

NEBRASKA RETIREMENT SYSTEMS COMMITTEE

2021

Early Retirement Incentives Reported to Nebraska Public Employees Systems and Early Retirement Incentives Issued by Omaha Public Schools

Committee Members

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Overview of Early/Voluntary Retirement Incentives

In 2017, Senator Kolterman introduced LB 415 which included requirements for schools and plan members to report information upon a member's termination related to payment and receipt of an early retirement inducement (ERI).

In 2018, Senator Briese introduced LB 457 to remove the exemption from budget and levy limitations, voluntary termination agreements that were allowed under sections 77-3442, 79-1003, and 79-1028. LB 457 was amended into LB 512, further amended and enacted.

This Report provides background on the legislation which was enacted to require reporting of early retirement incentives and changes enacted to remove the exemption from budget and levy limitations for payment of voluntary termination agreements (early retirement incentives).

This Report includes data prepared by the Nebraska Public Employees Retirement System (NPERS) on reports submitted by schools and members in 2018, 2019 and 2020. It also includes data provided by Omaha Public School (OPS) on the early retirement incentives paid to members of the Omaha School Employees Retirement Plan (OSERS). The data from OPS is limited to 2018 because under collective bargaining, the payment of early retirement incentives was discontinued after 2018.

Legislative History

Reporting of Early Retirement Inducements

In 2017, LB 415 was introduced by Senator Kolterman, Chairman of the Nebraska Retirement Systems Committee to address a concern that School Plan members were receiving income from multiple sources at the same time (i.e., retirement benefits, early retirement incentives, and paychecks from returning to work after retirement). The bill as passed, in part, required school districts and plan members under the School Employees Retirement Act to report in writing to the Nebraska Public Employees Retirement System (NPERS) whether or not a member received an early retirement inducement. Employees of Omaha Public Schools (OPS) who were members of the Omaha School Employees Retirement System (OSERS) in the Class V School Employees Retirement System, also had the same reporting requirement. Below are the relevant statutory sections in the School Employees and Class V School Employees Retirement Acts which describe the reporting requirements enacted by LB 415.

79-921. – School Employees Retirement Act

(2)(a) The employer shall (i) notify the board in writing of the date upon which a termination of employment has occurred and provide the board with such information as the board deems necessary, (ii) notify the board in writing whether or not a member accepted and received an early retirement inducement, and (iii) submit in writing with the notice of termination of employment and notice of receipt of an early retirement inducement a completed certification by the employer and member under penalty of prosecution pursuant to section 79-949 that, prior to the member's termination, there was no prearranged written or verbal agreement for the member to return to service in any capacity with the same employer.

(b) The member shall submit certification to the board on a form prescribed by the board, under penalty of prosecution pursuant to section 79-949, whether or not the member accepted and received an early retirement inducement from his or her employer.

79-992.01. – Class V School Employees Retirement Act [OSERS]

(c) Submit in writing with the notice of termination of employment and notice of receipt of an early retirement inducement a completed certification by an employer and member under penalty of prosecution pursuant to section 79-992.02 that, prior to the member's termination, there was no prearranged written or verbal agreement for the member to return to service in any capacity with the same employer.

(2) The member shall submit (a) to the administrator and the board of trustees until September 1, 2024, and (b) to the retirement board beginning September 1, 2024, upon the member's termination, under penalty of prosecution pursuant to section 79-992.02, completed certification on forms prescribed by the administrator and the board of trustees or the retirement board, as applicable, stating whether or not the member accepted and received an early retirement inducement from his or her employer.

Removal of Budget and Levy Limitation Exemptions for Voluntary Termination Agreements

In 2018, Senator Briese introduced LB 457 to change exceptions to school district levy and budget exceptions for voluntary termination agreements. LB 457 removed the exemption from budget and levy limitations, voluntary termination agreements that are allowed under Nebraska Revised Statutes sections 77-3442, 79-1003, and 79-1028.

In Senator Briese's introduction of LB 457, he explained that he wanted to provide more control and accountability in the expenditure of tax dollars. Under section 77-3442, school districts are limited to a maximum levy of \$1.05 per \$100 of valuation. However, at that time, the statute took amounts levied to pay certificated employees for a voluntary termination outside of that limit. LB 457 put those amounts back within the total that is subject to the levy lid. Statutes also placed limitations on a school's budget authority. However, at that time section 79-1028.01 provided an exception to the limit for expenditures paid for voluntary termination, thereby taking such expenditures outside of the limits on a school's budget authority. LB457 put those expenditures back within the budget limits.

Senator Briese in his introduction explained that when incentive exceptions were originally enacted, they were described as necessary to encourage and incentivize voluntary terminations and the spending reductions that might subsequently occur. He questioned whether this incentive was effective in encouraging an employee to retire but were being used instead to simply provide extra compensation.

He stated that if school boards or administrators made a determination that these incentives were a justifiable use of taxpayer dollars, then he believed they should be subject to the levy and budget growth restrictions like the vast majority of other district outlays. He felt that this change would require districts to prioritize spending and look for alternative ways to fund such expenditures.

Finally, he explained that LB 457 does not take money away from school district or take away a district's ability to use this tool. [See Appendix A for the full transcript of the hearing on LB 457]

LB 457 was amended into LB 512 by the Education Committee. On Select File Senator Briese's AM970 was adopted which would exempt from budget and levy limits the amounts levied to pay for 75 percent of the funds used for voluntary termination agreements in fiscal year 2018-19 and would decrease to 50 percent for FY2019-20 and to 25 percent for FY2020-21.

AM1083, introduced by Senator Harr, was also adopted on select file to allow school districts already at their maximum levy to exempt from budget and levy limitations up to \$35,000 of payments for a teacher's voluntary termination agreement that is not part of a collective bargaining agreement. The provision would not apply to administrators.

On final reading, LB 512 was returned to Select File for a specific amendment, AM1346. AM1346 included the provisions contained in the previously adopted AM 970 and AM1083 and also returned the requirement that school districts demonstrate to the state board of education that the payment of incentives in exchange for a voluntary termination of employment will result in a net savings in salary and benefit costs to the district over a five-year period, as well as the requirement to report all incentives paid in exchange for voluntary terminations of employment on the annual financial report, which requirements were already in statute but had been removed under LB 457 as introduced. AM1346 was adopted by a 42-0 vote and was passed on Final Reading. LB 512 was signed by the governor on May 22, 2017.¹

Voluntary Termination Provisions Adopted under LB 512

79-8,142. Incentive for voluntary termination; school district; duties.

(1) A school district may agree to pay incentives to a certificated employee in exchange for a voluntary termination of employment.

(2) For purposes of this section, incentives paid in exchange for a voluntary termination of employment include any amount paid, except pursuant to the Retirement Incentive Plan or Staff Development Assistance agreement required under sections 79-854 to 79-856 for school districts involved in a unification or reorganization, to or on behalf of any certificated staff member in exchange for a voluntary termination of employment, including, but not limited to, early retirement inducements and costs to the school district for insurance coverage for such certificated staff member or any member of such certificated staff member's family.

(3) Incentives paid to a certificated teacher in exchange for a voluntary termination of employment shall be a qualified voluntary termination incentive for a certificated teacher for purposes of sections 77-3442 and 79-1028.01 if:

(a) All current and future incentives paid by the school district to such certificated teacher for such voluntary termination of employment do not exceed thirty-five thousand dollars in total and such school district has not and shall not pay any other incentives to such certificated teacher for any voluntary termination of employment;

¹ Legislative history is excerpted from the 2018 Education Committee Session Summary and Disposition of Bills, pages 22-23. https://nebraskalegislature.gov/pdf/reports/committee/education/2018_report.pdf

(b) All current and future incentives for such voluntary termination of employment are paid within five years after such voluntary termination of employment or prior to such certificated teacher becoming eligible for medicare, whichever occurs first;

(c) Such school district has, to the satisfaction of the State Board of Education, demonstrated that the payment of such incentives in exchange for a voluntary termination of employment will result in a net savings in salary and benefit costs to the school district over a five-year period; and

(d) Such incentives to be paid in exchange for a voluntary termination of employment were not included in any collective-bargaining agreement.

(4) Each school district shall report all incentives paid in exchange for voluntary terminations of employment on the annual financial report in the manner specified by the department.

(5) The State Board of Education may adopt and promulgate rules and regulations to carry out the purposes of this section.

Summary of Reported Early Retirement Incentive Data

NPERS was asked by Senator Kolterman, Chairman of the Nebraska Retirement Systems Committee to put together data on the Early Retirement Incentives (ERIs) reported by school district employers and members in 2018, 2019 and 2020.

OPS was also asked to report on ERIs paid out by OPS during that same time period. OPS reported that under collective bargaining, ERIs were discontinued after 2018 so their data only reflects the amounts paid in 2018.

	<u>NPERS Data 2018 – 2020</u>	<u>OPS Data 2018</u>	<u>Total</u>
Total School Districts Reporting ERIs	97	1	98
Total Reported ERIs Issued	522	27	549
Largest Single ERI Payment	\$197,747 *	\$100,000	
Average Dollar Value of All ERIs	\$38,565	\$71,248	
Average \$ Value by Top 5 Districts	\$94,255		
Dollar Value of All Reported ERIs	\$20,131,292	\$1,923,684	\$22,054,976

*The largest single ERI payment of \$197,757 was issued by Fremont school district

This is a list of the 97 schools/employers that issued ERI /ERIs in 2018, 2019 and/or 2020.

Arapahoe	Gering	Ralston
Arcadia	Gothenburg	Red Cloud
Arnold	Gretna	Rock County
Axtell	Hemingford	Sandhills
Bellevue	Hershey	Schuyler
Blair	High Plains	Scribner-Snyder
Blue Hill	Hitchcock	Seward
Boyd County	Holdrege	Shelby-Rising City
Broken Bow	Homer	Shelton
Bruning-Davenport	Howells-Dodge	Silver Lake
Burwell	Humboldt Table Rock Steinauer	St. Paul
Callaway	Kimball	Springfield Platteview
Cedar Bluffs	Laurel-Concord-Coleridge	Sterling
Centennial	Lincoln	Sumner Eddyville Miller
Chase	Logan View	Superior
Columbus	Lyons-Decatur	Syracuse-Dunbar-Avoca
Conestoga	Madison	Tekamah-Herman
Cozad	Malcolm	Thayer Central
Crawford	Medicine Valley	Twin River
Creek Valley	Millard	Valentine
Crofton	Mitchell	Wahoo
Doniphan-Trumbull	Morrill	Wakefield
Douglas County West	Nebraska City	Wayne
Dundy	Neligh-Oakdale	Weeping Water
Elkhorn	Newport	Westside
Elkhorn Valley	North Bend	Wheeler Central
Elwood	Northwest	Winnebago
Emerson-Hubbard	Omaha Nation	Wisner-Pilger
ESU #16	Papillion LaVista	York
ESU #7	Perkins	
Fairbury	Pierce	
Fremont	Plainview	
Fullerton	Potter-Dix	

The Report submitted by NPERs appears as Appendix B and provides a significant amount of detail broken down by several categories. Examples of categories include:

Types of payments made:

- Periodic payments to 403(b) Accounts
- Lump Sum Payments to Employees
- Lump Sum Payments to 403(b) Accounts
- Lump Sum Payment to 403(b) Accounts or Health Insurance
- Health Insurance Payments
- Payment Type Not Reported

Job classifications:

- Administrators
- Teachers
- Classified Employers
- Job Title Not Reported

Of the 97 school districts/employers that reported ERIs to NPERS, five districts issued 52 of the 522 reported ERIs. The 52 ERIs issued by these 5 school districts equaled nearly 25% of the total ERI payments made in 2018, 2019 and 2020 for a total dollar value of \$4,899,701, with an average dollar value of \$94,255. The five districts are: Fremont, Bellevue, Springfield Platteville, Centennial and Douglas County West. Fremont and Bellevue school districts issued the largest number of ERIs and the highest total dollar amounts.

Fremont School District:

Total Reported ERIs Issued	23
Largest Single ERI Payment	\$197,747
Average Dollar Value of All ERIs	\$105,507
Dollar Value of All Reported ERIs	\$2,426,652

Bellevue School District:

Total Reported ERIs Issued	22
Average Dollar Value of All ERIs	\$83,274
Dollar Value of All Reported ERIs	\$1,832,022

OPS Data Reported

The data provided by OPS appears as Appendix C. It includes the number of payments for each of the 27 members who were issued an ERI, the total ERI amount, and the amount of the monthly ERI payment to each of the 27 recipients. The length of time over which the payments were made ranges from 11 months to 81 months. The amounts of the monthly ERI payments range from \$1,083 to \$1,523 and the total ERI payments made to each of the 27 recipients range from \$11,110 to \$100,000.

