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Nebraska Retirement Systems Committee
January 30, 2014

[LB918 LB929]

The Committee on Nebraska Retirement Systems met at 12:00 p.m. on Thursday, January 30, 2014, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB929 and LB918. Senators present: Jeremy Nordquist, Chairperson; Al Davis, Vice Chairperson; Danielle Conrad; and Rick Kolowski. Senators absent: Russ Karpisek; and Heath Mello.

SENATOR NORDQUIST: Good happy noonhour, everyone. I'm State Senator Jeremy Nordquist from District 7, which covers downtown and south Omaha, and I chair the Retirement Systems Committee. We have...to my far right is our committee clerk, Laurie Vollertsen; to my left, Kate Allen, our legal counsel. Our page today is Nathan. If you have any handouts, he can help with that. We have...Senator Russ Karpisek and Senator Heath Mello unfortunately are scheduled to be in Exec Board for public hearing on a couple bills over this hour, so they will not be able to join us. But we do have with us Senator Rick Kolowski from District 31, Vice Chair of the committee Senator Al Davis from District 43, and Senator Danielle Conrad from District 46. The committee process: If you are going to testify, there are sheets in the back. Please fill those out and turn those in to the committee clerk. Please state and spell your name when you begin your testimony, and please silence your cell phone so we don't get disrupted. I think that's it. We will go with Senator Gloor's bill LB929 and then LB918 to follow that. Senator Gloor, welcome.

SENATOR GLOOR: Thank you, Chairman Nordquist. And good afternoon, committee members. I think this is a pretty straightforward bill. We need a definition to help us comply with current statutes. LB929 amends the city of the first class police and firefighter retirement system statutes to define the term "sex-neutral basis." Under state law and various federal laws and federal court decisions, retirement, actuarial and mortality assumptions must be calculated on a sex-neutral basis. A city cannot have a different assumption for male and female employees. The cities have had problems complying with this requirement because it seems to have become difficult to get sex-neutral tables for the type of retirement payouts that they make. Such was the case in Grand Island when a retiring police officer asked for a sum payout. LB929 is designed to help comply by defining "sex-neutral basis." The term will be defined as either "the benefit calculation provided by an insurance or annuity company that utilizes a blended non-gender-specific rate for a particular participant"--pretty straightforward--or "the benefit calculation performed using the arithmetic mean, by adding the male-specific actuarial assumptions to the female-specific actuarial assumptions applicable to a particular participant and then dividing the sum by two, to come up with generic term 'average.'" This definition would allow the city to use the insurance or annuity tables when they are available but then move to the formula to find a sex-neutral payout when the tables are not available. And talking this issue over with NACO, with Counsel Allen, with several of us, we decided a little different wording might be necessary to clarify that

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the averaging of the sex-specific assumption is to be used only when sex-neutral assumptions cannot be obtained. I have copies of that amendment. Or are they included in the book? They're included in the book. Thank you for that. Basically, the amendment becomes the bill. It also clarifies that in the minority of cases when a retiree requests three different estimates to be obtained, which is their right, and averaged, that all estimates used have to use the same calculation method. In other words, all three have to be sex-neutral or all three have to be the averaged sex-specific calculations; therefore you've got the amendment, AM1749, to the committee for consideration. Joan Cannon, from Koley Jessen law firm in Omaha, will be one of the testifiers in the case regarding the use of this alternative calculation method; as well, the city of Grand Island. I'm glad to answer any questions, but I think the real expert testimony is behind me. Thank you very much for your consideration. [LB929]

SENATOR NORDQUIST: Great. Thank you, Senator Gloor. Any questions for Senator Gloor? Seeing none, thank you. [LB929]

SENATOR GLOOR: Thank you. [LB929]

SENATOR NORDQUIST: We'll take proponent testimony. Welcome. [LB929]

