

**FISCAL NOTE**  
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	SEE BELOW	0	0	0	SEE BELOW
FY2027-2028	SEE BELOW	0	0	0	SEE BELOW
FY2028-2029	SEE BELOW	0	0	0	SEE BELOW
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	SEE BELOW	0	0	0	SEE BELOW
FY2027-2028	SEE BELOW	0	0	0	SEE BELOW
FY2028-2029	SEE BELOW	0	0	0	SEE BELOW

**Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.**

LB1095 amends several sections to:

- prohibit investment of certain retirement systems assets in restricted entities
- provide duties for the Nebraska Investment Council (NIC) & the State Investment Officer (SIO)
- require a report relating to certain investments of retirement system funds
- provide a duty for the State Treasurer

The appointed members of the NIC & the SIO will identify any holdings of the retirement systems related to any restricted entity & will divest from all holdings & any other investment activity in that entity as soon as practicable.

LB1095 does not require divestment from any holdings or other investment activity prior to the end of the term of that holdings or any other investment activity, if one exists, or in a manner contrary to the NIC's or the SIO's duties & responsibilities.

For any investments related to the retirement systems administered by the Public Employees Retirement Board (PERB), the SIO will not engage in investment activities in a restricted entity.

The SIO will electronically provide semi-annual written reports to the Nebraska Retirement Systems Committee of the Legislature & the Clerk of the Legislature regarding any investments related to the retirement systems administered by the PERB, related to any restricted entity. The report will include the name of each company or restricted entity, the asset allocation class & sector to which it belongs to the asset allocation policy & the amount of retirement systems funds invested therein.

The first report will be due on or before January 15, 2027, & will contain information for the six-month period ending December 31, 25 2026. The second report will be due on or before July 15, 2027, & will contain information for the six-month period ending June 30, 2027.

In each calendar year thereafter, reports will be due:

- on or before January 15, containing information for the most recent six-month period ending December 31
- on or before July 15, containing information for the most recent six-month period ending June 30

On or before October 1, 2026, the State Treasurer will create & publish on the State Treasurer's website a list of restricted entities & update that list at least every six months, & notify the NIC & the SIO of any updates to that list.

The bill contains the emergency clause.

**FISCAL IMPACT:**

The Nebraska State Treasurer received an annual General Funds estimate of \$25,000 from MSCI to produce & publish the list of restricted entities required by LB1095.

The NIC estimates a one-time transition expense of \$3,600,000 & a revenue loss of \$460,000,000 for FY2026-27.

Divestment would force the transition of the passively managed international account to an ex-China mandate. This would require the sale of all assets & the re-purchase of the new portfolio. The transition has an estimated expense of \$3,600,000.

The NIC would be forced to hire less successful managers resulting in lower performance. The average difference in performance between top quartile & median global equity managers is 2.7%, resulting in an estimated reduction in revenue of \$120,000,000 per year. The restrictions on specific countries will make it harder to get into the higher performing private market funds as those funds are often oversubscribed. There is an estimated reduction in revenue of \$340,000,000 by the NIC not having the ability to invest in those funds.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1095      AM:      AGENCY/POLT. SUB: State Treasurer

REVIEWED BY: Ryan Walton      DATE: 1/30/2026      PHONE: (402) 471-4174

COMMENTS: No basis to disagree with the State Treasurer's assessment of fiscal impact from LB 1095.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1095      AM:      AGENCY/POLT. SUB: Nebraska Investment Council

REVIEWED BY: Ryan Walton      DATE: 1/22/2026      PHONE: (402) 471-4174

COMMENTS: No basis to disagree with the Nebraska Investment Council's assessment of fiscal impact from LB 1095.

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE

LB: 1095      AM:      AGENCY/POLT. SUB: Nebraska Public Employees Retirement Systems (NPERS)

REVIEWED BY: Ryan Walton      DATE: 1/16/2026      PHONE: (402) 471-4174

COMMENTS: Concur with the NPERS' assessment of no fiscal impact from LB 1095.

Please complete ALL (5) blanks in the first three lines.

2026

LB<sup>(1)</sup> 1095

FISCAL NOTE

State Agency OR Political Subdivision  
Name: <sup>(2)</sup>

Nebraska Investment Council

Prepared by: Ellen Hung  
<sup>(3)</sup>

Date Prepared: 1/20/2026  
<sup>(4)</sup>

Phone: 402-471-2001  
<sup>(5)</sup>

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$840,128	\$-105,445,271		\$-112,720,995
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$101,529	\$-28,989,730		\$-30,990,022
<b>TOTAL FUNDS</b>	<b>\$941,657</b>	<b>\$-134,435,002</b>		<b>\$-143,711,017</b>

**Explanation of Estimate:**

Summary

LB 1095 requires the divestment of investments in Chinese entities, both current and future. The total effect on the NIC portfolios (retirement, and endowments funds) is estimated to be a reduction of \$460 million in revenue and one-time transition expense of \$3.6 million for FY 2026-2027. The estimates for FY 2027-28 as stated above are the FY 2026-27 numbers adjusted by the assumed rate of return of 6.90%. The estimated impact is based on published data and the experience of consultants and managers. It does not include the increased portfolio risk and further reduction in revenue that can't be readily quantified.