Appendix A

LB 457 Hearing Transcript

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Education Committee
January 31, 2017

ALEXI RICHMOND: You want us to call him? [LB457]

SENATOR KOLOWSKI: Yes, please. Senator Briese. We'll take a short break as we are making contact and bringing people here. Thank you. [LB457]

BREAK

SENATOR GROENE: I guess we will begin again. Senator Briese will introduce LB457. [LB457]

SENATOR BRIESE: Thank you, Senator Groene. And good afternoon, Senator Groene and members of the Education Committee. I apologize for being a little tardy here but had another hearing over there. I'm Tom Briese, T-o-m B-r-i-e-s-e. I come before you today to present to you LB457. LB457 is a common-sense effort intended to provide more control and accountability in the expenditure of our tax dollars. Under Nebraska Revised Statute 77-3442, school districts are limited to a maximum levy of \$1.05 per \$100 of valuation. This limitation is in place to provide some element of protection for our state's property taxpayers. However, section (2)(d) of the statute takes amounts levied to pay certificated employees for a voluntary termination outside of that limit, thereby erasing those protections for the taxpayers. LB457 puts those amounts back within the total that is subject to the levy lid. Statutes also place limitations on a school's budget authority. However, in its current form, Nebraska Revised Statute 79-1028.01 provides an exception to this limit for expenditures paid for voluntary termination, thereby taking such expenditures outside of the limits on a school's budget authority. LB457 puts those expenditures back within the budget limits. Why were these items at one time placed outside of the levy lids and budget constraints? First, because of the perception that these outlays are necessary to encourage voluntary terminations and the spending reductions that might occur because of it; second, because of the perception that these expenditures actually do encourage and incentivize termination. My reasons for attempting to place these levy and expenditures back within the limits are manifold. First, I served on a school board. We used these agreements to provide compensation for voluntary terminations. Did they incentivize employees to actually retire sooner? I often suspected that they did not. I often suspected they were not effective in encouraging an employee to retire but were, instead, simply extra compensation. But that decision lies in the hands of school districts and administrators and I don't want to second-guess what they're doing. But second, if a board makes a determination that...the board or administrators makes a determination that these are a justifiable use of taxpayer dollars, then I believe that they should be subject to the levy and budget growth restrictions, just like the vast majority of other district outlays. To the extent these restrictions are a factor, in other words, school is up against the levy limit, then these districts will have to prioritize spending and look for alternative ways to fund such expenditures. And finally here, we're not taking money away

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from a district's...or not taking away a district's ability to use this tool. In this environment of angst and concern over tax relief and spending, we're simply asking that the taxing and spending utilized here are subject to the same restraints as most other items. Thank you for your consideration of this. I'd be happy to answer any questions. [LB457]

SENATOR KOLOWSKI: Thank you. Any questions? Oh, sorry. [LB457]

SENATOR GROENE: Go ahead. [LB457]

SENATOR KOLOWSKI: Go ahead, sir. [LB457]

SENATOR GROENE: Any questions from the committee? Way I understand it, Senator Briese, the original idea for this bill was consolidations, right? Where two districts would consolidate and they might have 100 certified staff between them, and then when they consolidated they only needed 25. Your bill doesn't take that situation away, does it? [LB457]

SENATOR BRIESE: No. No. [LB457]

SENATOR GROENE: They can still do that outside the... [LB457]

SENATOR BRIESE: Right. Right. They can still do that. In the event of consolidation or mergers, I believe they can still do that. And like I said earlier, my bill doesn't take away the ability to enter into these agreements anyway. Simply, they have to be within the lid like the vast majority of other district expenditures. [LB457]

SENATOR GROENE: Senator Kolowski. [LB457]

SENATOR KOLOWSKI: Thank you, sir. Senator Briese, do you know how many districts are currently using the early retirement process? [LB457]

SENATOR BRIESE: I believe that roughly 40 districts applied for permission to do that as recently as...I'm not sure what year but very recently. It was about 40 districts, yes. [LB457]

SENATOR KOLOWSKI: Out of 245 districts in the state. [LB457]

SENATOR BRIESE: Yes. Yeah. [LB457]

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SENATOR KOLOWSKI: The information that I've collected from one district in the metro area shows the positive side of why the program is included and how well it does for the district. On the other side they also are concerned about the negative consequences of losing money and being up against very difficult budget times at the current time. So that's... [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR KOLOWSKI: ...it's a mixed bag when you look at what they have been saving compared to what they could be losing. [LB457]

SENATOR BRIESE: Yeah. It's my understanding from our research that roughly six...outside of the Learning Community I think there's roughly six, maybe seven districts that are up against the lid that have...that utilize this. And so there are a handful of districts out there that, yeah, this would have an impact on and they would be negatively impacted. But to that point, I guess they would have to look for ways to prioritize their spending to try to bring these amounts back within the lid, like again the vast majority of other district expenditures that they make. But, yes, I can see it posing a little bit of a concern for a very small handful of districts, again, roughly six or seven, plus I think maybe some Learning Community districts. I'm not sure about them. [LB457]

SENATOR KOLOWSKI: Thank you. [LB457]

SENATOR BRIESE: You bet. [LB457]

SENATOR GROENE: Senator Linehan. [LB457]

SENATOR LINEHAN: Thank you, Mr. Chairman. Yesterday on the floor Senator Chambers suggested that I go back and read some history, so I did... [LB457]

SENATOR BRIESE: Okay. [LB457]

SENATOR LINEHAN: ...on TEEOSA. And, unfortunately, I didn't bring it with me but specifically when they...in the...whenever they were trying to consolidate schools and increase state funding to keep property taxes down, so it goes back to LB1059 in 1990, it was definitely, as the Chairman said, from what I read this morning, an opportunity for these to kind of push these schools to merge and to help them to be able to bonus-out teachers. [LB457]

SENATOR BRIESE: Yeah. [LB457]

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SENATOR LINEHAN: So that's the history that I read this morning by paper that Leg Research has for all of us if we want to read it. What has disturbed me about this bonus, I've been told, and no one told me I was wrong, that some school districts have...it's not just the \$10,000 bonus but some of the bonuses have been \$50,000 or \$100,000. Have you ever heard...? Do you have any idea what amounts of some of these bonuses are? [LB457]

SENATOR BRIESE: I'm not aware of those amounts. And you might be referring to retirement incentive programs, which maybe are very similar but, again, that's in the event of consolidation and mergers, those retirement incentive, which are still in place and still being able to be utilized outside of the levy limit. As far as these straight termination agreements and as far as amounts, I'm not very much aware of that. When I was on a board 10 or 12 years ago, we were maybe \$3,000 to \$4,000 a year, but I really don't know what those amounts are at this point. [LB457]

SENATOR LINEHAN: I don't think there's any limit on them, right? And it's outside... [LB457]

SENATOR BRIESE: Not to my understanding. [LB457]

SENATOR LINEHAN: ...right now and it doesn't have to...right now you can be outside the limit. [LB457]

SENATOR BRIESE: Yes. [LB457]

SENATOR LINEHAN: There's no limit on the amount of money that it can be. [LB457]

SENATOR BRIESE: Yeah. Yeah. [LB457]

SENATOR LINEHAN: And they don't have to include it in their expenditure in their levy. [LB457]

SENATOR BRIESE: Right. [LB457]

SENATOR LINEHAN: So it's a way to drive around the levy. [LB457]

SENATOR BRIESE: Yes, it is. Yes. Yes. [LB457]

SENATOR LINEHAN: Okay. Thank you. [LB457]

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SENATOR GROENE: Senator Erdman. [LB457]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you, Senator Briese, for being concerned about taxpayers. I appreciate that. Do you know how many dollars that was spent outside that levy limit on those school districts that offered this? Do you have any idea what that was? [LB457]

SENATOR BRIESE: I probably have numbers here as to what was the dollar amount requested but not necessarily used. And so that's a good question. I don't really know what the answer to that would be. No, I don't. [LB457]

SENATOR ERDMAN: Okay. [LB457]

SENATOR BRIESE: But I have numbers for the amount requested, where their levy was, but that doesn't really answer that question. So, no, I can't answer that. [LB457]

SENATOR ERDMAN: I, too, was on the school board. I understand what the situation they're in. [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR ERDMAN: Thank you for bringing this. [LB457]

SENATOR BRIESE: You bet. [LB457]

SENATOR GROENE: Any other questions from the committee? I have one more. [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR GROENE: I've read the statute but there's no reporting mechanism of how much an individual employee is given, is there? [LB457]

SENATOR BRIESE: Not that I know of. I believe it's simply a contract between the district and the individual and they're free to do any amount they want, I believe. There's no report. [LB457]

SENATOR GROENE: And there's no documentation of proof that one individual was... [LB457]

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SENATOR BRIESE: As per individuals? No, I don't think so. [LB457]

SENATOR GROENE: ...retired and the person that they replaced them with was less money? Just an assumption made? [LB457]

SENATOR BRIESE: I would say it would be an assumption, yes. [LB457]

SENATOR GROENE: Thank you. Any other questions? [LB457]

SENATOR KOLOWSKI: Yes. Thank you. Just wanted, Mr. Briese, the majority of the action today is not in consolidation. [LB457]

SENATOR BRIESE: Right. [LB457]

SENATOR KOLOWSKI: It's in early retirement benefits to a district, which can accumulate quite a bit of dollars between the people that are leaving and the new hires that are coming in. And that's beneficial for the district to be able to find some additional cash to run their districts and do the things that they're successfully doing. So I think our bent has been a little bit toward a lot of consolidation discussion rather than the savings for the district... [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR KOLOWSKI: ...and how that money could be used. The formula that I'm familiar with would be uniform across a district depending on the job and the title and the salary where that person is. But in every case they would bring someone in usually much, much below where the person is leaving with a long tenure in the district. So I think our concentration should be on that rather than consolidation, in my perspective... [LB457]

SENATOR BRIESE: Yes. [LB457]

SENATOR KOLOWSKI: ...in looking at that. [LB457]

SENATOR BRIESE: No. No, I don't disagree. And those assumed savings can be very substantial... [LB457]

SENATOR KOLOWSKI: Yes. [LB457]

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SENATOR BRIESE: ...because typically a 30-year teacher is going to be at a much higher pay scale than that new person you replace them with. But we're also making the assumption there that these expenditures for voluntary termination incentivize that retiring teacher to leave. And, to me, it's a cause-and-effect issue, that the causation, I've always suspected, been suspect in my mind there. But, yeah, if it's true that these programs actually incentivize high-dollar folks to leave and get replaced by lower-dollar folks, yes, it can be a savings mechanism. But again, you have to assume causation there and, secondly, I think it's just being respectful of the taxpayers to bring these amounts back within the budget limit. But, no, that's a good point, you bet. [LB457]

SENATOR KOLOWSKI: Would you elaborate on the causation issues in your mind? [LB457]

SENATOR BRIESE: Oh, does the program actually incentivize or cause a teacher to retire? Is that what causes that teacher to retire at that time or are they just deciding to retire and may as well take advantage of the payment on my way out? [LB457]

SENATOR KOLOWSKI: I think most of the plans that I've seen, it doesn't match it in one year. It matches it in a number of years. Whatever the amount was they're retiring for would not be given in a single year. [LB457]

SENATOR BRIESE: Yeah. [LB457]

SENATOR KOLOWSKI: You'd spread that out over... [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR KOLOWSKI: ...X, Y, or Z number of years. And that's the prerogative... [LB457]

SENATOR BRIESE: Yeah. [LB457]

SENATOR KOLOWSKI: ...of the district, which brings out that lower amount of payment. [LB457]

SENATOR BRIESE: Yeah, I think that's how we used to do it, too, spread over a handful of years, three to five years. But again, one of the issues there is, did that payment or that stream of payments actually cause that teacher to retire or are they just taking advantage of a perk when they decide to retire? That's what I'm referring to when I talk about causation. [LB457]

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SENATOR GROENE: Senator Walz. [LB457]

SENATOR WALZ: And I...thank you. [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR WALZ: I'm just curious, is there any evidence that it doesn't? [LB457]

SENATOR BRIESE: I would say no. [LB457]

SENATOR WALZ: Okay. [LB457]

SENATOR BRIESE: That was...I suspected, I oftentimes suspected that it did not when I was in that role. But evidence of that, no, I couldn't point to it. No. [LB457]

SENATOR WALZ: Thank you. [LB457]

SENATOR BRIESE: Sure. [LB457]

SENATOR GROENE: Senator Briese, when you were on the school board, did you approach an employee and said, we will do this if you retire early? Or did the employee come to you and say, I'm retiring early? [LB457]

SENATOR BRIESE: That's a good question. On the board I guess I wasn't privy to the negotiations there. It was typically the superintendent who would deal with the employee in that situation. So that's a good question. I don't know for sure; can't answer that. [LB457]

SENATOR GROENE: Was that amount of money included in the collective bargaining because it was given to employees? [LB457]

SENATOR BRIESE: I don't recall that it was. [LB457]

SENATOR GROENE: Wouldn't it not be wiser, if you're going to award employees, to do that through the collective bargaining with the union? [LB457]

SENATOR BRIESE: It would seem so, yes. [LB457]

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SENATOR GROENE: Thank you. Any other questions for Senator Briese? Thank you. [LB457]

SENATOR BRIESE: Okay. [LB457]

SENATOR GROENE: You going to close? [LB457]

SENATOR BRIESE: I'll probably waive closing. [LB457]

SENATOR GROENE: Yeah, I mean...well, we'll see if you're here. [LB457]

SENATOR BRIESE: Oh, okay. [LB457]

SENATOR GROENE: Proponents. [LB457]

SENATOR BRIESE: I won't waive closing if I'm still here. (Laughter) I may have to take off. Thank you. [LB457]

SENATOR GROENE: Any proponents coming to the front of the room or...? Opponents? Any opponents to this legislation? [LB457]

