

Transcript Prepared by Clerk of the Legislature Transcribers Office
Nebraska Retirement Systems Committee February 15, 2024

McDONNELL: [RECORDER MALFUNCTION] investment officer as well as LB1365. Committee hearings are an important part of the legislative process and provide an opportunity for the committee members to receive input. If you plan to testify today, you will find pink testifier sheets on the table inside the door. Fill out a pink testifier sheet only if you're actually testifying before the committee, and please print legibly. Hand the pink testifier sheet to the clerk as you come forward to testify. There is also a yellow sheet in a table. If you want-- do not-- if you do not wish to testify but would like to record your position on a bill, this sheet will be included as an exhibit in the official hearing record. If you are not testifying in person on a bill and would like to submit a position letter for the official record, all committees have a deadline of 12 p.m. Central Standard Time the last day of work before the hearing. Please note that the position letters to be included in the official record must be submitted by the way of the Legislature's website at nebraskalegislature.gov. A new legis-- a new feature of the website allows testifiers with disabilities to submit testimony for the record on the site. The website will, will be the only method for submission of letters for the record other than testifying in person. Letters and comments submitted by web, email, or hand-delivered will no longer be included as part of the hearing record, although they are a viable option for communicating your views with an individual senator. Keep in mind that you may submit a letter for the record on the website or testify at a hearing but not both. We ask you to begin your testimony by giving us your first and last name and spell them for the record. If you have copies of your testimony, please bring at least 10 copies and give them to the page. If you are submitting testimony on someone else's behalf, you may submit it for the record but will not be allowed to read it. We will be using a 5-minute light system. When you begin your testimony, the light on the table will turn green. The yellow light is your 1-minute warning. And when the red light comes on, we ask you to wrap up your final thoughts and stop. As a matter of committee policy, I'd like to remind everyone to-- the use of their cell phones or other electronic devices is not allow-- allowed during public hearings, although you may see senators use them to take notes or stay in contact with staff. I would ask everyone to look at their cell phones and make sure they're on silent mode. Some senators will be using their laptops to pull up documents and follow, follow along with each bill. You may notice committee members coming and going. That has nothing to do with how they regard the importance of your testimony. Senators may have bills coming up to, to introduce in other

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committees or other meetings to attend. And with that, I will start with my right. Senator Clements.

CLEMENTS: Rob Clements, District 2.

IBACH: Senator Teresa Ibach, District 44, which is 8 counties in southwest Nebraska.

HARDIN: Brian Hardin, District 48: Scotts Bluff and Banner and Kimball Counties.

McDONNELL: Assisting the committee today: to my far right is Tim Pendrell, who is the committee clerk; and my immediate right is Neal Erickson, the committee's legal counsel. Also, the pages today for our committee is Molly Penas and Julie Scavdahl, both who attend UNL. We appreciate them being here. Now we will have Ellen Hung. Please come forward.

ELLEN HUNG: Good afternoon, committee Chair, committee members. My name's Ellen Hung, E-l-l-e-n H-u-n-g. Just to give you a little background about myself, I have a bachelor's degree and an MBA from Rensselaer Polytechnic Institute, which is in upstate New York, engineering school. I am, am also a CFA charter holder. I've been doing investments for about 30 years now, and my career started with Southern California Edison. I started in their treasury area working on regulatory finance and then moved into the retirement area. Then I went up to Spokane, Washington to become their assistant retirement director and then became a deputy treasurer and then treasurer. I was doing that for about 12 years. And then I took a little break, but then I went to work for city of San Jose as their assistant finance director. And then went-- realized that I was missing retirement and the pension system. So I moved to Santa Barbara and became their assistant CEO, working on their investment side of the house. And then I took the opportunity to move to a larger retirement system. So I moved to the State Universities Retirement System in Champaign, Illinois, where I was the deputy chief investment officer. And-- so I've been here a little over 2 months now, and I've been trying to meet senators. Unfortunately, I haven't been able to meet Senator Ibach. I've testified in a couple of hearings, and I've-- we've already had a NIC board meeting, so. That's who I am.

McDONNELL: Thank you. Welcome. Any questions? Questions? Thank you.

ELLEN HUNG: Thank you.

McDONNELL: I will now turn it over to Senator Ibach.

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IBACH: We do have proponents?

NEAL ERICKSON: I don't think there's anybody else to testify on this.

IBACH: OK. So we're done with it?

NEAL ERICKSON: Yeah, we're done with it.

IBACH: Thank you. You're turning what over to me? OK.

McDONNELL: OK.

IBACH: Then we will open the--

McDONNELL: L-- LB1365.

IBACH: Yes. Thank you. We'll open-- excuse me. We will open the floor to Senator for LB1365. And you're welcome to open.

