

LEGISLATURE OF NEBRASKA  
ONE HUNDREDTH LEGISLATURE  
SECOND SESSION

## LEGISLATIVE BILL 938

Introduced by Nebraska Retirement Systems Committee: Synowiecki, 7,  
Chairperson; Erdman, 47; Heidemann, 1; Karpisek, 32;  
Louden, 49; White, 8.

Read first time January 14, 2008

Committee: Nebraska Retirement Systems

A BILL

1 FOR AN ACT relating to retirement; to amend sections 23-2309.01,  
2 23-2310.05, 84-1310.01, and 84-1311.03, Revised Statutes  
3 Cumulative Supplement, 2006; to change contribution  
4 allocation provisions relating to the County Employees  
5 Retirement Act and the State Employees Retirement Act;  
6 and to repeal the original sections.  
7 Be it enacted by the people of the State of Nebraska,

1                   Section 1. Section 23-2309.01, Revised Statutes

2 Cumulative Supplement, 2006, 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  
5 not to participate in the cash balance benefit, shall be allowed  
6 to allocate all contributions to his or her employee account to  
7 various investment options. The investment options shall include,  
8 but not be 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  
13 the defined benefit plans under the retirement systems described  
14 in subdivision (1)(a) of section 84-1503. Investments shall most  
15 likely include domestic and international equities, fixed income  
16 investments, and real estate, as well as potentially additional  
17 asset 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;

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

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

1                         (e) An index fund account which shall be invested by or  
2 under the direction of the state investment officer in a portfolio  
3 of common stocks designed to closely duplicate the total return of  
4 the Standard and Poor's 500 Index;

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

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

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

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

24                         (2) Members of the retirement system may allocate their  
25 contributions to the investment options in percentage increments as

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

10                     (3) The board shall develop a schedule for the allocation  
11       of administrative costs of maintaining the various investment  
12       options and shall assess the costs so that each member pays a  
13       reasonable fee as determined by the board. The money forfeited  
14       pursuant to section 23-2319.01 shall not be used to pay the  
15       administrative costs incurred pursuant to this section.

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

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

1 account.

2 Sec. 2. Section 23-2310.05, Revised Statutes Cumulative  
3 Supplement, 2006, is amended to read:

4 23-2310.05 (1) Each member employed and participating in  
5 the retirement system prior to January 1, 2003, who has elected  
6 not to participate in the cash balance benefit, shall be allowed  
7 to allocate all contributions to his or her employer account to  
8 various investment options. Such investment options shall be the  
9 same as the investment options of the employee account as provided  
10 in subsection (1) of section 23-2309.01. If a member fails to  
11 select an option or combination of options, all of his or her funds  
12 in the employer account shall be placed in the balanced account  
13 option described in subdivision (1)(d) of section 23-2309.01.  
14 Each member shall be given a detailed current description of  
15 each investment option prior to making or revising his or her  
16 allocation.

17 (2) Each member of the retirement system may allocate  
18 contributions to his or her employer account to the investment  
19 options in percentage increments as set by the board in any  
20 proportion, including full allocation to any one option. A member  
21 under subdivision (1) of section 23-2321 or his or her beneficiary  
22 may transfer any portion of his or her funds among the options. The  
23 board shall adopt and promulgate rules and regulations for changes  
24 of a member's allocation of contributions to his or her accounts  
25 after his or her most recent allocation and for transfers from one

1 investment account to another.

2                   (3) The board shall develop a schedule for the allocation  
3 of administrative costs of maintaining the various investment  
4 options and shall assess the costs so that each member pays a  
5 reasonable fee as determined by the board. The money forfeited  
6 pursuant to section 23-2319.01 shall not be used to pay the  
7 administrative costs incurred pursuant to this section.

8                   (4) In order to carry out the provisions of this section,  
9 the board may enter into administrative services agreements for  
10 accounting or record-keeping services. No agreement shall be  
11 entered into unless the board determines that it will result  
12 in administrative economy and will be in the best interests of the  
13 state and participating employees.

14                   (5) The state, the board, the state investment officer,  
15 the members of the Nebraska Investment Council, or the county  
16 shall not be liable for any investment results resulting from  
17 the member's exercise of control over the assets in the employer  
18 account.