RENEE HYDE: Oh, I didn't fill out a green sheet. I'll do it later. My name is Renee Saylor...Renee Hyde, I'm sorry, R-e-n-e-e H-y-d-e. I'm the assistant superintendent for human resources at Papillion-La Vista schools. And it was really not my intention to say anything but just to listen in a little bit. But there are a couple of things that I heard from the presenter's perspective that I think might be informative. Every single person who retires from our district sits across the table and has a conversation with me. The comment about this is not an incentive, they were going to retire anyway, I can tell you that that is absolutely not my experience. This is an incentive. They would not have been capable financially of retiring had this incentive not been there for them because typically when this occurs they're 55 years of age or older. Most of them go between 55 and 60. They may or may not have voluntary...or may not have NPERS benefits available to them but they're not yet eligible for Medicare. These plans typically give them an ability to pay for their insurance between the time they retire until they can get to Medicare age. Now not always is that the case, but that's the case the majority of the time. All of us in the metro district...in the metro area have recently revised our early separation programs, our voluntary separation programs, because they had gotten a bit out of hand in terms of what the benefit might be. But I would tell you, those large benefits that you hear in the news that make a great splash are far and few between compared to the number that are \$30,000 or \$40,000 or less. Those that are getting the large amounts typically are those people who have worked 30-33-35 years within

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a district. And so those big payouts are the splash that make a good headline, but they're not the manner in which they're typically used. We don't have a lot of tools in the world of HR in schools. This is one of the tools that's available to us to manage turnover. You might have noticed a few baby boomers retiring in recent years. This slows down or speeds up that process. We can manage that within a local school board procedure so that we can say, okay, we need to have a few more that go because we've got a supply that's good; or we need to slow it down, and people will stay another year so that they can get that benefit. And perhaps...it's just a really good tool to help us manage the rate of turnover as well as to help people that have been strongly dedicated in serving our students well to be able to walk away and not lose insurance. When...believe it or not, this job of teaching takes a bit of energy and occasionally as we age our energy ebbs, and they might not be the best person to be in that classroom. This gives them the financial ability to walk away and still care for themselves and their families. So I strongly discourage you from taking this out from under the levy limit because I think that it will discourage districts from being able to do this sort of thing. It takes away one more tool for us to manage our budgets and manage our work force. So I strongly encourage you to not approve this, not to move it forward. Thank you. [LB457]

SENATOR GROENE: Questions? Senator Linehan. [LB457]

SENATOR LINEHAN: So just...that's very helpful information. Thank you for jumping up here, appreciate it very much. And I understand, I'm in that age group and you do not have the same amount of energy. I get that. You said it helps them pay for their insurance until they get to Medicare, which is 65, so that's ten years if they retire at 55. Do they get to stay on the...generally, do they get...they have to go out and buy their own insurance. [LB457]

RENEE HYDE: They have to buy their own insurance or they can direct pay through Educator Health Alliance so they can... [LB457]

SENATOR LINEHAN: So is that a group rate? [LB457]

RENEE HYDE: It is a group rate. [LB457]

SENATOR LINEHAN: So about what would that be for a 55-, 60-year-old? [LB457]

RENEE HYDE: You're looking at about \$1,200 a month for a self and spouse. You're looking at about \$7,200 for a single. [LB457]

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SENATOR LINEHAN: Twelve hundred a month; seventy-two hundred would be annual. [LB457]

RENEE HYDE: Seventy-two hundred would be the annual for a single. [LB457]

SENATOR LINEHAN: Okay. So are you saying that the bonuses are enough to pay that for 10 years? [LB457]

RENEE HYDE: No, I'm not. [LB457]

SENATOR LINEHAN: Okay. [LB457]

RENEE HYDE: It helps with it but it doesn't...a lot of times it won't cover it. [LB457]

SENATOR LINEHAN: Okay. So the average amount, did you say \$30,000 to \$40,000 on these bonuses? [LB457]

RENEE HYDE: Thirty to forty would be a pretty typical amount. [LB457]

SENATOR LINEHAN: And it would be dependent upon what they were making when they retired? [LB457]

RENEE HYDE: It depends on how, in our district, it depends on how many years they've worked for the district and what their outgoing salary was. It's based off of those two factors. [LB457]

SENATOR LINEHAN: You're being very kind. Just one more question. So is it kind of automatic? [LB457]

RENEE HYDE: No. [LB457]

SENATOR LINEHAN: It's not? [LB457]

RENEE HYDE: No. [LB457]

SENATOR LINEHAN: So there's some... [LB457]

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RENEE HYDE: They apply for it each year.. [LB457]

SENATOR LINEHAN: Okay. [LB457]

RENEE HYDE: ...and we have a limit of 15 that we allow. [LB457]

SENATOR LINEHAN: Okay. [LB457]

RENEE HYDE: We have a staff of about 900 employees. [LB457]

SENATOR LINEHAN: Okay. [LB457]

RENEE HYDE: And because we're a growing district, we have a number of young ones and we've got a number of those who are more experienced. I don't say older unless I have to. [LB457]

SENATOR LINEHAN: Okay. That's kind of you. So you're limited to 15. You'll only give 15 of them out a year. [LB457]

RENEE HYDE: By board policy we are limited to 15 teachers, yes. [LB457]

SENATOR LINEHAN: Okay. That's important information. Thank you very much. [LB457]

RENEE HYDE: Uh-huh. [LB457]

SENATOR GROENE: Any other questions? Senator Erdman. [LB457]

SENATOR ERDMAN: Thank you, Senator Groene. Thank you for coming. You may help me with this. In my district where we live, we don't get any of that information about these large sums that are in the news. So could you explain to me what you were talking about? [LB457]

RENEE HYDE: There have been times...I live in the Omaha area and we have a paper that buys ink by the barrel, and there are young and hungry reporters that are searching high and low for things that people like to read. We have had some superintendents in our metropolitan area who have retired with pretty big walk-out amounts of money available to them. And they've made a lot of hay over that. And we have been threatened with the loss of voluntary separation programs

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because oftentimes it was through one of those kinds of programs that those high-dollar amounts came. [LB457]

SENATOR ERDMAN: Define high-dollar. [LB457]

RENEE HYDE: Over \$100,000. [LB457]

SENATOR ERDMAN: Okay. So... [LB457]

RENEE HYDE: But those are very much the exception, not the rule. [LB457]

SENATOR ERDMAN: In your program, do you have to be a certain age before you can apply for this? [LB457]

RENEE HYDE: Yes, you must be a minimum of 55 years of age with at least 10 years in the district. Oftentimes they've got 20. [LB457]

SENATOR ERDMAN: Okay. So then at 55 do they get full retirement on top of that? [LB457]

RENEE HYDE: It depends on how many years they've got in NPERS. [LB457]

SENATOR ERDMAN: Do you have a rule of 85, is that what you have? [LB457]

RENEE HYDE: The rule of 85 is the NPERS rule, yes. [LB457]

SENATOR ERDMAN: Okay. So in your experience, those averages, 30 to 40 "k," is that over a period of time or is that one lump sum? How do we do that? [LB457]

RENEE HYDE: It's paid out over three years... [LB457]

SENATOR ERDMAN: Okay. [LB457]

RENEE HYDE: ...and it's typically going into a 403(b) account. [LB457]

SENATOR ERDMAN: Okay. Thank you. [LB457]

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SENATOR GROENE: Any other questions? Thirty to forty thousand? [LB457]

RENEE HYDE: Over a three-year period of time, yes. [LB457]

SENATOR GROENE: Is what you award. [LB457]

RENEE HYDE: In that neighborhood. There's a formula to calculate it and it depends on years of experience and their salary going out. [LB457]

SENATOR GROENE: I have a list here of the districts that did it in 2016 and Papillion isn't on here. Did you say Papillion? [LB457]

RENEE HYDE: Uh-huh. [LB457]

SENATOR GROENE: Just wondered. What I don't understand is this. The purpose of the program is to save money. [LB457]

RENEE HYDE: Absolutely. [LB457]

SENATOR GROENE: So why would you need to do it outside of the lid if you can do it and save money under the lid? [LB457]

RENEE HYDE: Because the lid is...the lid is...how do I describe this quickly and easily? When you are up against the \$1.05 lid, what you pay out for that is often hard to rationalize, for lack of a better word, with your public that you would be spending it on people who are retiring versus spending it on books and computers and teacher salaries for the young ones coming up. So I think it is... [LB457]

SENATOR GROENE: Well, plus also it calculates into the pay raise that you're able to calculate into the new bargaining agreement. [LB457]

RENEE HYDE: The \$1.05 is. [LB457]

SENATOR GROENE: Yes. [LB457]

RENEE HYDE: Yes. [LB457]

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SENATOR GROENE: Well, I mean if you can save money here, you can give higher raises to the rest of them because... [LB457]

RENEE HYDE: Absolutely you could. You could choose to spend it that way. It gives boards of education more choice if it doesn't have to be under the lid. I can tell you that we have property owners who are very vocal with us about not raising their taxes because we're still building buildings. So we have a building levy that people are paying as well. So we don't skate free if we increase the levy for whatever reason. [LB457]

SENATOR GROENE: Those administrators that used it, were given, did they actually hire a new administrator for less than the old one? I have a personal... [LB457]

RENEE HYDE: Yes. [LB457]

SENATOR GROENE: ...experience where that did not happen. [LB457]

RENEE HYDE: Yes, and depending upon your supply and demand. In the North Platte area, your supply is less than our metropolitan area. I can tell you our most recent superintendent is paid significantly less than our outgoing superintendent was. [LB457]

SENATOR GROENE: And your outgoing one took the...was given a bonus? [LB457]

RENEE HYDE: He did but it was not... [LB457]

SENATOR GROENE: How old was he? [LB457]

RENEE HYDE: ...even nearly \$100,000. Wasn't even close. [LB457]

SENATOR GROENE: How old was he? [LB457]

RENEE HYDE: I don't know for sure. I think he was more than 60 years of age. I don't... [LB457]

SENATOR GROENE: That's not the purpose, is it, of this program to give people already planning to retire a bonus? [LB457]

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RENEE HYDE: Oh, and I think he was...I think the incentive did incent him to retire. I don't think he would have retired without it. [LB457]

SENATOR GROENE: Do you, in your collective bargaining, when somebody retires, do you pay them for their sick days that have built up and... [LB457]

RENEE HYDE: We do. [LB457]

SENATOR GROENE: ...also their... [LB457]

RENEE HYDE: We do. [LB457]

SENATOR GROENE: ...also their personal days? [LB457]

RENEE HYDE: We do. We pay them at half the rate of a substitute teacher's pay, not at their per diem rate but half the rate of a substitute teacher's pay. [LB457]

SENATOR GROENE: So that amounts to pretty good, for good teachers who didn't...who showed up for work every day. [LB457]

RENEE HYDE: Who didn't abuse their leave. [LB457]

SENATOR GROENE: Yeah. [LB457]

RENEE HYDE: Yeah. Correct. [LB457]

SENATOR GROENE: It becomes a pretty nice bonus for them also. [LB457]

RENEE HYDE: It's...it would make a nice trip somewhere. [LB457]

SENATOR GROENE: All right. Well, thank you. You've been...could...one last thing. Could you provide this committee from some of your peers in the metro area the plans that you do have... [LB457]

RENEE HYDE: Sure. [LB457]

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SENATOR GROENE: ...so that we have some idea what we're...what the taxpayers are paying for? [LB457]

RENEE HYDE: Yeah, they're board policy. Yeah, they're board policy so you can... [LB457]

SENATOR GROENE: Yeah, that's fine. [LB457]

RENEE HYDE: ...you can see the... [LB457]

SENATOR GROENE: You seem to be a good public servant. I had no doubt you would share it with us. Thank you. [LB457]

RENEE HYDE: Certainly. [LB457]

SENATOR GROENE: Senator Erdman. [LB457]

SENATOR ERDMAN: Thank you again, Senator Groene. Just a follow-up question: So most of these programs that we're talking about...because it's not real prevalent in our area. We don't use it as much as they do in the Learning Community. And as I watched the Legislature last year, the Legislature contributed another \$30 million for state aid for the Learning Community. And so, consequently, about 85 percent of the state aid goes to 65 percent of the students, and they don't live in my district. And so, you know, to stay under the levy lid, you keep getting more state aid but yet you ask for more. And consequently, I think some of this has a contributing factor to that. So I'm having a difficult time understanding why you're struggling so much with your levy lid when you get as much state aid as you get. [LB457]

RENEE HYDE: We have a lot of kids to educate too. [LB457]

SENATOR GROENE: Any other questions? Thank you for deciding to step forward. [LB457]

RENEE HYDE: Thank you. [LB457]

SENATOR GROENE: That was good information from somebody who handles it directly. Any other opponents? [LB457]

LARRY SCHERER: (Exhibit 1) Good afternoon, Senator Groene, members of the Education Committee. For the record, my name is Larry Scherer, L-a-r-r-y S-c-h-e-r-e-r, and I'm