JAY VAVRICEK: Welcome. And good afternoon. My name is Jay, spelled J-a-y, last name Vavricek, V-a-v-r-i-c-e-k, representing the people of Grand Island, where I serve as mayor. And we're supportive of LB929. And as our community uniquely became aware of, the law from 30 years ago had consequences that we needed to go ahead and deal with and deal with professionally. And, obviously, when we have our firefighters and emergency responders and also police after many years of service, want to go ahead and honor their service in the appropriate, respectful way, which has "definement" as how they would indeed be compensated. So this legislation would do that. Also representing the city of Grand Island, we have Brenda Sutherland, human resources director, here that may even aid some specific language that may even further clarify what would be introduced. But, no, definitely, this type of issue has all the makings of trying to go ahead and potentially dividing a community; we're all trying to be unified... [LB929]

SENATOR NORDQUIST: Um-hum. [LB929]

JAY VAVRICEK: ...and also have a policy that is strictly understood... [LB929]

SENATOR NORDQUIST: Um-hum. [LB929]

JAY VAVRICEK: ...in a way that we can implement successfully. [LB929]

SENATOR NORDQUIST: Yeah. Okay. [LB929]

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JAY VAVRICEK: So with that, I urge your consideration to support this legislation.
[LB929]

SENATOR NORDQUIST: Thank you, Mayor. Any questions? Seeing none, thank you.
[LB929]

JAY VAVRICEK: Thank you so much. [LB929]

SENATOR NORDQUIST: Yes. Next proponent. Welcome, Gary. [LB929]

GARY KRUMLAND: (Exhibit 1) Senator Nordquist, members of the committee, my name is Gary Krumland, it's K-r-u-m-l-a-n-d, representing the League of Nebraska Municipalities, appearing in support of LB929. First of all, just appreciate Senator Gloor's introducing of this bill to address this concern. This has to do with, again, the police and fire pension systems from cities of the first class. And I think, as we've talked before, there's a unique situation that in 1994 the statutes...the law was changed so that the retirement system changed from a defined benefit system to a defined contribution system. And any police officer or firefighter who were hired before 1984 basically has a choice of determining which benefit they want, either the defined benefit or defined contribution. If they choose the defined benefit system, then they can...well, either way they can take a lump sum, and there's a formula in the statutes of how to do that. Just...well, first of all, the handout I gave you, there are 30 cities of the first class. And we did a quick survey, got 10 responses, just to find out how many police officers and firefighters are in that category. And this...of the third of the people, this is just kind of the response. Several of these cities don't have any, a couple of them have just one left, and others have a handful. So there are still some police officers and firefighters who were hired before 1984 who are still on the police department or the fire department. As we've discussed before, though, in the next ten years or so they probably will all be reaching retirement age. The other part of the handout is the statute for each of the retirement systems. And in yellow is the procedure that if a police officer or firefighter wishes to take a sum, how you do that. And, basically, for police officers, you go to get, basically, bids on three annuity contracts; the city gets one, the police officer gets one, and the retirement committee gets one. For firefighters it's slightly different. The city and the police officer each get one, and then if there's more than a 5 percent difference, it goes to the retirement committee for a recommendation, and the city council makes the final choice. The problem some cities have been having--actually, most of the cities we've talked to--is they cannot get three different actual bids on a gender-neutral basis. And why, I don't know, but they're having that problem. And so what we would like to have is if that is not possible, there's an alternative method to get the three quotes or the three bids. And what that would be, under the bill, is you take a male bid and female bid and average them out. So that's kind of what this bill does. And most of the...from what we've heard, most of the police officers and firefighters who are retiring now are

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taking a sum. So it's probably the sum that's causing the confusion right now. [LB929]

SENATOR NORDQUIST: Okay. Thank you, Gary. Senator Conrad. [LB929]

