

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

April 7, 1999

LB 687

offering of investment options to the system members is similar to what most private sector companies might provide. This bill allows direction but is limited to avoid some of the risk associated with investment choice. If a member fails to select an option, all of his or her funds in the employer account shall be placed in one of the options described above by and as determined by the board. Each member may allocate contributions to the employer account to the investment option in increments of 10 percent in any proportion, including full allocation to one option. The member may also transfer funds among the options. The board shall develop a schedule for the allocation of administrative costs of the options and shall assess the cost so that each member pays a fair proportion based upon his or her choice and the number of transfers among the options. The board may enter into an administrative service agreement for accounting and recordkeeping services. And I might also stress that the key to participant direction is education of its members. And on the blue handout that you all received, if you would look on the second page, it does list a number of those education opportunities that are being offered and taking place. For defined contribution plan, the retirement benefit depends directly on the investment return earned on the account balances over the life of the participant. Since the participant gets the direct benefit, he or she also bears the direct investment risk. Under current statutes, county and state employees are allowed to allocate all contributions to his or her employee account to six investment options. However, the State Investment Officer invests the contributions allocated to the employer account and this would then change that option. Finally, LB 687 changes the investment responsibilities of the Nebraska Investment Council to conform to the new options instituted by Sections 1 and 4 of this act. So I ask for your consideration and support and would certainly be happy to answer any questions. Thank you.

SPEAKER KRISTENSEN: Chair of the Retirement Committee, Senator Stuhr is recognized to open on the committee amendments.

SENATOR STUHR: Thank you, Mr. Speaker and members of the Legislature. The committee amendments are actually very simple. I will read those: The state of Nebraska, the Retirement Board, the State Investment Officer, members of the Nebraska Investment