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representing the Nebraska State Education Association and its 28,000 members. We oppose this bill. I think the description of it that Senator Briese gave is fairly accurate that the levy cap exemption, the budget lid exemption, and it also takes this money out of General Fund operating expenditures for purposes of state aid, which means this money, when you have a comparable group of school districts, would not be used as a basis for what's called basic funding. So it does have a state aid impact as well, although fairly low. Just a little historical note: This came in when Senator Warner proposed the levy caps. And as you know, Senator Warner was a pretty wise man. He...I think the rationale that was given at the time was that if we're going to do something that will discourage districts from saving money, then while it comes out of the lid this year, over time it's going to save funds. And so that's been in there since whenever the levy caps came in, probably a good 15 or 20 years. I've attached this sheet from the Department of Education. I took a few liberties with it in terms of adding up the numbers, but there was...from this, the districts now, and in '13-14 this was about to run out and it's been sunsetted periodically. There was a bill to extend it, and the bill to extend it included this requirement that there be a showing of savings over a five-year period. In other words, you don't necessarily get the savings the same years that you get the...make the expenditure. So that's what you see on this. The first group were under the old law before they had to demonstrate the savings. It shows that they're...these districts turned in data to the department which, you know, they believed they could save \$26 million. The amount of the exemptions under the budget lid was \$11 million. So it's basically a 2:1 ratio there. So that's probably the number one reason that you should...school districts can still do this but there's, a lot of times, there's a first-year impact for the incentive money. I've also, working with the NSEA over the years, found...and there used to be a lot more of these in the negotiated agreement, Senator Groene, but we, you know, saw that school boards were using them strategically. They'd pass a policy one year, they needed to reduce staff or...and so they tended to work better when it was left to the board of education. There still are a few out there, I believe, and those would continue despite whatever happens in this law until they're taken out through negotiations. The second point is the loss in the levy cap. It's a little convoluted, but essentially, if you spend \$500,000 as a school district for this, and it would be a fairly large school that did that, that doesn't count for purposes of counting your levy under the lid so it would lower that amount. As I said before, the offset to that is if it does save money so does it actually raise the levy? You know, it's difficult to see that in practice. And I was glad to see the person from Papillion-La Vista come up. The other thing is if they're actually at \$1.05 levy and this is terminated, then this would probably mean a reduction in revenue, as Senator Briese mentioned. The other point, just morale-wise, it's always easier to offer some incentives rather than to have a forced termination, and this would tend to discourage school districts from doing that. There's a lot of expense, sometimes legal expense. NSEA provides legal support sometimes in these. But mostly, these are the early retirement, voluntary separation, not, you know, the firing situation. So it just, in terms of the staff, it's a much more...or much less volatile situation. And you know, we do believe it saves money and it does incentivize the teachers. I'm

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quite sure of that. Not sure about administrators--we don't represent them--and, you know, the sums they get are negotiated. [LB457]

SENATOR GROENE: Thank you. [LB457]

LARRY SCHERER: Are there any questions? I would be pleased to try to answer. Or if you need further information later on in terms of what our contracts provide or policies, I'd sure try to get that for you as well. [LB457]

SENATOR GROENE: I don't see Papillion on this list either. You... [LB457]

LARRY SCHERER: No, I didn't either. I didn't either. [LB457]

SENATOR GROENE: Forty districts out of two hundred and forty-five, so there's a lot of teachers out there that might want to retire at 55. What happens in that small town or community that isn't on this list? [LB457]

LARRY SCHERER: Well, they may still offer an incentive. They just haven't applied to the State Board of Education for exemption. There are...I mean that does happen. They might not need it, you know? If you're a district that has a 60-cent levy, they're not going to worry about the levy cap, and there are those out there. If you're a district that doesn't have a budget limitation problem, you're not going to worry about it. You're not even going to apply for that. So we don't actually know how many actually use it. [LB457]

SENATOR GROENE: Well, of these 40 districts that did report only 10 of them, what I would consider, is against the levy lid at \$1.05 or more. So what you're saying is--maybe Department of Ed or somebody will answer this--these other folks didn't even have to file it if they didn't want to. [LB457]

LARRY SCHERER: They...some of the smaller districts may have been against the budget limit. Generally speaking, their budget limits have been about 2.5 percent, whereas the larger districts it's based on state aid and needs, which is quite a bit higher percentage. So, yeah, it affects the smaller districts on the budget side... [LB457]

SENATOR GROENE: But limitation on the levy. [LB457]

LARRY SCHERER: ...but the larger districts on the levy side. [LB457]

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SENATOR GROENE: Yeah. So they report it to get around it. Do you know of any teacher in the state of Nebraska that walks into the office and says, I want to retire at 55, doesn't get a bonus? [LB457]

LARRY SCHERER: I don't know what goes on out there. I would guess... [LB457]

SENATOR GROENE: I'm just asking because... [LB457]

LARRY SCHERER: ...you know, it depends. I don't know. You know, I don't know the answer. [LB457]

SENATOR GROENE: ...it's become common practice. You know, some things just become common practice. [LB457]

LARRY SCHERER: I don't know the answer to that. I think it probably does happen a lot that they don't get a bonus. [LB457]

SENATOR GROENE: All right. Well, thank you. [LB457]

LARRY SCHERER: I mean they...I could easily imagine they have the rule of 85 and maybe a working spouse. [LB457]

SENATOR GROENE: Do you see the fear of some elected officials as this became common practice? It's no longer a management tool. It's just accepted that if you retire you're going to get it. And it has nothing to do with their budget; just take care of your employees. [LB457]

LARRY SCHERER: Yeah, I think it depends on how they want to use it. I see Millard especially was hit hard a few years ago with the changes in the state aid formula where the teacher education allowance, instructional time, millions of dollars, they used this tool quite a bit to reduce their costs. And I believe Fremont has used it quite a bit as well. Just the changes in state aid that, you know, come about, that it's been a tool for that. But, yeah, if it becomes a common practice, I'm not sure then you need an incentive to do it, if that's your point. [LB457]

SENATOR GROENE: Yes. [LB457]

LARRY SCHERER: But I think it still is in most cases a real incentive, as... [LB457]

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SENATOR GROENE: All right. Thank you. [LB457]

LARRY SCHERER: ...the woman from Papillion testified. [LB457]

SENATOR GROENE: Any other questions from the committee? [LB457]

LARRY SCHERER: Thank you. [LB457]

SENATOR GROENE: Any other opponents? Neutral? Senator Briese. Oh, letters, is there letters, Kristina? Did you give them to Senator Kolowski or...? Is it a handwritten note or is it a...? Oh, thank you. [LB457]

SENATOR KOLOWSKI: Yes, sir. [LB457]

SENATOR GROENE: (Exhibit 2) Senator Kolowski and I got to share these notes. They disappear. This is LB457. Letter of opposition from Nolan Beyer, Millard Public Schools . Thank you. And do you wish to close, Senator Briese? [LB457]

SENATOR BRIESE: Thank you again, Senator Groene and members of the committee. I believe that LB457 is a common-sense effort to add additional protections for the taxpayers of Nebraska. And although I can sympathize with the concerns of those districts who may be up against the levy lid, they're attempting to utilize voluntary termination agreements, I don't think it's too much to ask on behalf of our taxpayers that such expenditures are placed within the lids. Districts using these programs must ask themselves, number one, are they a sound use of the taxpayer dollars by actually incentivizing voluntary termination? And if so, I don't think it's too much to ask that such payments are within the limitations. But thank you. [LB457]

SENATOR GROENE: Thank you, Senator Briese. Are there questions? Thank you. [LB457]

SENATOR BRIESE: Yeah. Thank you. [LB457]

SENATOR GROENE: We will go to open the hearing on LB214. Senator Halloran, would you like to introduce your bill? [LB214]

SENATOR HALLORAN: May I stand? Good afternoon, Senator Groene and members of the Education Committee. For the record, thank you, for the record my name is Senator Steve Halloran, S-t-e-v-e H-a-l-l-o-r-a-n, and I represent the 33rd Legislative District. I'm here today to

Appendix B

Nebraska Public Employees Retirement Systems Early Retirement Inducements (ERIs) Data Report

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**NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS
EARLY RETIREMENT INDUCEMENT (ERI) DATA REPORT**

Prepared November 9, 2021

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Executive Summary

In 2017, the Legislature passed LB 415 that, amongst other things, required members and employers of the School Plan to certify in writing to NPERS whether the employer offered, and the member accepted and received an early retirement inducement (ERI). This legislation was passed to address a concern that School Plan members were receiving income from multiple sources at the same time (i.e., retirement benefits, ERIs, and paychecks from returning to work after retirement). NPERS gathered and analyzed ERI data from the 2018, 2019, and 2020 school years.

Overall Data Summary of All ERIs in 2018, 2019, and 2020

Largest Single ERI Payment	Total ERIs Issued	Total Dollar Value of All ERIs	Average Dollar Value of All ERIs
\$197,747 (made in 2018)	522	\$20,131,292	\$38,565

Five school districts paid out nearly 25% (\$4,889,701) of the \$20,131,292 total value of ERIs for 10% (52) of the total 522 ERIs issued.

ERIs Issued by Job Classification

Job Classification	ERIs Issued	Total Dollar Value	Average Dollar Value
Administrators	53	\$2,263,556	\$42,708
Teachers	408	\$15,665,803	\$38,396
Classified Employees	4	\$30,855	\$7,713
Job Title Not Reported	57	\$2,171,077	\$38,089

Types of ERI Benefits

- Periodic Payments to Employees were the most common with 172, followed by periodic payments to 403(b) accounts with 124.
- There were numerous lump sum payments with 70 to Employees, 41 to 403(b) accounts, and 38 to 403(b) accounts or health insurance.
- There were 49 payments to health insurance.
- There were 37 reports that did not identify the type of ERI payment.

Total and Average Dollar Value of Each Type of ERI Benefit

Type of Payment	Total Dollar Value	Average Dollar Value
Periodic Payments to Employees	\$5,807,518	\$33,764
Periodic Payments to 403(b) Accounts	\$6,168,613	\$49,746
Lump Sum Payment to Employees	\$1,618,725	\$23,124
Lump Sum Payment to 403(b) Accounts	\$1,441,685	\$35,163
Lump Sum Payment to 403(b) Accounts or Health Insurance	\$2,543,542	\$66,932
Health Insurance Payments	\$1,354,308	\$34,725
Payment Type Not Reported	\$1,161,190	\$31,383

Five school districts issued 52 of the 522 ERIs equalling nearly 25% of the total ERI payments made in 2018, 2019, and 2020

School District	# of ERI Payments (& % of Top 10%)	Total Dollar Value (& % of Top 10%)	Average Dollar Value
Fremont	23 (44%)	\$2,426,652 (50%)	\$105,507
Bellevue	22 (42%)	\$1,832,022 (37%)	\$83,274
Springfield Platteview	5 (10%)	\$466,189 (10%)	\$93,238
Centennial	1 (2%)	\$88,993 (2%)	\$88,993
Douglas County West	1 (2%)	\$75,844 (2%)	\$75,844
Total	52	\$4,899,701	\$94,255

Cost Analysis

Since 2018, if an ERI is granted, the employer/school district and member must submit a completed ERI and Termination Reporting Form to NPERS, who is statutorily required to maintain these records. The recordkeeping includes imaging and indexing the forms received from employers and members.

NPERS calculated the ongoing costs of maintaining these records beginning in 2018 through the third quarter of 2021. These costs only include the IT costs and do not include an estimate of staff time involved in this recordkeeping process.

- Since 2018 to date, a total of 34,944 forms have been imaged and indexed at a cost of \$17,190.
- If the cost growth of these tasks continues at the current rate, NPERS projects the cost over the next five years will be \$29,738.

Important Events

Two important events that have impacted this statutory assignment.

First, in 2018 the costs to load and view images in NPRIS was changed by the OCIO. These changes have resulted in \$17,190.17 in unanticipated imaging costs to the retirement systems for the ERIs, and we project that over the next five years an additional \$29,737.87 in imaging costs to accrue. Additionally, the ERIs are taking staff time to request (when the member and/or employer fails to provide them), load, review, audit, and approve prior to making a distribution from retirement. Eliminating this requirement will reduce the workload on School plan Employer Reporting Agents, Members, and NPERS' staff, and should have a positive effect on distribution processing timelines as there will be less forms that must be reviewed and audited, and less delays while NPERS waits for the forms to arrive. These costs and time savings cannot be accurately figured as we do not have a way to track the exact impact on staff or processing time.

Second, and perhaps more importantly, LB 147 changed the definition of termination of employment in the School plan. NPERS and employers covered by the School plan will need to implement new protocols to address this change. These protocol changes will make the termination of employment certification functionally obsolete. Thus, NPERS will receive little to no benefit from the termination certification requirement.

Request to Amend the Law

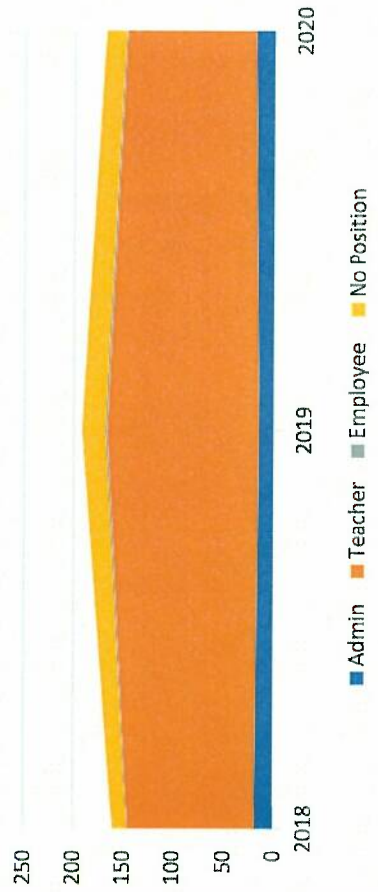
Based on the information provided below and the important events summarized above, NPERS requests that the Legislature remove the statutory reporting requirement for ERIs. NPERS provided sample language to the Legal Counsel for the Nebraska Retirement Systems Committee of the Legislature for consideration.