Revenue Loss - Annual

The NIC has consistently been successful at hiring top quartile performing managers to actively manage global equity portfolios. Some of these top quartile managers would not accept a mandate with country restrictions and the NIC would be forced to hire less successful managers resulting in median performance. The average difference in performance between top quartile and median global equity managers is 2.7%, resulting in a reduced revenue of \$120 million per year.

The restrictions on specific countries would make it even harder to get into highly performing private market funds as they are often oversubscribed (more investor interest than total fund size). The difference in performance between top quartile and median managers can be significant. For the period from 2020-2023, top quartile private equity funds generated an average annualized return of 10.62% versus median funds at -0.77%. This difference of -11.39% would result in a reduced revenue of \$340 million per year.

Divestment would also affect the revenue coming from securities lending. While the amount is small compared to the other areas, it would still have an impact of reducing revenue by \$173 thousand per year.

Expense Increase – One-Time Transition Cost

Divestment would require the transition of the passively managed international account to an ex-China mandate. This would require the sale of all China assets and the purchase of a pro-rata share of the remaining portfolio. The transition cost is estimated to be \$3.6 million.

Allocation of Financial Impact

The estimated impact stated above includes portfolios in the defined benefit plans, cash balance plans and endowment funds. To determine the impact on the General Fund, we used the percentages attributable to each retirement plan and the contributions that would be needed in the event of a shortfall.

- 100% of the amount from the Cash Balance, Defined Benefits-Judges and Defined Benefits-Patrol Plans as any shortfall would have to be made up by the State.
- 9% of the amount attributed to the Defined Benefits-School and Omaha Service Annuity based on the current State contribution rate of 2%.

The effect attributable to the Endowment Funds are listed under "Other Funds".

The estimated impact of \$33.3 million dollars on OSERS for FY 2026-27 is not listed in the table above. This is for informational purposes as it is uncertain what the State's responsibility is if the underfunded status increases.

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**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
<b>Benefits</b> .....				
...				
<b>Operating</b> .....				
....				
<b>Travel</b> .....				
.				
<b>Capital outlay</b> .....				
<b>Aid</b> .....				
.				
<b>Capital improvements</b> .....				
<b>TOTAL</b> .....				

Please complete ALL (5) blanks in the first three lines.

**2026**

**LB<sup>(1)</sup> 1095**

**FISCAL NOTE**

State Agency OR Political Subdivision  
Name: <sup>(2)</sup>

Nebraska Public Employees Retirement Systems (NPERS)

Prepared by: <sup>(3)</sup> Teresa Zulauf

Date Prepared: <sup>(4)</sup> January 15, 2026

Phone: <sup>(5)</sup> 402-471-7745

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	0		0	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	0		0	

**Explanation of Estimate:**

LB 1095: Prohibits investment of certain retirement assets in restricted entities.

No fiscal impact to NPERS Agency 085 operations expenditures.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27 EXPENDITURES</u>	<u>2027-28 EXPENDITURES</u>
	<u>26-27</u>	<u>27-28</u>		
Benefits.....				
... Operating.....				
.... Travel.....				
. Capital outlay.....				
Aid.....				
. Capital improvements.....				
TOTAL.....				

Please complete ALL (5) blanks in the first three lines.

**2026**

**LB<sup>(1)</sup> 1095**

**FISCAL NOTE**

State Agency OR Political Subdivision  
Name: <sup>(2)</sup>

State Treasurer

Prepared by: <sup>(3)</sup> Jason Walters

Date Prepared: <sup>(4)</sup> January 29, 2026

Phone: <sup>(5)</sup> 402-471-2793

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<b>FY 2026-27</b>		<b>FY 2027-28</b>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	25,000		25,000	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<b>25,000</b>		<b>25,000</b>	

**Explanation of Estimate:**

LB 1095 would require the Treasurer to post a list of restricted entities on its website at least every six months. The Nebraska Investment Council informed the Treasurer's Office that these restricted lists are complicated to create and require the engagement of a third party. The Treasurer received a cost estimate from MSCI stating that it would cost \$25,000 per year to produce a list of restricted entities.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27 EXPENDITURES</u>	<u>2027-28 EXPENDITURES</u>
	<u>26-27</u>	<u>27-28</u>		
Benefits.....				
... Operating.....				
.... Travel.....				
. Capital outlay.....				
Aid.....				
. Capital improvements.....				
<b>TOTAL.....</b>				