19                   Sec. 3. Section 84-1310.01, Revised Statutes Cumulative  
20 Supplement, 2006, is amended to read:

21                   84-1310.01 (1) Each member employed and participating in  
22 the retirement system prior to January 1, 2003, who has elected  
23 not to participate in the cash balance benefit, shall be allowed  
24 to allocate all contributions to his or her employee account to  
25 various investment options. Such investment options shall include,

1 but not be limited to, the following:

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

11                 (b) A stable return account which shall be invested by or  
12 under the direction of the state investment officer in one or more  
13 guaranteed investment contracts;

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

16                 (d) A balanced account which shall be invested by or  
17 under the direction of the state investment officer in equities and  
18 fixed income instruments;

19                 (e) An index fund account which shall be invested by or  
20 under the direction of the state investment officer in a portfolio  
21 of common stocks designed to closely duplicate the total return of  
22 the Standard and Poor's 500 Index;

23                 (f) A fixed income account which shall be invested by or  
24 under the direction of the state investment officer in fixed income  
25 instruments;

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

4                         (h) Beginning on July 1, 2006, an age-based account which  
5 shall be invested under the direction of the state investment  
6 officer with an asset allocation and investment strategy that  
7 changes based upon the age of the member. The board shall  
8 develop an account mechanism that changes the investments as  
9 the employee nears retirement age. The asset allocation and asset  
10 classes utilized in the investments shall move from aggressive, to  
11 moderate, and then to conservative as retirement age approaches.

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

17                         (2) Members of the retirement system may allocate their  
18 contributions to the investment options in percentage increments as  
19 set by the board in any proportion, including full allocation to  
20 any one option. A member under subdivision (1) of section 84-1323  
21 or his or her beneficiary may transfer any portion of his or her  
22 funds among the options, except for restrictions on transfers to or  
23 from the stable return account pursuant to rule or regulation. The  
24 board shall adopt and promulgate rules and regulations for changes  
25 of a member's allocation of contributions to his or her accounts

1 after his or her most recent allocation and for transfers from one  
2 investment account to another.

3                 (3) The board shall develop a schedule for the allocation  
4 of administrative costs of maintaining the various investment  
5 options and shall assess the costs so that each member pays a  
6 reasonable fee as determined by the board. The money forfeited  
7 pursuant to section 84-1321.01 shall not be used to pay the  
8 administrative costs incurred pursuant to this section.

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

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

20                 Sec. 4. Section 84-1311.03, Revised Statutes Cumulative  
21 Supplement, 2006, is amended to read:

22                 84-1311.03 (1) Each member employed and participating in  
23 the retirement system prior to January 1, 2003, who has elected  
24 not to participate in the cash balance benefit, shall be allowed  
25 to allocate all contributions to his or her employer account to

1 various investment options. Such investment options shall be the  
2 same as the investment options of the employee account as provided  
3 in subsection (1) of section 84-1310.01. If a member fails to  
4 select an option or combination of options, all of his or her funds  
5 in the employer account shall be placed in the balanced account  
6 option described in subdivision (1)(d) of section 84-1310.01.  
7 Each member shall be given a detailed current description of  
8 each investment option prior to making or revising his or her  
9 allocation.

10                 (2) Each member of the retirement system may allocate  
11 contributions to his or her employer account to the investment  
12 options in percentage increments as set by the board in any  
13 proportion, including full allocation to any one option. A member  
14 under subdivision (1) of section 84-1323 or his or her beneficiary  
15 may transfer any portion of his or her funds among the options. The  
16 board shall adopt and promulgate rules and regulations for changes  
17 of a member's allocation of contributions to his or her accounts  
18 after his or her most recent allocation and for transfers from one  
19 investment account to another.

20                 (3) The board shall develop a schedule for the allocation  
21 of administrative costs of maintaining the various investment  
22 options and shall assess the costs so that each member pays a  
23 reasonable fee as determined by the board. The money forfeited  
24 pursuant to section 84-1321.01 shall not be used to pay the  
25 administrative costs incurred pursuant to this section.

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

7                     (5) The state, the board, the state investment officer,  
8 the members of the Nebraska Investment Council, or the agency  
9 shall not be liable for any investment results resulting from  
10 the member's exercise of control over the assets in the employer  
11 account.

12                     Sec. 5. Original sections 23-2309.01, 23-2310.05,  
13 84-1310.01, and 84-1311.03, Revised Statutes Cumulative Supplement,  
14 2006, are repealed.