Highlights from the Data and Analysis - ERI Trends and Analytics from the 2018, 2019, and 2020 School Years

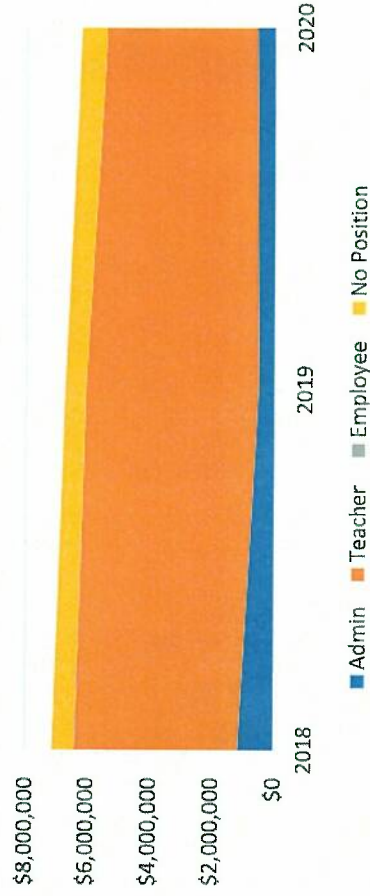
Overall Data on ERIs Initiated by Year (rounded down to nearest \$)

ERI Data	2018	2019	2020	Overall
Total #	161	192	169	522
Total \$ Value	\$7,135,762	\$6,753,408	\$6,242,120	\$20,131,292
Avg \$ Value	\$44,321	\$35,174	\$36,935	\$38,565
Highest \$ Value	\$197,747	\$103,600	\$103,874	\$197,747

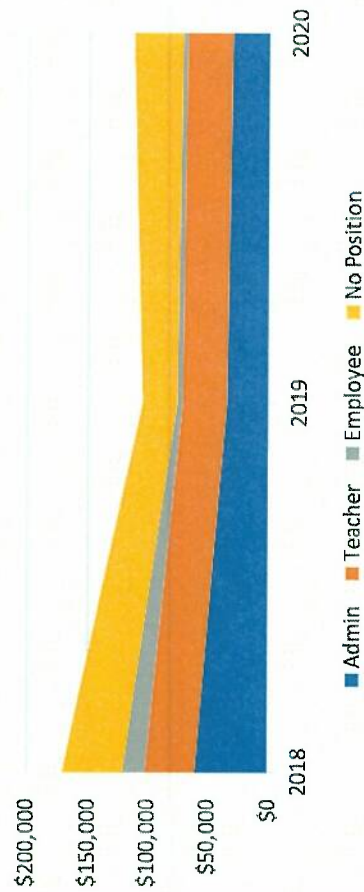
Total ERI Count by Year & Reported Position



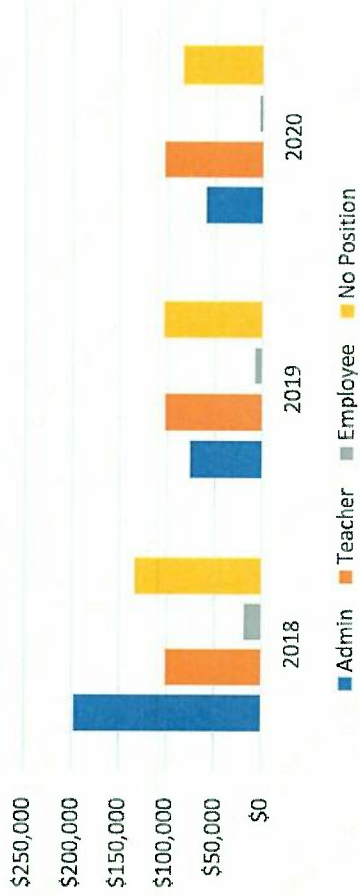
Total ERI Value by Year & Reported Position



Average ERI Value by Year & Reported Position



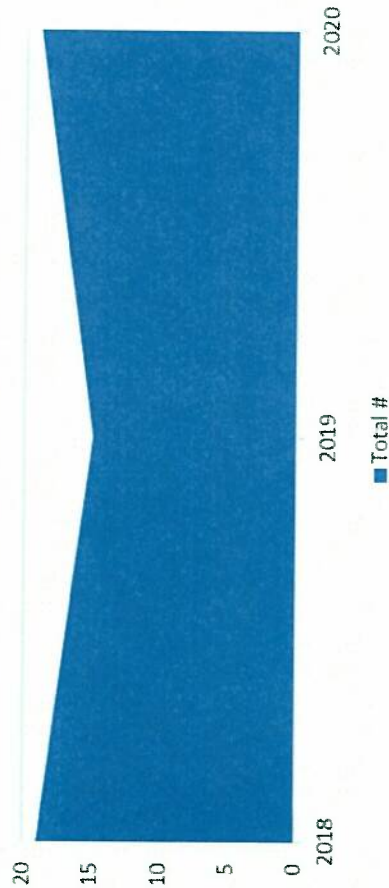
Highest Individual ERI Value by Year & Position



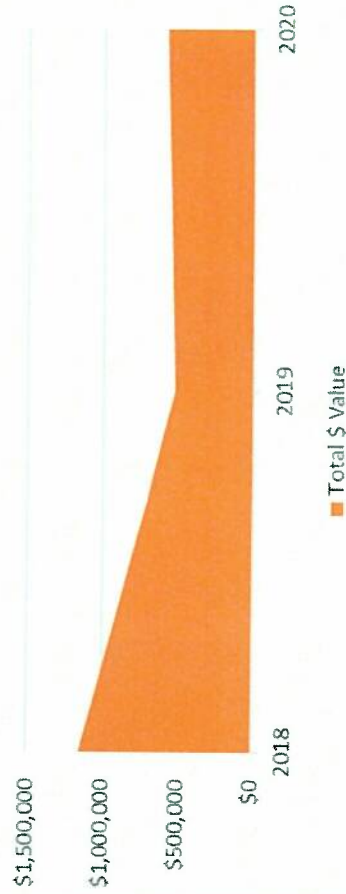
Administrator ERIs Initiated by Year (rounded down to the nearest \$)

ERI Data-Admin	2018	2019	2020	Overall
Total #	19	15	19	53
Total \$ Value	\$1,152,605	\$523,649	\$587,302	\$2,263,556
Avg \$ Value	\$60,663	\$34,910	\$30,910	\$42,708
Highest \$ Value	\$197,747	\$75,844	\$60,000	\$197,747

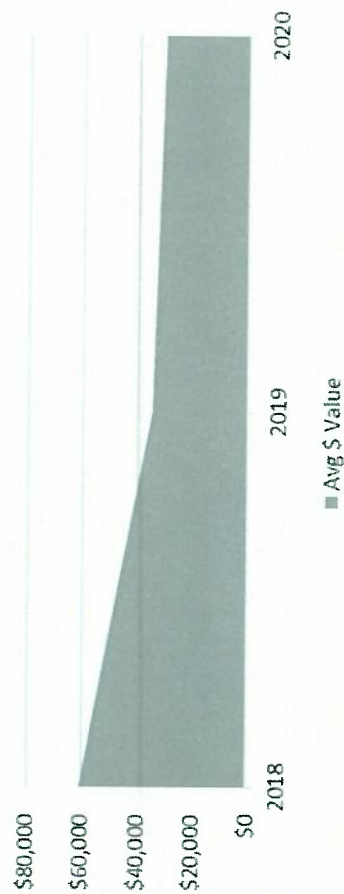
Admin ERI Count by Year & Reported Position



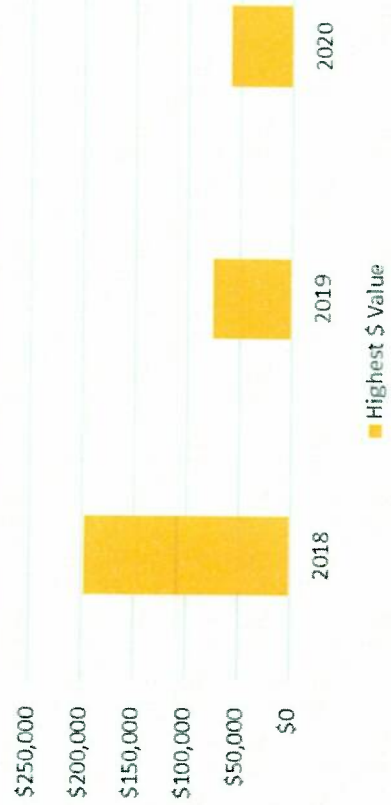
Total Admin ERI Value by Year & Reported Position



Average Admin ERI Value by Year & Reported Position

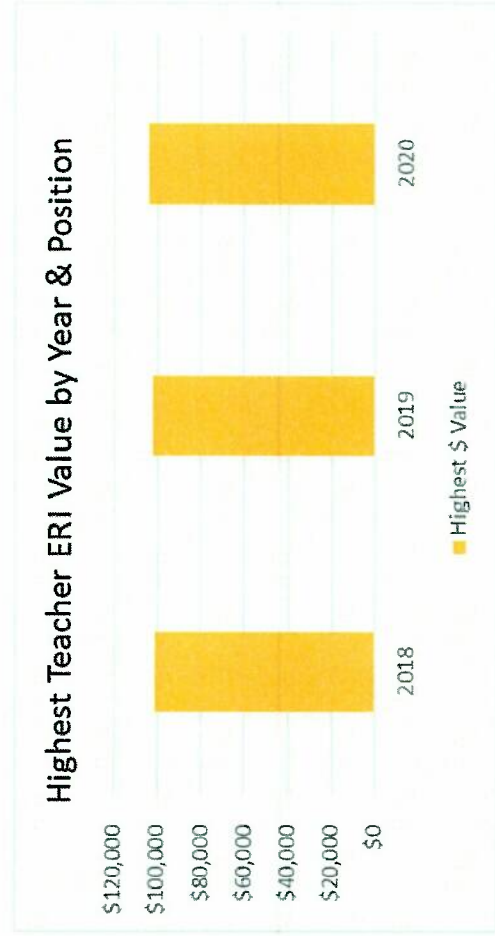
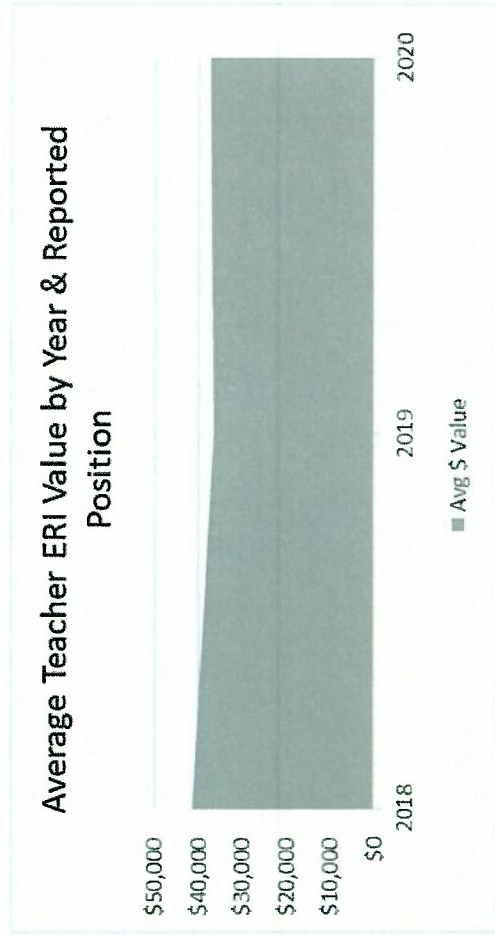
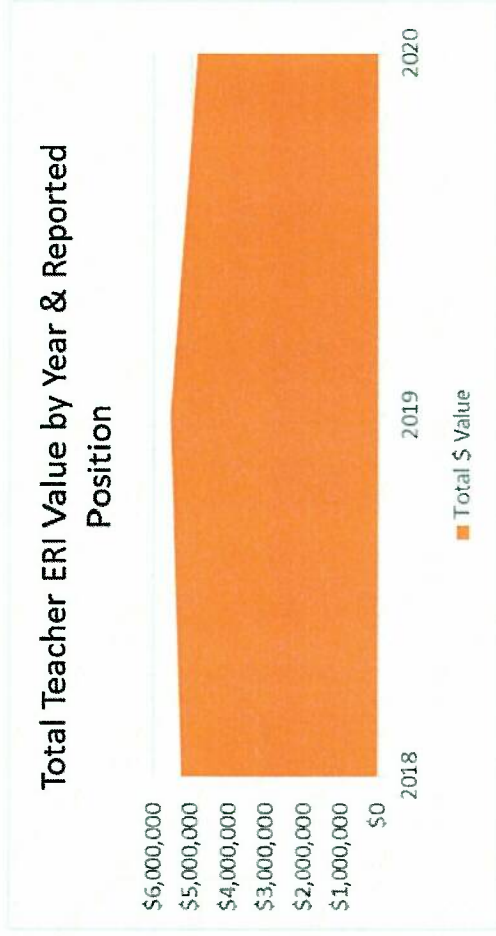
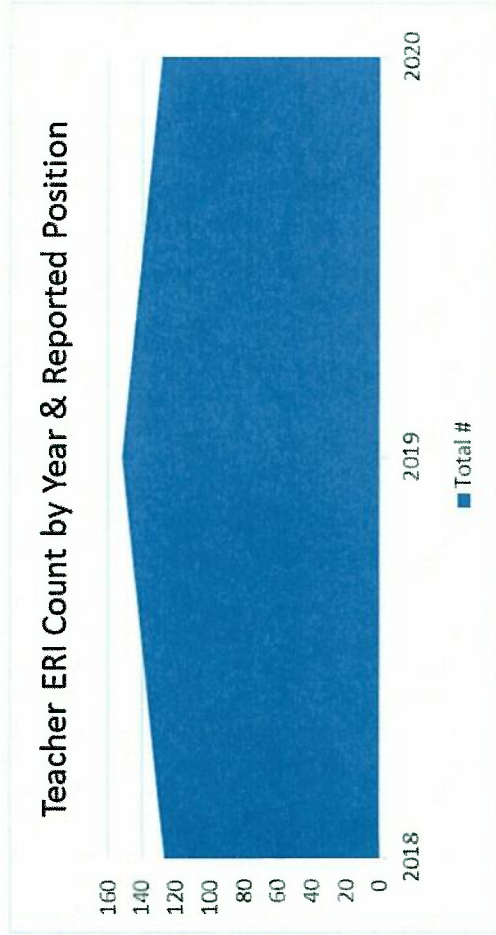