SENATOR CONRAD: Thank you, Gary. Appreciate this information that you provided; it's definitely helpful to understanding this issue. And I don't want to put you on the spot necessarily, but I do want to flag it for maybe some subsequent testifiers, because the "why" question that you identified is exactly what I've been asking myself since this hearing started. If indeed this dynamic has been in play, has been the law of the land by Supreme Court decision since 1983, and it's not unique to Nebraska or our first-class cities, why on earth wouldn't there be other vendors who have this information available? [LB929]

GARY KRUMLAND: That I don't know. I don't know the answer. But they just haven't been able to get them... [LB929]

SENATOR CONRAD: Sure, and I appreciate it. I'm not trying to shoot the messenger, that you're just reporting in, but... [LB929]

GARY KRUMLAND: And, I mean, to be real...and it has been...the requirement for sex-neutral basis has been in the police and firefighter statute since I think it was 1992. [LB929]

SENATOR CONRAD: Yeah. It's just very odd to me. [LB929]

GARY KRUMLAND: But...and maybe it's just that the, you know, individual basis that each...when someone retires, especially if it's a sum, you go out for bid. I don't...I just don't have an answer to that, but... [LB929]

SENATOR CONRAD: Okay. [LB929]

GARY KRUMLAND: There is one occasionally. But if you'd need three, that's been real hard to get. [LB929]

SENATOR CONRAD: Okay. Thank you. [LB929]

SENATOR NORDQUIST: Thank you. Any other questions? Seeing none, thank you. [LB929]

GARY KRUMLAND: Um-hum. [LB929]

SENATOR NORDQUIST: Next proponent testifier. Welcome. [LB929]

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BRENDA SUTHERLAND: Thank you. Senators...and, Senator Conrad, perhaps we'll get back to your question... [LB929]

SENATOR CONRAD: Wonderful. [LB929]

BRENDA SUTHERLAND: ...a little bit more, too. My name is Brenda Sutherland, that's spelled S-u-t-h-e-r-l-a-n-d. I am the human resources director for the city of Grand Island and I am happy to be here today. So the city of Grand Island has recently found itself involved in several gender-discrimination complaints, due to the method used to calculate the sum payments for pre-'84 officers. And when I say "officers," that's the generic term for all sworn positions, then, that would be covered under this legislation. The issue at hand for us was the gender-neutral annuity quotes. Now, obviously, you heard the mayor talk about the service that these folks provide. And at the end of their career, when we're celebrating this career, to be at odds over this really is a very uncomfortable thing for everybody. So it is important to us that we can come up with a viable solution for everyone. Statute 16-1007 refers to annuity contracts that can be purchased on the open market, and those are the rules that we have always followed. Now, the problem that we ran into is that these annuity bids, one, are to be gender-neutral. When we went out for annuity bids, we found companies willing to provide a gender-neutral quote, but they were not able to sell or issue that product in the state of Nebraska. When you fill out the application to purchase an annuity, you have to check your gender. You check the box: it says "male" or "female"; there is not a "gender-neutral" box to check. And the reason being, is that company wants to appropriately price their product based on their mortality tables. So they sell it based on who they are selling it to, just like they would a life insurance product or anything else. The other thing that we found was we also found that companies were providing what they called "gender-neutral annuity quotes," but when we asked for the same quote for a female, it was the same number. So, basically, what they were doing is giving us a "female" quote. For a male, it truly wasn't a gender-neutral quote; it was the female rate. The language proposed in LB929 will give cities of the first class a way to be sure that the numbers that we're using really and truly are gender-neutral numbers, "neutral" meaning not swaying more one way than the other, but in the middle, and not gender-specific numbers that are being mislabeled. The proposed use of the arithmetic mean for quotes should help us reach that goal of making sure that it is a...again, a gender-neutral number. By doing this, we give the employee, we give the pension committee, we give the city all a directive that we can all follow, that's very black-and-white and direct, and, hopefully, alleviate some of the confrontation that we've been seeing with this. [LB929]

SENATOR NORDQUIST: Okay. Thank you, Brenda. So with this change, though, do we think that there still will be people providing those products? I mean... [LB929]

