

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2014-15</b>		<b>FY 2015-16</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	See Below		See Below	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB1042 amends the School Employees Retirement Act and changes the cost for repurchase of relinquished creditable service.

Currently, members can repurchase relinquished creditable service by:

1. Repaying the amount of the contributions withdrawn plus interest if within 3 years of rejoining, or
2. Repaying the amount of the contributions withdrawn plus the actuarial assumed rate of return for the period repaid if after 3 years.

LB1042 retains the current cost for repurchase of relinquished creditable service for members who file an application prior to an unspecified date.

LB1042 changes the cost for repurchase of relinquished creditable service for members who file an application after an unspecified date. After an unspecified date, members would repay the amount of the contribution withdrawn plus the actuarial cost to the retirement plan. Actuarial costs reflect the cost of the benefit to the plan. According to information provided by NPERS, the actuarial cost to the plan has, over the last 10 years, been higher than the interest rate or the actuarial assumed rate of return.

NPERS has estimated there are 2,400 current employees who could apply for repurchase of relinquished creditable service. NPERS estimates that if ½ of currently eligible members apply prior to an unspecified deadline, the agency would need 2 additional retirement specialists at a cost of \$94,904 for FY2014-15 and \$89,904 for FY2015-16 due to workload increases.

NPERS will experience some workload increase for processing applications of eligible members who choose to apply prior to the unspecified deadline and therefore take advantage of the lower repayment rates. The amount of the workload increase is dependent on the number of eligible members who actually do apply and the application process. It should be noted that the workload increase is time-limited to the application process and therefore, any additional staff should also be time-limited.

LB1042 also provides that the eligible member will be restored to membership prior to withdrawal of contributions if he/she repurchases all of the relinquished creditable service (i.e. Tier 1). If the member repurchases some but, not all creditable service, he/she will be treated as a new member (i.e. Tier 2).

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 1042	AM:	AGENCY/POLT. SUB: NPERS	
REVIEWED BY: Gary Bush		DATE: February 3, 2014	PHONE: 471-4161
COMMENTS: Agree with the agency's estimate of additional resources necessary for up to two years. After the project is completed, and the workload returns to the current levels, the need for the two additional FTE would be decreased.			

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

**2014**

**LB<sup>(1)</sup> 1042**

**FISCAL NOTE**

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

Nebraska Public Employee Retirement Systems (NPERS)

Prepared by: <sup>(3)</sup> Randy Gerke

Date Prepared: <sup>(4)</sup> 1/30/2014

Phone: <sup>(5)</sup> 402 471-9495

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

	<u>FY 2014-15</u>		<u>FY 2015-16</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>94,904</u>	_____	<u>89,904</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>94,904</u>	_____	<u>89,904</u>	_____

Explanation of Estimate: This legislative bill changes the provisions for calculating restoration of creditable service resulting from previously withdrawn accumulated contributions in the School Retirement Plan. NPERS estimates there are approximately 2,400 current members who have refunded service. We have two employees assigned to Purchase of Service (POS) calculations who normally process 200 service purchases a year in addition to their other work. We estimate that if half the eligible members apply to purchase service, we would need to process 1,200 POS applications within a 1-2 year period. There could actually be more than half the members apply. A conservative estimate is that NPERS would need two additional Retirement Specialist I's. We anticipate this is going to be a huge project. The savings to the plan is in the millions and will more than offset the additional personnel costs.

NPERS estimates that due to the large volume of members that will possibly want to use the old method of calculation before it sunsets the agency will need 2 additional retirement specialist I's (hiring rate=\$30,060/specialist/year) + (benefits = \$14,892/specialist/year). There would also be one time first year costs for office setup for these people (\$5,000).

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2014-15</u>	<u>2015-16</u>
	<u>14-15</u>	<u>15-16</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Retirement Specialist I	<u>2</u>	<u>2</u>	<u>60,120</u>	<u>60,120</u>
Benefits.....	_____	_____	<u>29,784</u>	<u>29,784</u>
Operating.....	_____	_____	<u>5,000</u>	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>94,904</u>	<u>89,904</u>