Highest Admin ERI Value by Year & Position



Teacher ERIs Initiated by Year (rounded down to the nearest \$)

ERI Data-Teacher	2018	2019	2020	Overall
Total #	127	152	129	408
Total \$ Value	\$5,263,552	\$5,565,814	\$4,836,436	\$15,665,803
Avg \$ Value	\$41,445	\$36,617	\$37,491	\$38,396
Highest \$ Value	\$101,024	\$102,498	\$103,874	\$103,874



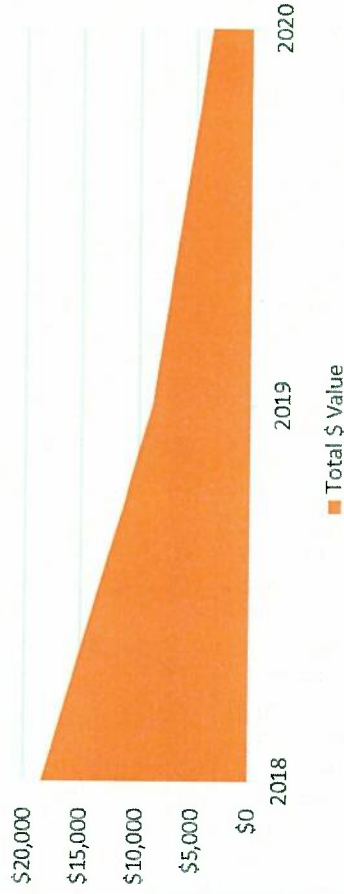
Classified Employee ERIs Initiated by Year (rounded down to the nearest \$)

ERI Data-Class	2018	2019	2020	Overall
Total #	1	2	1	4
Total \$ Value	\$18,481	\$8,774	\$3,600	\$30,855
Avg \$ Value	\$18,481	\$4,387	\$3,600	\$7,713
Highest \$ Value	\$18,481	\$7,933	\$3,600	\$18,481

Classified Employee ERI Count by Year & Reported Position



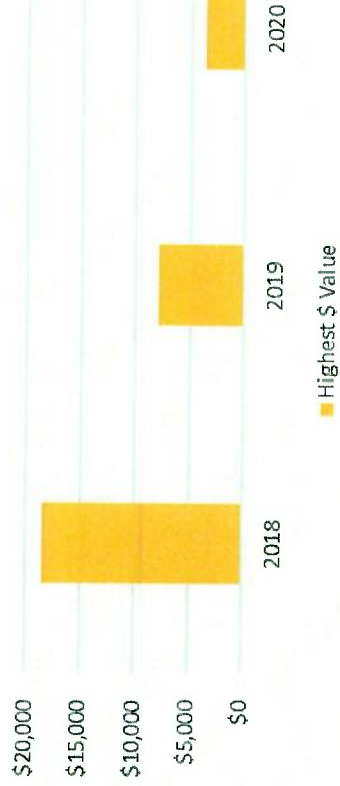
Total Classified Employee ERI Value by Year & Reported Position



Average Classified Employee ERI Value by Year & Reported Position

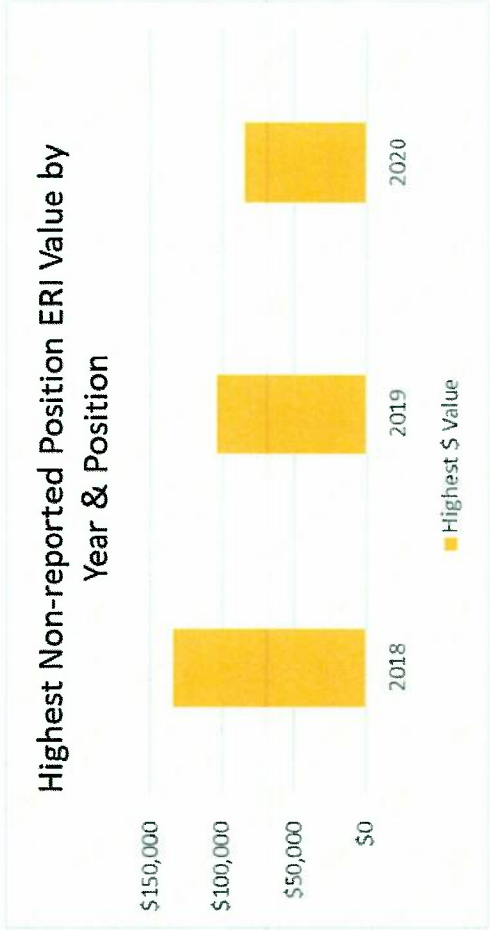
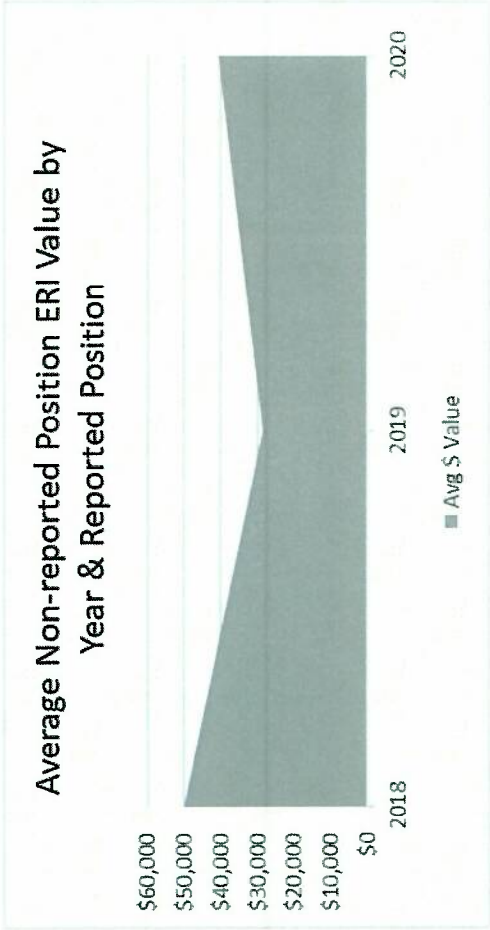
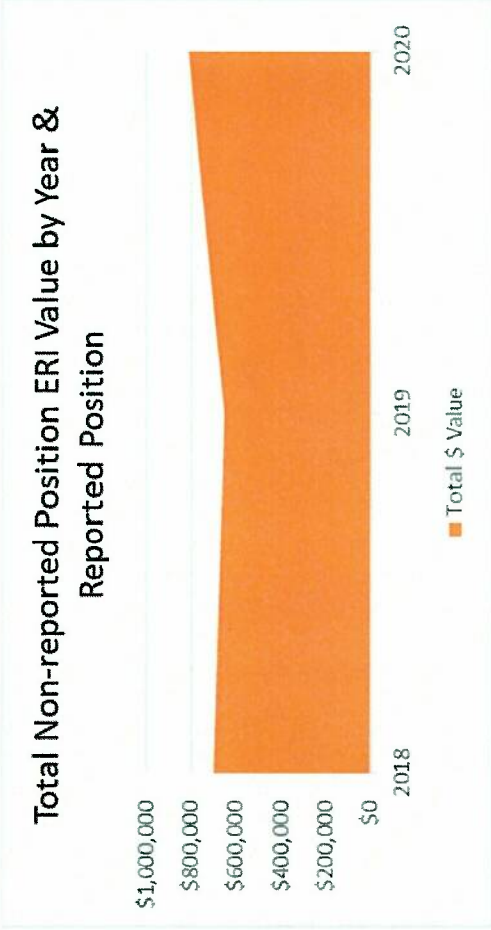
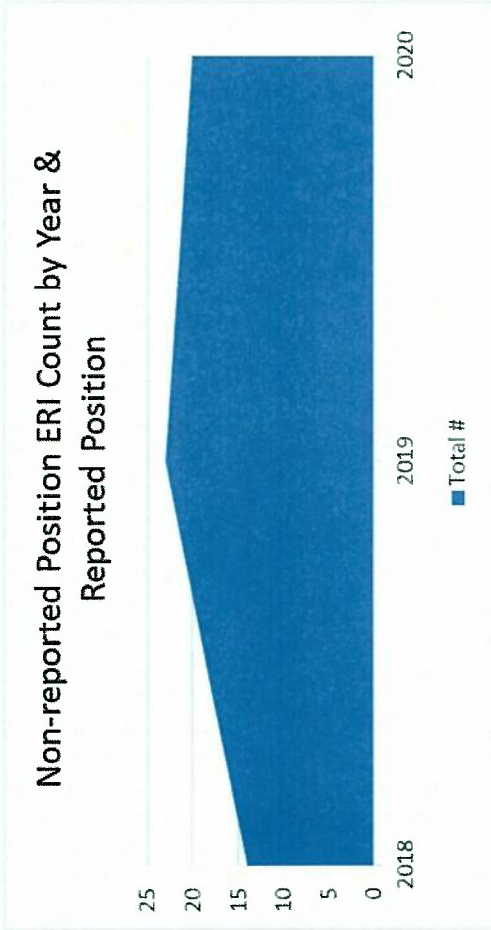


Highest Classified Employee ERI Value by Year & Position



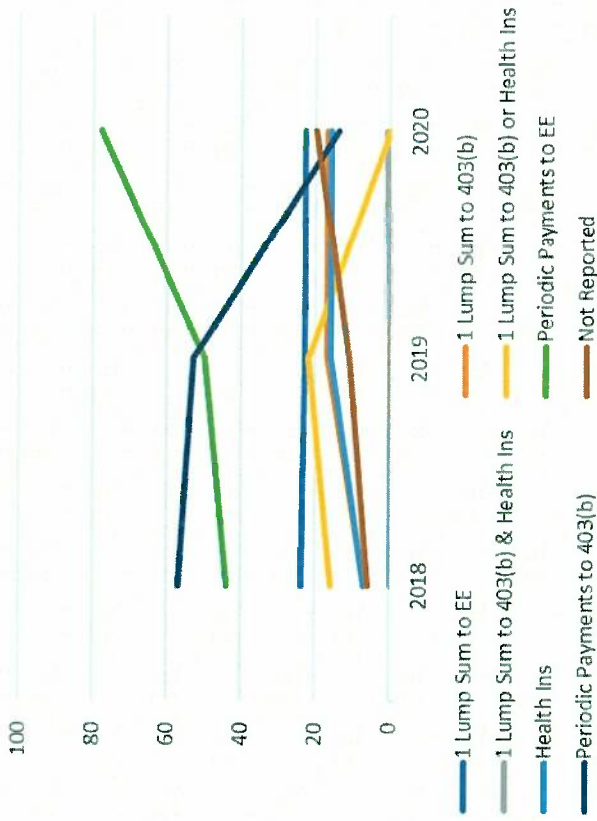
ERIs for Employees Whose Position Was Not Reported Initiated by Year (rounded down to the nearest \$)

ERI Data-NR	2018	2019	2020	Overall
Total #	14	23	20	57
Total \$ Value	\$701,124	\$655,170	\$814,782	\$2,171,077
Avg \$ Value	\$50,080	\$28,485	\$40,739	\$38,089
Highest \$ Value	\$134,000	\$103,900	\$84,696	\$134,000