McDONNELL: Thank you, Vice Chair Ibach. My name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. Represent Legislative District 5. Here today to introduce LB1365 on behalf of NPERS. The bill contains three simple concepts. First, it changes some provisions in the OSERS pre-retirement planning program to mirror changes made previously to the NPERS system. The change would remove the age requirement to participate in the pre-retirement program by striking the current restriction that the plan member be at least 50 years old. The second change would, would establish an ex officio PERB member from the OSERS plan until the OSERS to NPERS changeover is completed this September, when OSERS will have a full member on the board. And third change is to allow NPERS, deputies, and assistant directors to exclude-- be excluded from the State Personnel System. It is very common for leadership positions and agencies to be exempt from the state personnel policy. I am, I am very willing to try and answer any questions you may have. Our new director of NPERS will be following me, and he might be a better choice to explain the reasoning behind these proposals.

IBACH: Very good. Thank you. Are there questions from the committee? Seeing none. Do we have proponents for LB1365? Thank you very much.

JOHN MURANTE: Thank you, Madam Vice Chair. For the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e. And I'm the director of the Nebraska Public Employees Retirement Systems, here today to testify in favor of LB1365. First, I want to thank Senator McDonnell and legal counsel for the work that they've put into the bill already. This has

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been a good collaborative process. Since I took over in September, we've identified just a few cleanup items, I believe, in, in this bill. First, as you probably recall in, in recent years, there had been an age restriction on pre-retirement seminars for the state school plan. That, that age restriction was stricken by the Legislature in years past. That-- but it still remains in effect for OSERS. So when we take control of OSERS in September 1, we want that age restriction stricken so that we can provide retirement seminars for anyone in the, in the school plan. Second, it allows OSERS, as you know-- as I said, on September 1, OS-- NPERS will be assuming control of OSERS and OSERS will have a permanent voting seat on the PERB board. But between now and then, we would like the, the Governor to have the authority to appoint an ex officio nonvoting member. We are already making decisions for retirees in the Omaha Public School System and really subject matters and policy decisions that are-- that will impact OSERS today. So it makes a lot of sense to allow the Governor to begin that appointment process earlier to allow OSERS to have a seat on the board so that they can have a voice in the public policy that's being discussed on the PERB board. And, finally, as Senator McDonnell said, this would allow the director of NPERS and NPERS to have multiple statutorily created deputies and assistants. This is a good time to have a government committee hat on because this is very common practice among state agencies to have statutorily created deputies and assistants. And in point of fact, that, that statute actually exists within NPERS, that, that we are allowed to have multiple assistants, but it confers the ability to hire those assistants with the PERB board itself. That's not really how our agency functions. The PERB board really only hires a director, an in-- a, an-- a internal auditor, and a legal counsel. Other than that, the director is responsible for hiring all other personnel. So this streamlines and harmonizes our current statutes, makes our agency a-- more like others that are simu-- similarly situated, and allows us to have some flexibility on the, on the pay ranges of our executive management. So that's-- I'm here on behalf of both NPERS and the PERB board, who are both supportive of this measure. Would encourage your support of it. Again, thank you, Senator McDonnell, for your introduction and your work on this. And I'd be happy to an-- answer any questions that you may have.

IBACH: Thank you very much. Are there questions from the committee? How are you?

CONRAD: Good. How are you? Senator Conrad.

IBACH: Yes. Senator Conrad, go ahead.

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CONRAD: Thank you, Senator-- Vice Chair Albrecht [SIC]. Thank you, Director, for being here. I was just hoping-- and-- that you could maybe help me to build a record or help the committee understand why there is a requested exemption from the State Personnel System?

JOHN MURANTE: So the, the question there really became-- our interest was allowing us to have multiple deputies and assistants and to have some flexibility in what their pay could be so, basically, we could offer raises to the folks that we have. There was some question as to whether that needed amendments within the, the, the personnel classification system and how that would happen. So that is how the language ended up to be the way that it was.

CONRAD: OK. Because I just want to, you know, make sure that we have a sound policy basis for any carve outs in that system. And I want to make sure-- and it-- it's, of course, not a reflection on your leadership or the board leadership, who I know are careful stewards of, of the employee plan resources. But I just want to make sure that we don't perhaps leave the door open too wide for ballooning administrative costs related to salaries or benefits or multiple bureaucratic staff that, you know, just-- I just want to be thoughtful about how, how broad that, that exemption or opportunity might be there. I mean, we obviously want to recruit and retain top talent to do the best for our plans. But I, I want to make sure that we don't unnecessarily take resources or give a kind of too broad of, of freedom to, to, to staffing on it, so. That's not an art-- that's not a well-articulated question. Sorry. It's been a long--

JOHN MURANTE: No, I understand.

CONRAD: But it caught my eye and I'm a little nervous about it.

JOHN MURANTE: No, I, I understand completely. Well, two things that were-- a couple of things. First, we're not asking for FTE or money. There's no A bill associated with this. We're ask-- we're not asking to hire anybody. Second, nothing in this bill limits the Legislature's authority to set the budget. If we want to hire somebody, we have to come to the Appropriations Committee and make the case and, and we still have to, to do that. And as director, although you're conferring the, the power on me to hire additional deputies and assistants, I still don't have control over the budget of NPERS itself. That goes through the PERB board. So before anything-- any hiring is made, that still requires sign-off from the PERB, sign-off from the Appropriations Committee, the Legislature, and the Governor.

