

LEGISLATURE OF NEBRASKA
ONE HUNDRED THIRD LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 918

Introduced by Nordquist, 7.

Read first time January 15, 2014

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend section 23-2309.01,
2 Reissue Revised Statutes of Nebraska, and section
3 84-1310.01, Revised Statutes Cumulative Supplement, 2012;
4 to change provisions relating to investments for certain
5 defined contribution plans; and to repeal the original
6 sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 23-2309.01, Reissue Revised Statutes
2 of Nebraska, is amended to read:

3 23-2309.01 (1) Each member employed and participating in
4 the retirement system prior to January 1, 2003, who has elected not
5 to participate in the cash balance benefit, shall be allowed to
6 allocate all contributions to his or her employee account to various
7 investment options. The investment options shall include, but not be
8 limited to, the following:

9 (a) An investor select account which shall be invested
10 under the direction of the state investment officer with an asset
11 allocation and investment strategy substantially similar to the
12 investment allocations made by the state investment officer for the
13 defined benefit plans under the retirement systems described in
14 subdivision (1)(a) of section 84-1503. Investments shall most likely
15 include domestic and international equities, fixed income
16 investments, and real estate, as well as potentially additional asset
17 classes;

18 (b) A stable return account which shall be invested by or
19 under the direction of the state investment officer in ~~one or more~~
20 ~~guaranteed investment contracts;~~ a stable value strategy that
21 provides capital preservation and consistent, steady returns;

22 (c) An equities account which shall be invested by or
23 under the direction of the state investment officer in equities;

24 (d) A balanced account which shall be invested by or
25 under the direction of the state investment officer in equities and

1 fixed income instruments;

2 (e) An index fund account which shall be invested by or
3 under the direction of the state investment officer in a portfolio of
4 common stocks designed to closely duplicate the total return of the
5 Standard and Poor's division of The McGraw-Hill Companies, Inc., 500
6 Index;

7 (f) A fixed income account which shall be invested by or
8 under the direction of the state investment officer in fixed income
9 instruments;

10 (g) A money market account which shall be invested by or
11 under the direction of the state investment officer in short-term
12 fixed income securities; and

13 (h) Beginning July 1, 2006, an age-based account which
14 shall be invested under the direction of the state investment officer
15 with an asset allocation and investment strategy that changes based
16 upon the age of the member. The board shall develop an account
17 mechanism that changes the investments as the employee nears
18 retirement age. The asset allocation and asset classes utilized in
19 the investments shall move from aggressive, to moderate, and then to
20 conservative as retirement age approaches.

21 If a member fails to select an option or combination of
22 options, all of his or her funds shall be placed in the option
23 described in subdivision (b) of this subsection. Each member shall be
24 given a detailed current description of each investment option prior
25 to making or revising his or her allocation.

1 (2) Members of the retirement system may allocate their
2 contributions to the investment options in percentage increments as
3 set by the board in any proportion, including full allocation to any
4 one option. A member under subdivision (1)(a) of section 23-2321 or
5 his or her beneficiary may transfer any portion of his or her funds
6 among the options, except for restrictions on transfers to or from
7 the stable return account pursuant to rule or regulation. The board
8 shall adopt and promulgate rules and regulations for changes of a
9 member's allocation of contributions to his or her accounts after his
10 or her most recent allocation and for transfers from one investment
11 account to another.

12 (3) The board shall develop a schedule for the allocation
13 of administrative costs of maintaining the various investment options
14 and shall assess the costs so that each member pays a reasonable fee
15 as determined by the board.

16 (4) In order to carry out this section, the board may
17 enter into administrative services agreements for accounting or
18 record-keeping services. No agreement shall be entered into unless
19 the board determines that it will result in administrative economy
20 and will be in the best interests of the county and its participating
21 employees.

22 (5) The state, the board, the state investment officer,
23 the members of the Nebraska Investment Council, or the county shall
24 not be liable for any investment results resulting from the member's
25 exercise of control over the assets in the employee account.