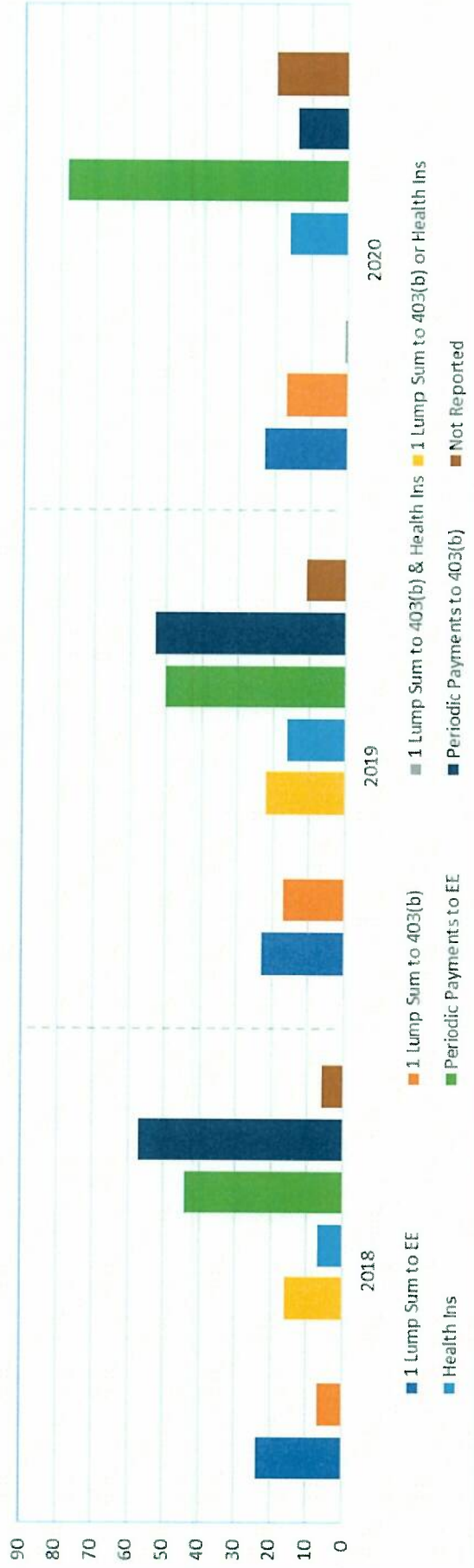
Types of ERIs Initiated by Year

Types of ERIs Initiated by Year



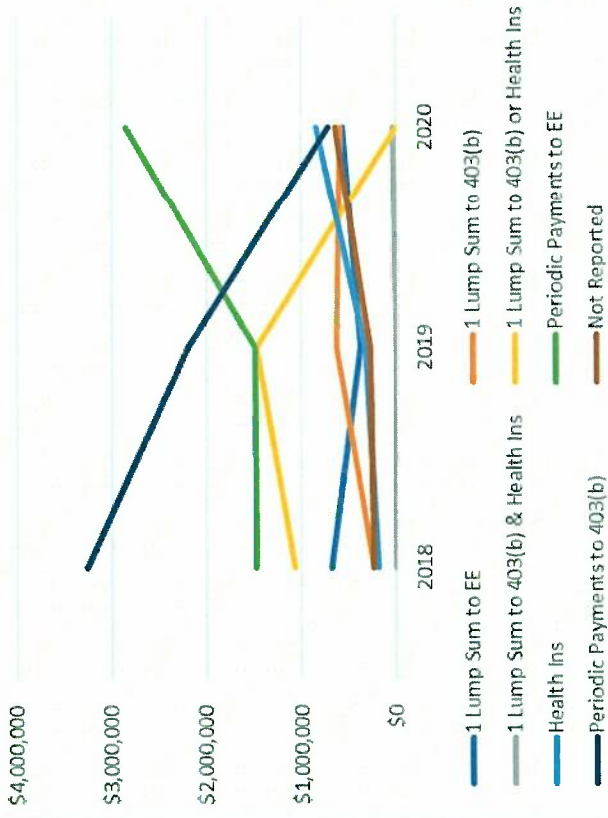
ERI Data-Types	2018	2019	2020	Total
1 Lump Sum to EE	24	23	23	70
1 Lump Sum to 403(b)	7	17	17	41
1 Lump Sum to 403(b) & Health Ins	0	0	1	1
1 Lump Sum to 403(b) or Health Ins	16	22	0	38
Health Ins	7	16	16	39
Periodic Payments to EE	44	50	78	172
Periodic Payments to 403(b)	57	53	14	124
Not Reported	6	11	20	37
Total	161	192	169	522

Types of ERIs Initiated by Year



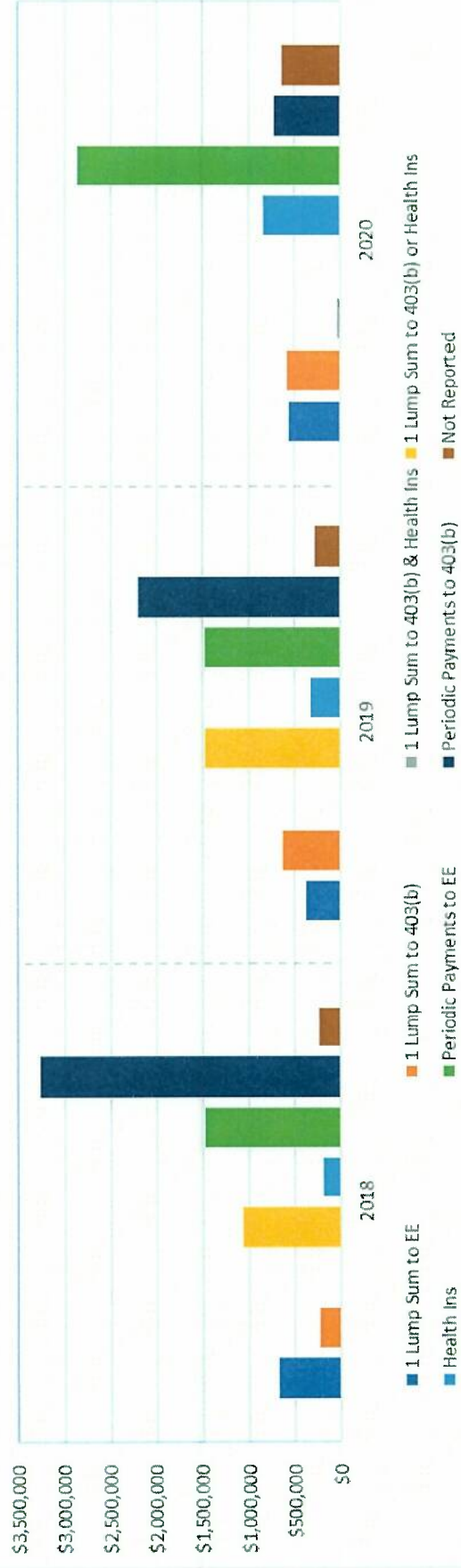
Total Dollar Value of Each Type of ERI Initiated by Year (rounded down to the nearest \$)

Total Value of ERIs Initiated by Year



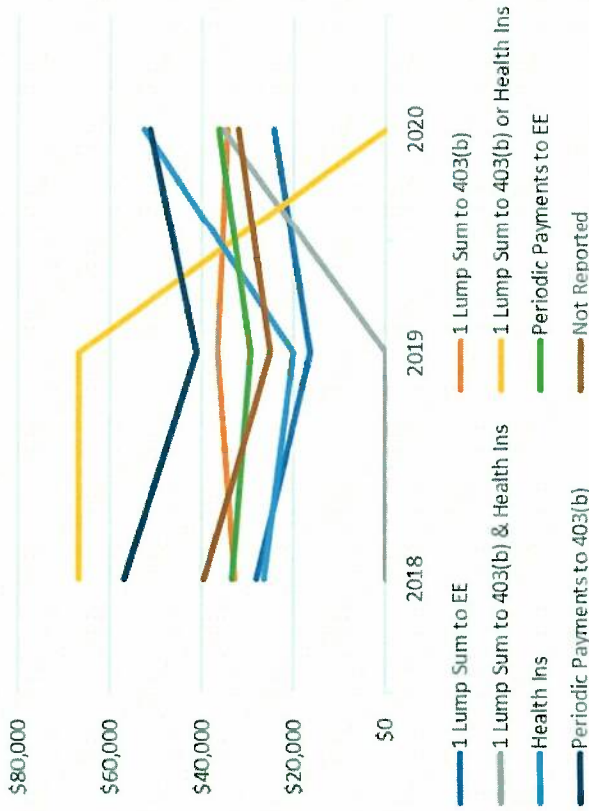
ERI Data-Types	2018	2019	2020	Overall
1 Lump Sum to EE	\$677,984	\$378,763	\$561,978	\$1,618,725
1 Lump Sum to 403(b)	\$231,000	\$623,504	\$587,181	\$1,441,685
1 Lump Sum to 403(b) & Health Ins	\$0	\$0	\$35,795	\$35,795
1 Lump Sum to 403(b) or Health Ins	\$1,070,260	\$1,473,192	\$0	\$2,543,452
Health Ins	\$185,629	\$325,768	\$842,911	\$1,354,308
Periodic Payments to EE	\$1,475,231	\$1,481,451	\$2,850,836	\$5,807,518
Periodic Payments to 403(b)	\$3,257,526	\$2,191,303	\$719,783	\$6,168,613
Not Reported	\$238,130	\$279,425	\$643,634	\$1,161,190

Total Value of ERIs Initiated by Year



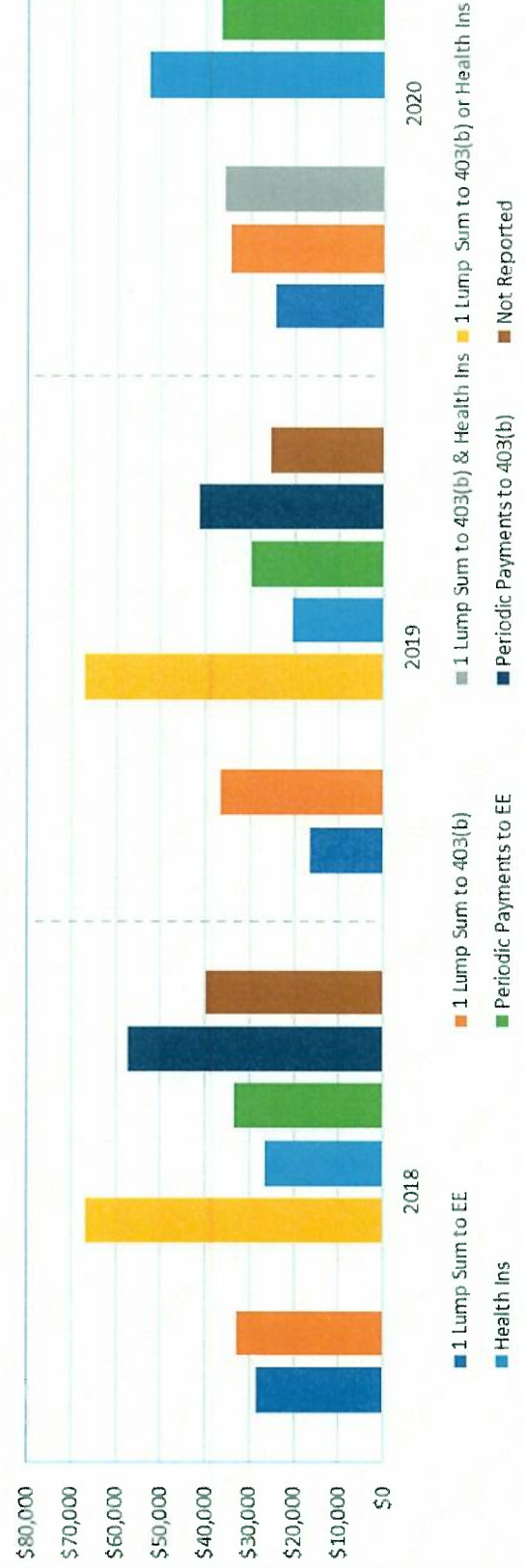
Average Dollar Value of Each Type of ERI Initiated by Year (rounded down to the nearest \$)

Average Value of ERIs Initiated by Year



ERI Data-Types	2018	2019	2020	Overall
1 Lump Sum to EE	\$28,249	\$16,467	\$24,433	\$23,124
1 Lump Sum to 403(b)	\$33,000	\$36,676	\$34,540	\$35,163
1 Lump Sum to 403(b) & Health Ins	\$0	\$0	\$35,795	\$35,795
1 Lump Sum to 403(b) or Health Ins	\$66,891	\$66,963	\$0	\$66,932
Health Ins	\$26,518	\$20,360	\$52,682	\$34,725
Periodic Payments to EE	\$33,527	\$29,629	\$36,549	\$33,764
Periodic Payments to 403(b)	\$57,149	\$41,345	\$51,413	\$49,746
Not Reported	\$39,688	\$25,402	\$32,181	\$31,383

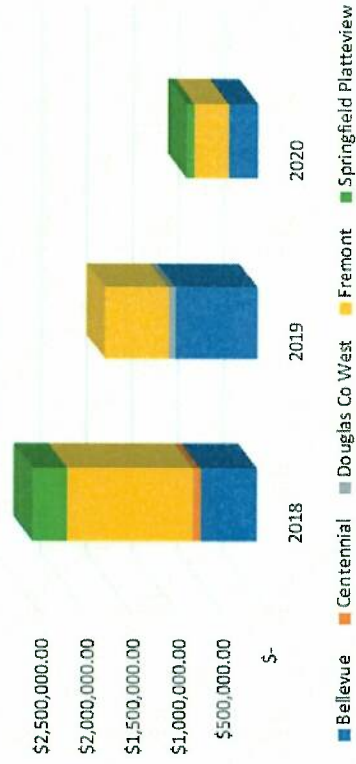
Average Value of ERIs Initiated by Year



Top 10% of Individual ERI Values Categorized by Employer

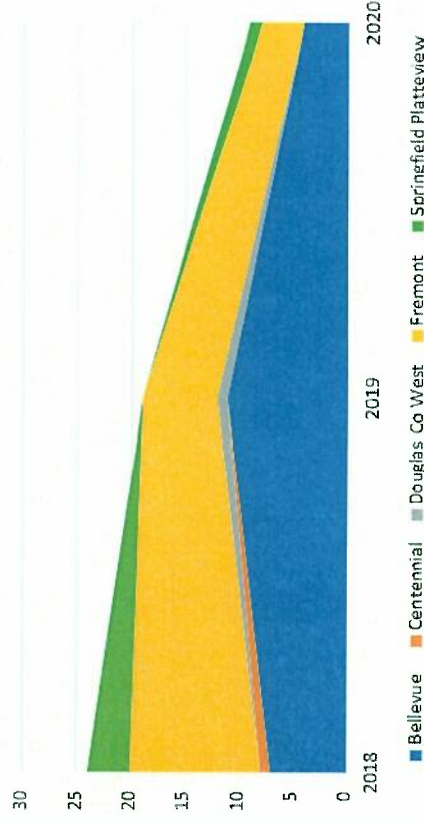
School	2018	2019	2020	Grand Total
Bellevue	\$ 615,199.12	\$ 896,553.00	\$ 320,270.36	\$ 1,832,022.48
Centennial	\$ 88,993.19			\$ 88,993.19
Douglas Co West		\$ 75,844.44		\$ 75,844.44
Fremont	\$ 1,364,648.95	\$ 686,627.50	\$ 375,375.75	\$ 2,426,652.20
Springfield Platteview	\$ 381,492.50		\$ 84,696.55	\$ 466,189.05
Grand Total	\$ 2,450,333.76	\$ 1,659,024.94	\$ 780,342.66	\$ 4,889,701.36