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CONRAD: Thank you. Well said. Thank you.

IBACH: Thank you, Senator Conrad. Are there other questions from the board-- or committee?

CLEMENTS: Thank you, Vice Chair Ibach.

CONRAD: It's a long week.

CLEMENTS: Thank you, Director Murante. Are there positions that you-- I'm thinking with the OSERS administration that you might want a deputy that's specifically over the OSERS function. Is that one thing that you wanted to do?

JOHN MURANTE: That-- we did talk about that in the Appropriations Committee. That was part of our midterm budget ask, was right now, the deputy-- there is already a deputy director of NPERS. And that individual is also the director of, of OSERS. So when I went to the Appropriations Committee-- this is, again, part of our budget ask-- was that that seemed to be not the best course of action for the plan members or the plans themselves. It seemed to me that having a deputy whose sole focus was operating the agency as a whole and then having a separate individual who was responsible for administering a program of 15,000 retirees and about \$1.5 billion, that seemed like a, a sufficient workload to, to have an individual there. So from my point of view, that makes a lot of sense. But-- and we came to make that case in the Appropriations Committee so I, I hope you looked kindly on, on that argument. But that was-- that's something we have in mind, yes.

CLEMENTS: That's what I thought we were talking about here. Thank you.

IBACH: Thank you, Senator Clements. Other questions? Seeing none, thank you very much.

JOHN MURANTE: Thank you very much.

IBACH: Are there other proponents of LB1365? Seeing none, are there opponents of LB1365? Welcome.

CHERYL WOLFF: Hello. My name is Cheryl Wolff. That's spelt C-h-e-r-y-l W-o-l-f-f. And I am appearing on behalf of myself. I did want to appear-- I debated between opposition and neutral because I'm only here on the last provision that was discussed on giving the director the discretion to hire assistants and deputy directors outside of the personnel rules. That's one where-- I listened to Senator Conrad. I do

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share some of the concerns with the way this is drafted. It is very broad and it's any number of positions. Also, even though I go to look at the agenda and I look at the minutes of the board meetings-- I don't attend all of the meetings, so I don't know-- and I haven't heard the-- all of the testimony about how many of these positions would it be. I understand the deputy director for the OSERS position, but many of these exemptions, when you look at Section 81-1316-- which is part of the bill-- are limited to a specific number of exemptions or very specific positions. So opening up quite so broadly is-- has been done, but it's, it's very much with a case that's been made for why it needs to be that broad. In here, absent the one position that they discussed about having to add another deputy when they take over the OSERS program, I'm not convinced it needs to be that broad on the exemptions. I'm also concerned, even though it would be hiring by the director, that there's no involvement of the PERB board in deciding whether or not to make these individuals exempt or to go outside the pay system. Yes, they have oversight over the whole system. I'm confident that Executive Director Murante would be talking with them about it, but there's no statutory requirement that they have any actual approval in that process. So, to me, it's too broad. And, again, I haven't heard exactly what necessitates having this broad a change. And it should be the decision of the board or a board involvement in that decision and not just solely the discretion of the director. Those are most of my points because, again, plans are charged for the administrative costs. And while defined benefit plans-- the benefits are defined in the teachers and the judges and the State Patrol. So their benefits aren't affected by it. If there's additional administrative costs and there ends up being not sufficient money to pay benefits, they would get an actuarially recommended contribution that the state would have to pay. But in the cash balance plans-- which state employees are in-- those administrative costs could take down plan funding to a point where there's not an opportunity for dividends or it would affect the size of the dividend. So the size of their benefits at the end of the day are affected by what administrative costs are charged off to the plans. They're apportioned. So it's not a one-for-one, all of this would go into the state plan, but it does affect the county plan. It does affect the state plan because those are defined benefit plans. And my benefits aren't guaranteed, so I would love to get dividends, and the largest amount of dividends that I can. But I do know administrative costs are needed to be charged. I'm not objecting to reasonable administrative costs. I just want to make sure that when we're doing statutory exemptions that they are narrowly tailored to the issue at hand, and I think this one is just too broad.

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IBACH: Thank you. Could you state your name for the record?

CHERYL WOLFF: Again, it's Cheryl Wolff.

IBACH: Thank you.

CHERYL WOLFF: And I've spelt it earlier.

IBACH: OK. Sorry.

CHERYL WOLFF: So-- no, that's perfectly fine.

IBACH: Reading notes. OK. Thank you very much. Are there questions from the committee?

CONRAD: Thanks, Cheryl.

IBACH: Seeing none, thank you very much.

CHERYL WOLFF: Thank you.

IBACH: Are there other opponents for LB1365? Anyone to testify in the neutral? Seeing none, Senator McDonnell, you're welcome to close.

McDONNELL: I'll waive.

IBACH: Waive closing. We had 2 letters, proponents; 0 opponents; and 0 in the neutral. That will close our hearing on LB1365. Thank you very much.

McDONNELL: Thank you, everyone, for being here. That ends our hearing.