BRENDA SUTHERLAND: Well, they don't provide the product. [LB929]

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SENATOR NORDQUIST: Yeah. Well, I was just... [LB929]

BRENDA SUTHERLAND: They may provide a quote. [LB929]

SENATOR NORDQUIST: Okay, that's... [LB929]

BRENDA SUTHERLAND: And that's... [LB929]

SENATOR NORDQUIST: That's all we're seeking. [LB929]

BRENDA SUTHERLAND: ...that's kind of where the rub is. [LB929]

SENATOR NORDQUIST: Yeah. Yeah. [LB929]

BRENDA SUTHERLAND: You're right, there are other states... [LB929]

SENATOR NORDQUIST: Hmm. [LB929]

BRENDA SUTHERLAND: ...that have gender-neutral products. [LB929]

SENATOR NORDQUIST: Yeah. [LB929]

BRENDA SUTHERLAND: In Nebraska... [LB929]

SENATOR NORDQUIST: Okay. [LB929]

BRENDA SUTHERLAND: ...we, for some reason, do not at this point, or at least we have not... [LB929]

SENATOR NORDQUIST: Yeah. [LB929]

BRENDA SUTHERLAND: ...been able to find it. We have... [LB929]

SENATOR NORDQUIST: Yeah. [LB929]

BRENDA SUTHERLAND: ...gone through different brokers... [LB929]

SENATOR NORDQUIST: Um-hum. [LB929]

BRENDA SUTHERLAND: ...thinking that maybe we're missing something, maybe there's other companies out there. And we have come up against this time and time again. [LB929]

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SENATOR NORDQUIST: Okay. All right. Senator Conrad. [LB929]

SENATOR CONRAD: Thank you, Brenda, that is helpful. And I don't have the full statute, I don't think, in front of me. But under 16-1007, as you referenced, is "open market" defined? [LB929]

BRENDA SUTHERLAND: I don't know that it is. [LB929]

SENATOR NORDQUIST: Hmm. [LB929]

BRENDA SUTHERLAND: I think...I would...I can't answer that. But I don't... [LB929]

SENATOR CONRAD: Yeah. [LB929]

BRENDA SUTHERLAND: ...know that it is. But I'm assuming that we all believe that the open market is anyplace that we could go and purchase the product, that if we didn't do the sum in this city, said we're going to provide that 50 percent benefit that's the last...or the highest five last consecutive years. And we would get quotes to purchase it, with the intent that we would purchase, that is the open market. [LB929]

SENATOR CONRAD: Okay. Thank you. [LB929]

SENATOR NORDQUIST: Any other questions? Seeing none, thank you. [LB929]

BRENDA SUTHERLAND: Thank you. [LB929]

SENATOR NORDQUIST: Um-hum. [LB929]

BRENDA SUTHERLAND: And thank you, Senator Gloor, for bringing this forward for us. We really do appreciate it. [LB929]

SENATOR NORDQUIST: Thank you. Next proponent. Welcome. [LB929]

JOAN CANNON: Good afternoon. My name is Joan Cannon, C-a-n-n-o-n. I am an attorney, a pension attorney from Koley Jessen law firm in Omaha, Nebraska. And I was hired to draft some language to resolve the issue that we are talking about here today, by the...I was hired by the League of Nebraska Municipalities. I'm here to speak as a proponent for this bill, LB929, and the current amendment. So, currently, as you've heard, the Nebraska statute governing the pension benefit for police officers and firefighters of cities of the first class provides that the cities must provide pension benefits to police officers and firefighters on a sex-neutral or gender-neutral basis. The cities, as you have heard, are not able to obtain quotations, calculations,

