Omaha Police Department at 47 with a captain's pension, and I'm still working at the Sarpy County Sheriffs Department and can't even think about retiring for at least another two years. Even when I reach 55, I won't have enough money in my state county employee program to retire with a liveable income. The OPD officer that I spoke about not only got to retire at a decent age but he had the opportunity to advance in rank with the Omaha Police Department. This advancement was a direct result of the type of retirement system that OPD currently enjoys. This type of positive turnover helps law enforcement agencies attract new officers with new and innovative ways to serve Nebraska and its citizens. Senators, police work is generally a young person's career. That is not to say there is no room for older officers, but Nebraska's citizens deserve to have the best service possible to make them feel

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safe in their homes. Again, senators, I want to thank you for allowing LB 711 to be heard in front of this committee and I want to reassure you that the over 2,500 members of the Nebraska Fraternal Order of Police will be here to help in any way we can. And I would also like to, for a minute, speak in favor of LB 710, too; that's just the first part of the bill. Thank you, Senator.

SENATOR STUHR: Are there questions for Lieutenant Grabowski? So you are representing 2,500...

STEVE GRABOWSKI: Yes, ma'am.

SENATOR STUHR: ...approximately 2,500 of Nebraska's police officers. Okay.

STEVE GRABOWSKI: Senator, to answer your earlier question, this probably would affect between 3,200 and 3,800 police officers in Nebraska. That would be other than the ones that were listed here...that's kind of a rough estimate...if all of the law enforcement agencies were represented in this plan.

SENATOR STUHR: All right. I know that...and you realize also the defined benefit is certainly an extra burden and an extra cost, so to speak. What about a defined contribution? Is that a consideration?

STEVE GRABOWSKI: Senator, most are in it. I'm in a plan. The plan I'm in currently is a defined contribution and the one that the first-class cities are in currently is defined contribution. The other ones that don't have it, second-class cities and villages, aren't included...and our conservation officers, too, I believe have a defined contribution plan, too. And, again, I just see that as being kind of woefully underfunded...not underfunded; it's funded as well as I can fund it with my match and the county's match. But I just think the benefit won't allow it, and like Senator Pederson had referred to earlier, people live longer and my defined benefit plan may run out before I die. Though, typically, in police officers after they retire, they usually live between three and five years after that, so that's just a...they have a shorter life span after retirement.

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SENATOR STUHR: I wasn't aware of that.

STEVE GRABOWSKI: Yes, ma'am.

SENATOR STUHR: Any other questions? Thank you very much for sharing that information.

STEVE GRABOWSKI: Thank you, Senator.

SENATOR STUHR: Next person in support? Welcome.

MARK OVERMAN: Thank you, Senator. Good afternoon, Senator Stuhr and members of the committee. My name is Mark Overman, O-v-e-r-m-a-n. I am a Scottsbluff police detective with more than 26 years of service, and I'm also the senior agent on a regional drug task force. I'm also the vice president of the Nebraska Fraternal Order of Police. And as you've heard, we represent over 2,500 officers in the state. I'd like to thank the committee for giving us this opportunity, and especially Senator Erdman for introducing the legislation. I would also like to commend the committee staff, Jason Hayes and Bernard Scherr are the names I know, and perhaps Mr. Jones, as well, for an outstanding job on gathering the statistics and the data for LR 391, the law enforcement retirement study. Our own FOP retirement committee found the same disparities and differences in law enforcement retirement. Your staff did an excellent job of bringing it all together in a clear and concise report. LB 710 is a result of the committee's study and recommendation regarding law enforcement retirement. The study found that the retirement contribution rate of officers in first-class cities should be increased. This bill would increase that contribution rate from 6 to 7 percent for employees and employers. The FOP supports LB 710, and we ask the committee to do so, as well. We disagree with the retirement study's second recommendation suggesting a hybrid-defined benefit or cash balance system. We believe that the study shows a defined benefit system is the prevalent practice in surrounding states and inside Nebraska's largest law enforcement agencies. The FOP strongly supports LB 711, and we extend our gratitude to Senator Erdman for introducing it. In November, I explained the desperate need for a statewide law enforcement