1 Sec. 2. Section 84-1310.01, Revised Statutes Cumulative
2 Supplement, 2012, is amended to read:

3 84-1310.01 (1) Each member employed and participating in
4 the retirement system prior to January 1, 2003, who has elected not
5 to participate in the cash balance benefit, shall be allowed to
6 allocate all contributions to his or her employee account to various
7 investment options. Such investment options shall include, but not be
8 limited to, the following:

9 (a) An investor select account which shall be invested
10 under the direction of the state investment officer with an asset
11 allocation and investment strategy substantially similar to the
12 investment allocations made by the state investment officer for the
13 defined benefit plans under the retirement systems described in
14 subdivision (1)(a) of section 84-1503. Investments shall most likely
15 include domestic and international equities, fixed income
16 investments, and real estate, as well as potentially additional asset
17 classes;

18 (b) A stable return account which shall be invested by or
19 under the direction of the state investment officer in ~~one or more~~
20 ~~guaranteed investment contracts;~~ a stable value strategy that
21 provides capital preservation and consistent, steady returns;

22 (c) An equities account which shall be invested by or
23 under the direction of the state investment officer in equities;

24 (d) A balanced account which shall be invested by or
25 under the direction of the state investment officer in equities and

1 fixed income instruments;

2 (e) An index fund account which shall be invested by or
3 under the direction of the state investment officer in a portfolio of
4 common stocks designed to closely duplicate the total return of the
5 Standard and Poor's division of The McGraw-Hill Companies, Inc., 500
6 Index;

7 (f) A fixed income account which shall be invested by or
8 under the direction of the state investment officer in fixed income
9 instruments;

10 (g) A money market account which shall be invested by or
11 under the direction of the state investment officer in short-term
12 fixed income securities; and

13 (h) Beginning on July 1, 2006, an age-based account which
14 shall be invested under the direction of the state investment officer
15 with an asset allocation and investment strategy that changes based
16 upon the age of the member. The board shall develop an account
17 mechanism that changes the investments as the employee nears
18 retirement age. The asset allocation and asset classes utilized in
19 the investments shall move from aggressive, to moderate, and then to
20 conservative as retirement age approaches.

21 If a member fails to select an option or combination of
22 options, all of his or her funds shall be placed in the option
23 described in subdivision (b) of this subsection. Each member shall be
24 given a detailed current description of each investment option prior
25 to making or revising his or her allocation.

1 (2) Members of the retirement system may allocate their
2 contributions to the investment options in percentage increments as
3 set by the board in any proportion, including full allocation to any
4 one option. A member under subdivision (1)(a) of section 84-1323 or
5 his or her beneficiary may transfer any portion of his or her funds
6 among the options, except for restrictions on transfers to or from
7 the stable return account pursuant to rule or regulation. The board
8 shall adopt and promulgate rules and regulations for changes of a
9 member's allocation of contributions to his or her accounts after his
10 or her most recent allocation and for transfers from one investment
11 account to another.

12 (3) The board shall develop a schedule for the allocation
13 of administrative costs of maintaining the various investment options
14 and shall assess the costs so that each member pays a reasonable fee
15 as determined by the board.

16 (4) In order to carry out the provisions of this section,
17 the board may enter into administrative services agreements for
18 accounting or record-keeping services. No agreement shall be entered
19 into unless the board determines that it will result in
20 administrative economy and will be in the best interests of the state
21 and its participating employees.

22 (5) The state, the board, the state investment officer,
23 the members of the Nebraska Investment Council, or the agency shall
24 not be liable for any investment results resulting from the member's
25 exercise of control over the assets in the employee account.

1 Sec. 3. Original section 23-2309.01, Reissue Revised
2 Statutes of Nebraska, and section 84-1310.01, Revised Statutes
3 Cumulative Supplement, 2012, are repealed.