

May 27, 1981

LB 460

put it in certain things because that is what we put in the statutes way back when. Economic conditions have changed and they say, "We can't invest in anything else because that is what is listed in the statutes". Okay, LB 460, passes the responsibility for determining what is prudent from the Legislature to the board, the Nebraska Investment Council. It does not give it to the Investment Officer. The Council will have a list of authorized investments which the Investment Officer is restricted to. The practical advantage is that the Board can more easily adapt to technical and other changes that come. Also, not all trusts are invested the same. In my opinion, and this is the investment office speaking, the policy should not be the same for the permanent school fund and the school retirement plan. They are two different kinds of trusts. LB 460 is needed for the trust funds which have doubled in size in five years and which are growing at about thirty million annually. Increased flexibility is needed now and for the future growth. LB 460 will have little effect on the short term investments for the general fund and cash funds. The bank deposit program is not affected by LB 460. There are safeguards for the Legislature. Most important, I am almost done, is that the Board, the Nebraska Investment Council, does have the legal authority to hire and change the investment officer and to establish investment policy. The Council has and does function much like the board of a bank or insurance company. Last year the Retirement Committee of the Legislature began and will likely continue a review of investment performance. The Public Employees Retirement Board observes our investments for retirement plans. The State Treasurer has physical custody or arranges for it for all assets, so it is interested. We are audited by the State Auditor. LB 460, if LB 460 becomes law, and later the Legislature wants to make some specific limitation and/or to give some specific direction, that can be done. 72-1247 is an example of that. It prohibits buying on margin, buying call options, and buying put options. It authorizes selling call options, selling put options and lending securities, all of which permit us to earn some fees to add to the investment income. I hope that answers most of your questions.

PRESIDENT: Senator Beutler. We have actually, the time, the original time is up, but we can consider that Senator DeCamp was using his own time for speaking to the issue if that is agreeable. Do you have any further questions?

SENATOR BEUTLER: I do, Mr. Speaker.

PRESIDENT: All right, proceed.