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retirement system in Nebraska. Today, officers in second-class cities and villages have no mandated retirement plan. During the stock market decline, many officers covered under defined contributions plans, suffered serious setbacks in their defined contribution accounts and may never recover. Over the years, this committee has conducted benefit review surveys of law enforcement retirement systems. Those surveys often show adequate retirement benefits using a defined contribution system. However, those surveys have the same fatal flaw. They use unrealistic annual yield projections for retirement accounts. A 2000 study used a 7 percent rate of return; a 2001 study used an 8 percent rate of return and also assumed a 5.5 percent annual salary increase. And those rates of return, as this committee knows, are not realistic and neither are the salary increases. And speaking from my experience as a Scottsbluff police officer, we negotiate for salaries every year, and we are on top of what is happening across the state, and I would say that the average salary increases are 2.5 to 3 percent. Administrators from almost every law enforcement agency in the state will tell you how difficult it is to recruit and retain quality officers. We believe a statewide defined benefit system with portability between agencies makes far more sense than many small systems. Apparently, the vast majority of other states agree. In addition to officers in first- and second-class cities, we would like to see the final version of this bill include sheriffs' employees and our state conservation officers. We would also ask the committee, in the final version of this bill, to consider an adjustment of the mandatory retirement age and inclusion of a delayed retirement option program. We recognize that LB 710 and LB 711 are the first step in a lengthy process to achieve these reforms that we're asking you about. We would like to see all of the officers in the state covered--those that I've described. The contributions, of course, are to be determined by an actuarial study. The retirement benefit, we would like to see a maximum of 80 percent; the existing bill has 70 percent. And we would like to see a cost of living adjustment. We would like to see a delayed retirement option program. We like the disability, the survivor's benefits. We would like to see 7-year vesting, making it comparable to federal law. And we would like to see some addressing of health insurance in this bill, as

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well, for retirees. We know that this bill cannot proceed without an actuarial study, however we appreciate the committee's work on this issue. After many years of seeing very little accomplished in the area of law enforcement retirement, we feel this is a giant step forward in the right direction. And I'd be happy to answer any questions.

SENATOR STUHR: Okay, thank you. And thank you for traveling so far today to be with us. Are there questions for Mr. Overman? Thank you very much.

MARK OVERMAN: Okay, thank you.

SENATOR STUHR: Are there other persons wishing to testify in support? Welcome.

STACEY LEWTON: Good afternoon. Thanks to the committee for letting me talk and thanks to Senator Erdman for introducing the bill. My name is Stacey Lewton, S-t-a-c-e-y L-e-w-t-o-n, and I'm a conservation officer with the Nebraska Game and Parks Commission. We are in support of the bill for retirement. I can tell you a little bit about some of our conservation officers that has recently retired, and we've had four. The average age has been 68 years of age. And the average life...or average years of service has been around 40 years. Conservation officers have a...I really don't know the words here...the conservation officers...excuse me, I'm a little nervous; it's the first time I've testified...

SENATOR STUHR: Try to relax, you are doing great.

STACEY LEWTON: We have a retirement similar to what a...not a defined benefits plan but a...can you help me out? Don't know...contribution. Yes, contribution. And we're looking to get a defined benefits plan. And we support the bill that's in front of it and want to see it continue with conservation officers added. I'll look at some of my notes. We've lost some conservation officers to other state agencies because of retirement has been an issue. And we feel that these were good officers and we would have liked to have kept them, but some of the retirement and some of their benefits were a little better and so we did lose them. And with that I would...if you have any questions?

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SENATOR STUHR: Okay, thank you, Stacey. Senator Bourne.

SENATOR BOURNE: Thank you. As a Game and Parks employee, you are in the state plan?

STACEY LEWTON: Yes.

SENATOR BOURNE: Okay.

STACEY LEWTON: Yeah, we have a...we're with the Conservation Officers Association. We have set aside money. We put money into an account, and then they match some of those funds.

SENATOR BOURNE: Okay. Thank you.

SENATOR STUHR: Where are you from?

STACEY LEWTON: I'm from Lincoln.

SENATOR STUHR: You are from Lincoln.

STACEY LEWTON: Yeah.

SENATOR STUHR: Okay. Do you know how many conservation officers...

STACEY LEWTON: Yes. There are 47 field officers and 56 total.

SENATOR STUHR: Fifty-six total.

STACEY LEWTON: Yes.

SENATOR STUHR: Okay. And that number stays pretty much the same?

STACEY LEWTON: Yeah. It stayed that same number for several years. We've tried to hire more officers, and it's relatively stayed the same for several years. One of the other benefits of this could possibly be getting some of these guys retired sooner, and so you wouldn't have to pay a top-end salary for that period of years. If they retired at

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an earlier age, that top-end salary, you wouldn't have to pay that for that extra period of time. And most of these guys retire, not because they wanted to stay on that long, but they had health problems and they had to retire at that time.

SENATOR STUHR: I see. It appears they must work a number of years, most of them.

STACEY LEWTON: Yes. Yeah, most of them, like I say, Gary Ralston was one of the particular officers--he's worked 39 years of service; Dwight Allbery, 40 years; Jack Henderson at 42 years; and Bruce Wiebe at 41 years of service. And I don't know about Bruce, but Gary, Dwight, and Jack all retired because of health problems. And not because of the...they wanted to stay on those period of times; it was because they had to.