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on...pension-benefit calculations on a gender-neutral basis. The state statute requires...and when we're talking about rates, we're talking about actuarial, we're talking about mortality, we're talking about annuity conversion rates on a sex- or gender-neutral basis. And, unfortunately, the current statute, although it requires this gender-neutral basis, it does not actually address how the cities are to provide a pension benefit to police officers and firefighters on a gender-neutral basis. So the cities are unable to implement their retirement plans in compliance with the law. And we want to take out that uncertainty. The cities want to comply with the law. They want to provide the actual retirement benefits that police officers and firefighters are entitled to, no more, no less, but exactly what they're entitled to. So the language that we have drafted and is being proposed--and thank you to Senator Gloor for putting forth this bill--this language would take out the uncertainty that now exists and actually provide certainty for cities in how to provide retirement benefits for those officers and firefighters who have elected to be a part of the pre-1984 pension benefit. And so in this case the bill would provide that the cities when they obtain a quote from a domestic or foreign insurance company or an annuity company that is based on gender-neutral rates, then they are to use that specific calculation, that benefit. If the quote, the pension calculation, is not based on gender-neutral rates, then they are to take the male-specific rates and average them with the female-specific rates. So what this...this bill, as it's amended, would provide a very definite road map for the cities in how to comply with the Nebraska law. And that's what we want. We don't want discretion; we want a road map for them to follow. And that's what this amendment and bill provides. So I would like to propose that you accept this bill, that it be passed by the Unicameral and provide cities with a definite guidance on how to fulfill their duties under Nebraska statute. Thank you for your support, I appreciate it, and thank you for your time today. [LB929]

SENATOR NORDQUIST: Thank you, Joan. [LB929]

JOAN CANNON: Are there any questions? [LB929]

SENATOR NORDQUIST: Yeah, any questions from the committee? Seeing... [LB929]

SENATOR CONRAD: Actually...I'm sorry... [LB929]

SENATOR NORDQUIST: ...oh, Senator Conrad, please. [LB929]

SENATOR CONRAD: Maybe I shouldn't ask. Okay, I'm going to ask it because I'm entrusted. So this is your primary area of practice, in retirement? [LB929]

JOAN CANNON: Yes, it is. [LB929]

SENATOR CONRAD: So it may be a bit beyond that. But the concept of gender identity is changing in our society a great deal. And I'm wondering about potential public

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employees who may not identify as "male" or "female" and how they would be treated in this instance. [LB929]

JOAN CANNON: There would be no difference. We want people to be treated the same, to be entitled to equal benefits under the law. And so "gender-neutral" means gender-neutral... [LB929]

SENATOR CONRAD: Okay. [LB929]

JOAN CANNON: ...it doesn't mean one or the other. And the problem in the past is that the rates have been used...been based on generalizations of gender, which the law tells us is not appropriate and that...Title VII, for example, of the federal law means and protects individuals, it doesn't protect a generalization of class. [LB929]

SENATOR CONRAD: Hmm. [LB929]

JOAN CANNON: And so in this case, really what we want is rates that are based on mortality rates, annuity, actuarial calculations that are across-the-board fair and equal to everyone. So whether someone, you know, what their sex is should not matter. [LB929]

SENATOR CONRAD: Right. So it recognizes the individual humanity rather than... [LB929]

JOAN CANNON: Right. [LB929]

SENATOR CONRAD: ...male or female. [LB929]

JOAN CANNON: That's right. [LB929]

SENATOR CONRAD: Very good. Thank you. [LB929]

SENATOR NORDQUIST: Do you have any additional questions? Seeing none, thank you. [LB929]

JOAN CANNON: Thank you very much. [LB929]

SENATOR NORDQUIST: Yes. Any additional proponent testifiers? Seeing none, any opponent testifiers? Seeing none, any neutral testifiers? Seeing none, Senator Gloor, would you like to close? [LB929]

SENATOR GLOOR: Thank you, Senator Nordquist. I'll be very brief. First of all, I'd like to apologize. This isn't the first time I've done this, but it may be the first time I failed to identify myself and spell my name. Mike Gloor, G-l-o-o-r. And then to add...Senator