Total Value of Top 10% of ERI's Categorized by Employer



School	2018	2019	2020	Grand Total
Bellevue	7	11	4	22
Centennial	1			1
Douglas Co West		1		1
Fremont	12	7	4	23
Springfield Platteview	4		1	5
Grand Total	24	19	9	52

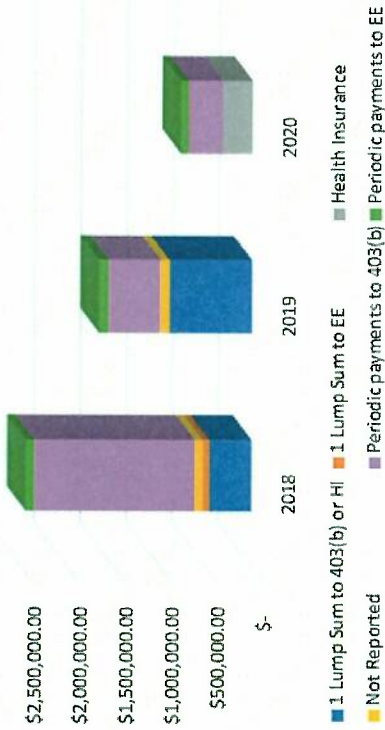
Count of Top 10% of ERI's Categorized by Employer



Top 10% of Individual ERI Values Categorized by ERI Type

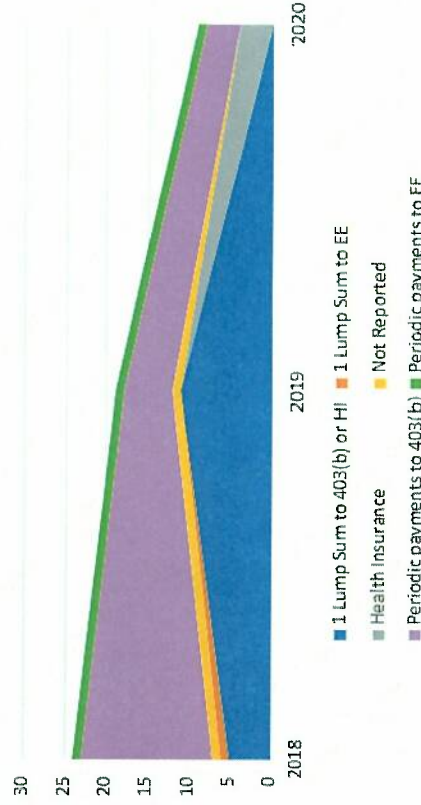
Type	2018	2019	2020	Grand Total
1 Lump Sum to 403(b) or HI	\$ 456,169.05	\$ 896,553.00		\$ 1,352,722.05
1 Lump Sum to EE	\$ 81,668.88			\$ 81,668.88
Health Insurance			\$ 320,270.36	\$ 320,270.36
Not Reported	\$ 77,361.19	\$ 95,835.35		\$ 173,196.54
Periodic payments to 403(b)	\$ 1,746,141.45	\$ 562,735.84	\$ 375,375.75	\$ 2,684,253.04
Periodic payments to EE	\$ 88,993.19	\$ 103,900.75	\$ 84,696.55	\$ 277,590.49
Grand Total	\$ 2,450,333.76	\$ 1,659,024.94	\$ 780,342.66	\$ 4,889,701.36

Total Value of Top 10% of ERI's Categorized by Type



Type	2018	2019	2020	Grand Total
1 Lump Sum to 403(b) or HI	5	11		16
1 Lump Sum to EE	1			1
Health Insurance			4	4
Not Reported	1	1		2
Periodic payments to 403(b)	16	6	4	26
Periodic payments to EE	1	1	1	3
Grand Total	24	19	9	52

Count of Top 10% of ERI's Categorized by Type

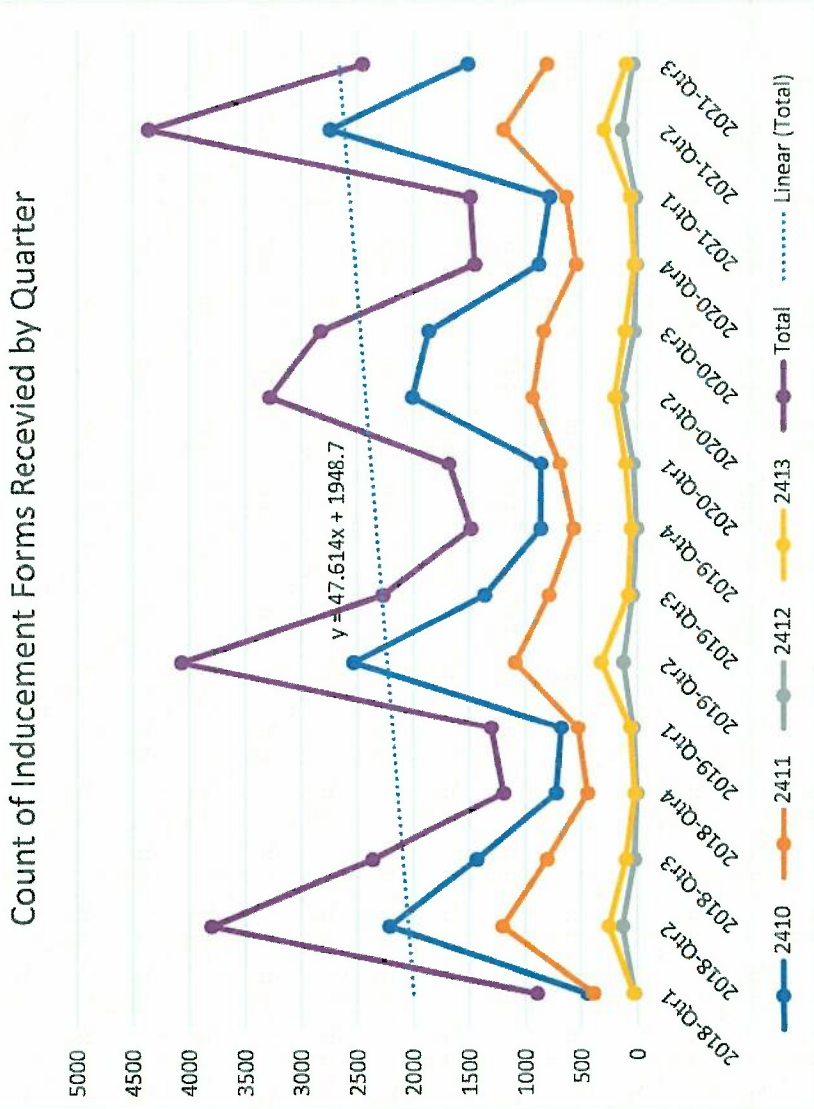


Cost Analysis

Methodology

NPERS queried its database to obtain a count of how many forms have been indexed and on which days they were imaged. Next, the cost of uploading these documents was calculated by factoring in the transaction cost, multiplier, and transaction count associated with NPERS ECM Billing. Finally, trend analysis was performed on the number of forms uploaded to obtain an estimate of how many documents will be uploaded over the next five years. Assuming ECM costs increase at the same rate at which they have in the past, a calculation of projected costs was developed.

Count of NPERS Receipt of ERI Forms (by quarter)



Quarterly Direct Cost of Imaging and Indexing - Inducement and Termination Certs Following Transaction Based Billing Change for ECM

Quarter	Total Form Count	Cost Per Transaction	Transaction Count	Multiplier	Estimated Upload Cost
2018-Qtr1	894	0.0016	48	6.6	\$453.15
2018-Qtr2	3803	0.0016	48	6.6	\$1,927.66
2018-Qtr3	2367	0.0016	48	6.6	\$1,199.78
2018-Qtr4	1194	0.0016	48	6.6	\$605.21
2019-Qtr1	1306	0.0016	48	6.6	\$661.99
2019-Qtr2	4072	0.0016	48	6.6	\$2,064.02
2019-Qtr3	2273	0.0016	48	6.6	\$1,152.14
2019-Qtr4	1485	0.0016	48	6.6	\$752.72
2020-Qtr1	1681	0.0016	48	6.6	\$852.07
2020-Qtr2	3280	0.0016	48	6.6	\$1,662.57
2020-Qtr3	2827	0.0016	48	6.6	\$1,432.95
2020-Qtr4	1452	0.0016	48	6.6	\$735.99
2021-Qtr1	1490	0.0016	48	6.6	\$755.25
2021-Qtr2	4366	0.0016	48	6.6	\$2,213.04
2021-Qtr3	2454	0.0017	48	6.6	\$1,321.63
Total	34,944				\$17,190.17

5 Year Cost Projections at Current Growth Rate

Year	Total Count Projection $y = 47.614x + 1948.7$	Transaction Cost	Transaction Count	Multiplier	Estimated Total Cost
2022	10038	0.0017	48	6.6	\$5,406.31
2023	10229	0.0017/0.0018	48	6.6	\$5,670.91
2024	10419	0.0018	48	6.6	\$5,941.54
2025	10610	0.0018/0.0019	48	6.6	\$6,218.21
2026	10800	0.0019	48	6.6	\$6,500.90
Total	52096				\$29,737.87

Appendix C

Omaha Public Schools Spreadsheet on Early Retirement Incentives

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Early Leave Incentives 2018

Updated: November 30, 2021

ELI Start	ELI Term	Monthly Amt	# of Pmts	Total Incentive	Incentive Type
9/15/2018	6/15/2019	1,111.00	10	11,110.00	Monthly Payment to Employee
9/15/2018	10/15/2019	1,083.00	14	15,162.00	Monthly Payment to Employee
9/15/2018	10/15/2021	1,523.00	38	57,874.00	Monthly Payment to Employee
9/15/2018	11/15/2021	1,349.58	39	52,633.62	Monthly Payment to Employee
9/15/2018	1/15/2022	1,349.58	41	55,332.78	Monthly Payment to Employee
9/15/2018	2/15/2022	1,152.01	42	48,384.42	Monthly Payment to Employee
9/15/2018	9/15/2022	1,093.33	49	53,573.17	Monthly Payment to Employee
9/15/2018	12/15/2022	1,148.90	52	59,742.80	Monthly Payment to Employee
9/15/2018	12/15/2022	1,328.15	52	69,063.80	Monthly Payment to Employee
9/15/2018	12/15/2022	1,258.00	52	65,416.00	Monthly Payment to Employee
9/15/2018	12/15/2022	1,093.33	52	56,853.16	Monthly Payment to Employee
9/15/2018	1/15/2023	1,381.19	53	73,203.07	Monthly Payment to Employee
9/15/2018	3/15/2023	1,182.30	55	65,026.50	Monthly Payment to Employee
9/15/2018	4/15/2023	1,212.59	56	67,905.04	Monthly Payment to Employee
9/15/2018	7/15/2023	1,333.76	59	78,691.84	Monthly Payment to Employee
9/15/2018	9/15/2023	1,333.76	61	81,359.36	Monthly Payment to Employee
9/15/2018	1/15/2024	1,315.42	65	85,502.30	Monthly Payment to Employee
9/15/2018	2/15/2024	1,272.38	66	83,977.08	Monthly Payment to Employee
9/15/2018	3/15/2024	1,315.42	67	88,133.14	Monthly Payment to Employee
9/15/2018	3/15/2024	1,394.56	67	93,435.52	Monthly Payment to Employee
9/15/2018	8/15/2024	1,356.03	72	97,634.16	Monthly Payment to Employee
9/15/2018	8/15/2024	1,216.62	72	87,596.64	Monthly Payment to Employee
9/15/2018	9/15/2024	1,182.30	73	86,307.90	Monthly Payment to Employee
9/15/2018	9/15/2024	1,349.58	73	98,519.34	Monthly Payment to Employee
9/15/2018	11/15/2024	1,216.62	75	91,246.50	Monthly Payment to Employee
9/15/2018	1/15/2025	1,298.71	77	100,000.67	Monthly Payment to Employee
9/15/2018	5/15/2025	1,234.57	81	100,000.17	Monthly Payment to Employee
27 Approved Early Leave Incentives				<u>1,923,684.98</u>	

Note: Omaha Public Schools (OPS) Early Leave Incentive (ELI) program was discontinued after 2018.