SENATOR STUHR: Okay, thank you. Are there questions from the committee? Thank you very much for coming.

STACEY LEWTON: Okay.

SENATOR STUHR: You did a great job.

STACEY LEWTON: All right.

SENATOR STUHR: Other person wishing to testify in support? Welcome.

LARRY THOREN: (Exhibit 5) Senator Stuhr, members of the committee, good afternoon. My name is Larry Thoren, T-h-o-r-e-n. I'm the chief of police of the city of Hastings. I'm testifying today in support of both bills on behalf of the Police Chiefs Association of Nebraska and for the Police Officers Association of Nebraska. On LB 710, we support the increase in the 1 percent contribution, however LB 710 only affects first-class cities. We strongly support LB 711 which will provide Nebraska police officers with a decent retirement system. I won't be redundant and repeat earlier testimony. I've been in Nebraska for seven years as the chief of police in the city of Hastings. I have found it difficult to recruit experienced police officers from outside of Nebraska because of the current retirement system

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which is basically a glorified 401(K). I have lost police officers to several states that have a defined benefit system. I've also found that police officers in Nebraska can't afford to retire because the funds aren't available, which means they stay on beyond their prime; they stay on and experience health problems. The city's health insurance costs and workman's comp costs are higher than they need to be because officers are staying longer than they should be. Some of the costs that will be associated with implementing LB 711 will be offset by reduced medical costs and workman's comp costs to the cities. You know, again, this is not a Cadillac retirement system; it's a Ford or a Chevy. But it is a system that will allow us to be able to compete for experienced police officers and should be a system that will be able to retain officers from going to other states. What questions can I answer for you?

SENATOR STUHR: Okay, are there questions for Mr. Thoren? I know in the bill it says may retire at age...in LB 711...age 60 and provides the option of retiring after 20 years of continuous service. Could that number be raised a bit from 20 to...? It seems as if...I don't know what the average number of years is but...

LARRY THOREN: Most states are 20 years and age 50. And the retirement benefits would, in other states, will increase depending if an officer works longer. I came from Illinois and it was at age 50 and 20 years, it's 50 percent retirement. But if you work from 20 to 30 years, it's increased by 2 percent per year until 30, and then 1 percent until the age of 35, with a maximum retirement at 75 percent. Now, Minnesota is 3 percent a year, vested after three years, and retired based on your last year's salary. So if an officer worked 30 years, he would retire at 90 percent. So when you compare this plan with other states, it's...we can compete with other states. It's not...you know, we're not going to be setting a new benchmark, but we will improve what happens in Nebraska.

SENATOR STUHR: Certainly. Do you see quite a turnover in...I believe you mentioned it was difficult for you to find...

LARRY THOREN: Yes. In my seven years as police chief in

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Hastings, we lost officers to Iowa, Missouri, Kansas, and one to Oregon. And I've also lost recruits from Illinois and Arizona, the two that come to the top of my mind.

SENATOR STUHR: Um-hum. Okay, thank you for sharing that information. Senator Pederson.

LARRY THOREN: Yes, sir.

SENATOR D. PEDERSON: Chief, do you have a waiting list of people who are potential officers?

LARRY THOREN: Yes, we do. We do have a waiting list.

SENATOR D. PEDERSON: About how many are on that waiting list now, do you know?

LARRY THOREN: In fact we just did a consortium testing with agencies in the Hastings/Kearney area, and our list, I believe, is 20...maybe 23 or 25 people.

SENATOR D. PEDERSON: Is that normal?

LARRY THOREN: That's about normal. Now when you sift through that list and find people that will actually successfully complete the selection process, there is probably four or five decent candidates.

SENATOR D. PEDERSON: I am familiar with that, yeah. I just wondered what your...if you had a waiting list and then what it was.

LARRY THOREN: Yes.

SENATOR D. PEDERSON: Thank you.

SENATOR STUHR: Are there any other questions? If not, thank you very much for being here.

LARRY THOREN: Thank you much.

SENATOR STUHR: Next person wishing to testify in support? Are there any wishing to testify in opposition? Welcome.