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Conrad, to no one's surprise, was very quick to pick up on the question of: And so if this is the law of the land, why can't you buy the product? And I happen to be in an advantageous position, for the body, as Chairman of the Banking, Commerce and Insurance Committee, and I am going to continue asking that question. We may find ourselves talking about it more during the interim. Thank you. [LB929]

SENATOR NORDQUIST: Thank you. Great. Thank you. That concludes the hearing on LB929. I will turn it over to Senator Davis. [LB929]

SENATOR DAVIS: Welcome. [LB918]

SENATOR NORDQUIST: Thank you. Thank you, Senator Davis, members of the Retirement Systems Committee. For the record, my name is Jeremy Nordquist, I represent District 7, in downtown and south Omaha. LB918 was introduced at the request of the State Investment Officer. The County and State Retirement Act identifies investment options for defined contribution members. The investment options, by statute, need to include a stable return account investment option. LB918 removes the requirement that the stable market account must be invested in one or more guaranteed investment contracts and instead grants the State Investment Officer greater flexibility in authorizing him or her the authority to invest the stable return account in a stable value strategy that provides capital preservation and consistent and steady returns. Jeff States, the State Investment Officer, will follow me and provide detailed information about the challenges that they have right now with the current restriction in statute and how the change would be beneficial for their operations and for the members of the state and county defined contribution plans. I'd be happy to answer any questions. [LB918]

SENATOR DAVIS: Thank you, Senator Nordquist. Any questions from the committee members? [LB918]

SENATOR NORDQUIST: All right, thank you. [LB918]

SENATOR DAVIS: If not, we'll take the first testifier. Welcome. [LB918]

JFFF STATES: (Exhibit 2) Senator Davis, members of the committee, my name is Jeff States; it's S-t-a-t-e-s. And I'm the State Investment Officer, and I want to thank Senator Nordquist for agreeing to introduce this legislation on my behalf. The county and state retirement acts require a stable return account to be offered, as he noted, as an option to participants in the State and County Defined Contribution Plans. The statute requiring that says that it should be invested in one or more guaranteed investment contracts. At the time this legislation was first adopted, that was the primary form of what are considered to be stable value products. A guaranteed investment contract is a contract that's offered by an insurance company, and it agrees to a return as well as principal

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protection. But the purpose of LB918 is to update the language to more accurately describe the current market that's available for this product. And the requirement that the account be invested in one or more guaranteed investment contracts would be replaced, as he noted, with the language requiring a stable return account be "a stable value strategy that provides capital preservation." The stable return account investment strategy that's currently offered to state and county members in the defined contribution plan is a separately managed stable value account. And that's been in place for at least over a decade and maybe since the beginning of the program, and it's currently managed by T. Rowe Price. And late last year they brought to my attention some difficulties they were having with the current plan, part of it because we're a separate account and part of it's because of changes in the industry. The issues that they identified are that we currently have only four synthetic investment contract issuers for the Nebraska plan: Bank of America, Natixis, and the others are noted. All but State Street have indicated that they want to exit this business. And it's because of some of the modifications in banking that they've decided this isn't necessarily a line of profit for them or that our account isn't profitable for them even if they continue to do it. There are currently only two guaranteed investment contract, GIC, issuers in the Nebraska plan, Metropolitan Life and New York Life. Principal Life has indicated that it might be available as a replacement issuer to help us add some diversification. Part of the reason we have limitations there is because we have a high credit quality requirement of a single-A rating or better for those issuers. Since the 2008 crisis, wrap providers have become more selective and less willing to underwrite this kind of a plan, particularly plans like ours, because we have few new entrants. In fact, on the DC side, the only people who are in the plan are those who elected not to convert to the state's cash balance plan, so the numbers are diminishing. We offer this product in the Deferred Comp program, so we have a few new entrants on that side. But, generally, we have few new entrants and large cash outflows from time to time, either because of the conversions or now as our population is getting older, there are more exits from the program. And the program therefore has kind of a finite life span, which makes it less attractive to anyone committing to a longer-term obligation. Currently, the impact of this has been that it's made it difficult for T. Rowe to find providers, but also it's required us, in order to maintain liquidity to meet those demands...through having a larger portion of the account in a STIF account, which also has the impact because it's in a STIF, of lowering the credit quality a little bit. And note here that the difference between being in our separate account and, just for comparative purposes, a commingled vehicle that T. Rowe also has is a give-up in return there of what we earned at about 1.8 percent on a net basis to a return off their product, which is about 2.37 percent. Almost all of that difference is because of our need to maintain a high level of liquidity. So the change in the language will provide me more flexibility to try and find the best option for this program so we can continue to offer it and still maintain what people want, which is principal preservation, stability and steady growth in the principal and earned interest, a return that is better than just a money market fund and that gets them a little bit higher return, and be benefit-responsive. And in this case, "benefit-responsive" means that

