

LEGISLATURE OF NEBRASKA
ONE HUNDRED SIXTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 32

Introduced by Kolterman, 24.

Read first time January 10, 2019

Committee: Nebraska Retirement Systems

1 A BILL 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 Cumulative
3 Supplement, 2018; to change defined contribution benefit investment
4 options as prescribed under the County Employees Retirement Act and
5 State Employees Retirement Act; to harmonize provisions; and to
6 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 Cumulative
2 Supplement, 2018, is amended to read:

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

8 (a) ~~Prior to January 1, 2021, the~~ The investment options shall
9 include, but not be limited to, the following:

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

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

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

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

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

30 (vi) ~~(f)~~ A fixed income account which shall be invested by or under
31 the direction of the state investment officer in fixed income

1 instruments;

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

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

13 If a member fails to select an option or combination of options
14 prior to January 1, 2021, all of his or her funds shall be placed in the
15 option described in subdivision (a)(ii) (b) of this subsection. Each
16 member shall be given a detailed current description of each investment
17 option prior to making or revising his or her allocation.

18 (b) On or after January 1, 2021, the investment options shall
19 include, but not be limited to, the following:

20 (i) An investor select account which shall be invested under the
21 direction of the state investment officer with an asset allocation and
22 investment strategy substantially similar to the investment allocations
23 made by the state investment officer for the defined benefit plans under
24 the retirement systems described in subdivision (1)(a) of section
25 84-1503. Investments shall most likely include domestic and international
26 equities, fixed income investments, and real estate, as well as
27 potentially additional asset classes;

28 (ii) A stable return account which shall be invested by or under the
29 direction of the state investment officer in a stable value strategy that
30 provides capital preservation and consistent, steady returns;

31 (iii) An equities account which shall be invested by or under the

1 direction of the state investment officer in equities;

2 (iv) A fixed income account which shall be invested by or under the
3 direction of the state investment officer in fixed income instruments;

4 and

5 (v) A life-cycle fund which shall be invested under the direction of
6 the state investment officer with an asset allocation and investment
7 strategy that adjusts from a position of higher risk to one of lower risk
8 as the member ages.

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

14 (2) Members of the retirement system may allocate their
15 contributions to the investment options in percentage increments as set
16 by the board in any proportion, including full allocation to any one
17 option. A member under subdivision (1)(a) of section 23-2321 or his or
18 her beneficiary may transfer any portion of his or her funds among the
19 options, except for restrictions on transfers to or from the stable
20 return account pursuant to rule or regulation. The board may adopt and
21 promulgate rules and regulations for changes of a member's allocation of
22 contributions to his or her accounts after his or her most recent
23 allocation and for transfers from one investment account to another.

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

28 (4) In order to carry out this section, the board may enter into
29 administrative services agreements for accounting or record-keeping
30 services. No agreement shall be entered into unless the board determines
31 that it will result in administrative economy and will be in the best

1 interests of the county and its participating employees.

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

6 Sec. 2. Section 23-2310.05, Revised Statutes Cumulative Supplement,
7 2018, is amended to read:

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

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

30 (3) The board shall develop a schedule for the allocation of
31 administrative costs of maintaining the various investment options and

1 shall assess the costs so that each member pays a reasonable fee as
2 determined by the board.

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

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

12 Sec. 3. Section 84-1310.01, Revised Statutes Cumulative Supplement,
13 2018, is amended to read:

14 84-1310.01 (1) Each member employed and participating in the
15 retirement system prior to January 1, 2003, who has elected not to
16 participate in the cash balance benefit, shall be allowed to allocate all
17 contributions to his or her employee account to various investment
18 options.

19 (a) Prior to January 1, 2021, the ~~Such~~ investment options shall
20 include, but not be limited to, the following:

21 (i) (a) An investor select account which shall be invested under the
22 direction of the state investment officer with an asset allocation and
23 investment strategy substantially similar to the investment allocations
24 made by the state investment officer for the defined benefit plans under
25 the retirement systems described in subdivision (1)(a) of section
26 84-1503. Investments shall most likely include domestic and international
27 equities, fixed income investments, and real estate, as well as
28 potentially additional asset classes;

29 (ii) (b) A stable return account which shall be invested by or under
30 the direction of the state investment officer in a stable value strategy
31 that provides capital preservation and consistent, steady returns;

1 (iii) ~~(c)~~ An equities account which shall be invested by or under
2 the direction of the state investment officer in equities;

3 (iv) ~~(d)~~ A balanced account which shall be invested by or under the
4 direction of the state investment officer in equities and fixed income
5 instruments;

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

10 (vi) ~~(f)~~ A fixed income account which shall be invested by or under
11 the direction of the state investment officer in fixed income
12 instruments;

13 (vii) ~~(g)~~ A money market account which shall be invested by or under
14 the direction of the state investment officer in short-term fixed income
15 securities; and

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

24 If a member fails to select an option or combination of options
25 prior to January 1, 2021, all of his or her funds shall be placed in the
26 option described in subdivision (a)(ii) ~~(b)~~ of this subsection. Each
27 member shall be given a detailed current description of each investment
28 option prior to making or revising his or her allocation.

29 (b) On or after January 1, 2021, the investment options shall
30 include, but not be limited to, the following:

31 (i) An investor select account which shall be invested under the

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

8 (ii) A stable return account which shall be invested by or under the
9 direction of the state investment officer in a stable value strategy that
10 provides capital preservation and consistent, steady returns;

11 (iii) An equities account which shall be invested by or under the
12 direction of the state investment officer in equities;

13 (iv) A fixed income account which shall be invested by or under the
14 direction of the state investment officer in fixed income instruments;
15 and

16 (v) A life-cycle fund which shall be invested under the direction of
17 the state investment officer with an asset allocation and investment
18 strategy that adjusts from a position of higher risk to one of lower risk
19 as the member ages.

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

25 (2) Members of the retirement system may allocate their
26 contributions to the investment options in percentage increments as set
27 by the board in any proportion, including full allocation to any one
28 option. A member under subdivision (1)(a) of section 84-1323 or his or
29 her beneficiary may transfer any portion of his or her funds among the
30 options, except for restrictions on transfers to or from the stable
31 return account pursuant to rule or regulation. The board may adopt and

1 promulgate rules and regulations for changes of a member's allocation of
2 contributions to his or her accounts after his or her most recent
3 allocation and for transfers from one investment account to another.

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

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

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

17 Sec. 4. Section 84-1311.03, Revised Statutes Cumulative Supplement,
18 2018, is amended to read:

19 84-1311.03 (1) Each member employed and participating in the
20 retirement system prior to January 1, 2003, who has elected not to
21 participate in the cash balance benefit, shall be allowed to allocate all
22 contributions to his or her employer account to various investment
23 options. Such investment options shall be the same as the investment
24 options of the employee account as provided in subsection (1) of section
25 84-1310.01. If a member fails to select an option or combination of
26 options, all of his or her funds in the employer account shall be placed
27 in the investment balanced account option described in subdivision (1)(a)
28 (v) or (1)(b)(v) ~~(1)(d)~~ of section 84-1310.01, whichever option is
29 applicable based on the date of contribution. Each member shall be given
30 a detailed current description of each investment option prior to making
31 or revising his or her allocation.

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

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

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

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

23 Sec. 5. Original sections 23-2309.01, 23-2310.05, 84-1310.01, and
24 84-1311.03, Revised Statutes Cumulative Supplement, 2018, are repealed.