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GARY KRUMLAND: Senator Stuhr, members of the committee, my name is Gary Krumland. The last name is spelled K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities and appearing in opposition to both LB 710 and LB 711. I don't necessarily disagree with much of what the proponents said, but the concern we have about both of these bills is financial and the effect they'll have on cities and villages and their ability just to make ends meet. Bills like LB 710 and LB 711 put municipalities in a vice and they are squeezed from both sides. One, this mandates increased costs along with other uncontrollable costs like health insurance and things like that. On the other side, cities are under lids, levy limits, reduced state aid. Many of you on the committee know that since 1996, cities have been under a budget lid. Since 1998, they have been under levy limits. Both have reduced the cities' flexibility to raise revenue and spend money. Over the last few years, state aid had been reduced...state aid to cities has been reduced by over 35 percent. Two million dollars a year has been transferred from the cities' Municipal Equalization Fund to the General Fund, and the Municipal Infrastructure Redevelopment Fund, or MIRF, was suspended for two years and the \$3 million from there was transferred to the General Fund. Even this year, the MIRF is scheduled to go back into existence, but the Governor's budget has proposed that to counteract that, state aid would be reduced by \$3 million. That's seems like an equalization, but it's not really because cities can only spend MIRF on infrastructure. State aid can be spent on anything. So that, even it reduces the flexibility of cities to spend on things like law enforcement. So the concern about these bills is just the additional cost that cities and villages will have at a time when they're having difficulty already making budgets meet. There is some specifics on LB 710. There is concern that it would take effect on July 1, 2005. If it takes effect on July 1, that's three-quarters of the way through a city or village budget year, and they haven't budgeted for it, they haven't planned for it. So that would be a great burden on it. If anything needs to be done, it should be coordinated with the city's fiscal year, that way if they have to make cuts or lay people off to fund it, they can plan that in the budget process. We also have real concerns about LB 711 and creating a defined benefit program. Twenty years ago, I think in 1984, the first-class

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city police system was changed from defined benefit to defined contribution. Concerned about defined benefit systems having greater cost and less certainty in amount of money that needs to be put into them. And it's for these reasons we, I guess, oppose both LB 710 and LB 711.

SENATOR STUHR: Okay, thank you, Gary. Are there questions?  
Senator Bourne.

SENATOR BOURNE: Gary, do you know if the Appropriations Committee is going along with the Governor's recommendation of the MIRF money?

GARY KRUMLAND: I don't know. Tomorrow, when the Treasurer's hearing is up, we're going to have several people there to talk about that issue, but I don't know what the Appropriations Committee is going to do.

SENATOR STUHR: Since we have the Chair of the Appropriations Committee, Senator Pederson.

SENATOR D. PEDERSON: Gary, I think we'll defer the discussion about the MIRF funds until tomorrow.

GARY KRUMLAND: Okay. And that's fine.

SENATOR STUHR: Okay. You talked about July not being a good time. January 1, is that your beginning...

GARY KRUMLAND: Well, cities' fiscal year, for all cities other than Lincoln and Omaha, starts October 1.

SENATOR STUHR: October 1, okay. I know there are so many different dates. Okay, October. All right. Okay, are there any other questions? If not, thank you for coming and sharing the information. Are there any others wishing to testify in opposition? Those wishing to testify in a neutral capacity? Welcome.

JOE SCHAEFER: Thank you. Good afternoon, Senator Stuhr and members of the Retirement Committee. My name is Joe Schaefer, S-c-h-a-e-f-e-r, and I'm counsel for the Public Employees Retirement Board. Very briefly, I did notice the instances in LB 711 that detail functions and duties to be

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performed by the board. And I believe there would have to be additional provisions to clarify those duties, as well as provisions to extend powers to the PERB. We would only ask that you include us as you further develop this proposal. If you have questions, I'd be happy to answer them.

SENATOR STUHR: Thank you. Any questions for Joe? If not, thank you very much.

JOE SCHAEFER: Thank you.

SENATOR STUHR: Anyone else wishing to testify in a neutral capacity? Senator Erdman to close.

SENATOR ERDMAN: Senator Stuhr, members of the committee, thank you for your attention this afternoon. The process is ongoing and it will have to be a process that we, as a committee, will discuss and determine the appropriate plan of action. And when you look at some of the factors, I guess, that have contributed to the discussion we're having today, currently there are many officers who don't have a retirement plan, and so there is an incentive for them to move from those smaller communities into a larger community. And unfortunately we didn't hear about those costs today. There is a cost to the city, say the city of Bayard, to retrain or to provide the training for a new hire that end up becoming an employee of a larger community which has a system or a retirement benefit. And that's what we're seeing, I think, across the state. And I think it's appropriate for us to have this discussion. So while there will be costs, and I think everybody understands that, I think some of the costs may be offset by other provisions that may be remedied. I think there is also going to be a discussion of what the total cost is versus what maybe the available assets would be to cover some of those. And so I think that's a discussion we can have within the committee. To my recollection, and I'll have to check on the study results or this last fall that there was some discussion about a need for some increase in adequacy in the current plan. And so we're trying to take a measured step with LB 710 to accomplish that and recognize the concerns of the League. And, again, we can discuss those within the committee and with those interested parties and see where we may end up.

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SENATOR STUHR: Okay, thank you. Are there questions for  
Senator Erdman? If not, thank you very much.

SENATOR ERDMAN: Thank you.

SENATOR STUHR: And that closes the hearing on LB 710 and  
LB 711.