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they enter at contract value so that they always get...the individual participant is always guaranteed their dollar plus any accrued interest in the program. I will not go through the statistics, but the back sheet is some data that shows you the current dollar values that are invested by members in both the state and the county plans. This data also includes, as the second line down, the Deferred Comp Plan. It's not affected by the statute change except that we would request the Retirement System to agree to, well, to make the similar change if we make any changes in the actual investment options in the DC Plan as we look at that, because we mirror those two programs for the platforms. About \$129 million today in the two options. If you go back just to December 31 of 2012, before we did the last conversion, we had \$198 million. And I only mention that just to show kind of the trend and...in the rationale for why liquidity is both a need but becomes difficult, in our current format to maintain, because we do have large outflows. I'd be happy to answer any questions that you might have. [LB918]

SENATOR DAVIS: Thank you, sir. Any questions? [LB918]

JFFF STATES: Thank you. [LB918]

SENATOR DAVIS: The reason you have the outflows, is it because people are aging out, retiring and... [LB918]

JFFF STATES: Absolutely, yes. [LB918]

SENATOR DAVIS: ...and going? [LB918]

JFFF STATES: Yeah. [LB918]

SENATOR DAVIS: No other questions? Thank you. [LB918]

JFFF STATES: Thank you. [LB918]

SENATOR DAVIS: We'll now take proponent testimony. [LB918]

MATT EFFKEN: Good afternoon, Senator Davis and members of the Retirement Committee. My name is Matt Effken, M-a-t-t E-f-f-k-e-n. I'm legal counsel to the Nebraska Public Employees Retirement Systems and the Public Employees Retirement Board. As you're aware, NPERS administers the state employees retirement system and the retirement system for the Nebraska counties, which are the two statutory plans impacted by LB918. On January 21 of 2014, the Retirement Board held its most recent regular monthly meeting. At that meeting, Mr. States, who is an ex officio member of the Retirement Board, provided the board with information similar to his testimony today. And after his presentation, the Public Employees Retirement Board determined that the changes proposed by this legislation would be beneficial to members who participate in

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this stable return account, and the board voted unanimously to support LB918. Assuming the legislation is passed into law, as Mr. States mentioned, the Retirement Board would anticipate also making similar changes to the plan document governing the Deferred Compensation Plan, which also includes a stable value account. It's also true, which I'll mention just for the record in the interest of completeness--and I think it's mentioned in the table attached to Mr. States' handout--that there are a few members of the DROP plan in the State Patrol that also participate in the stable value account; that's one of the options available to those in the DROP plan. And that concludes my testimony for this bill, unless you have any questions. [LB918]

SENATOR DAVIS: Thank you, sir. Any questions? Thank you. [LB918]

MATT EFFKEN: Thank you. [LB918]

SENATOR DAVIS: Next proponent? Any opponents? Any neutral testimony? If not, that will conclude the hearing on LB918. [LB918]