

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	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. LB638 amends the School Employees Retirement Act. LB638 creates a cash balance benefit for school employees hired on or after July 1, 2014. Currently, school employees participate in a defined benefit plan. In a cash balance plan, participants are guaranteed an interest credit each day based on the interest rate. The interest credit rate is the greater of 5%, or the applicable federal mid-term rate plus 1.5%. The employee contribution rate for the proposed cash balance plan is not specified. The employer contribution rate remains at 101%. An actuarial analysis would be required to determine the fiscal impact of the change to a cash balance for school employees hired on or after July 1, 2014. Increased costs associated with LB638 are as follows.

- The Nebraska Public Employees Retirement System (NPERS) estimates the cost for the actuarial analysis to be \$3,000.
- It appears there would be increased cost for NPERS' third party record
- Keeper - Ameritas. Ameritas would be adding 265 new employers (school districts) to their system. The amount of the increased cost is not specified.
- NPERS indicates additional cost of \$5,000 for additional school employee training and materials.
- IT programming costs are estimated by NPERS at \$114,375.
- NPERS estimates a one-time expense for administration, planning and developing the provisions of the plan at \$125,000. Some additional transitional costs may be necessary.
- NPERS also indicates the need for 3 additional staff members for processing the new plan. The annual cost is estimated by NPERS to be \$135,852 plus a one-time cost for office setup. At this time it does not appear that, other than the items cited above, there would be an increase in work load for NPERS. Under LB638, after July 1, 2014, school employees that would have been a part of NPERS record keeping would now be a part of Ameritas' record keeping.

LB638 increases the membership of the Public Employees Retirement Board from 8 members to 12 members. NPERS is requesting an increase in their personal service limit for program 042 as a result of this provision. The increase appears reasonable.

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2013

LB⁽¹⁾ 638 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ NPERS

Prepared by: ⁽³⁾ Randy Gerke Date Prepared: ⁽⁴⁾ 1/28/2013 Phone: ⁽⁵⁾ 402 471-9495

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>162,725</u>	_____	<u>153,252</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>162,725</u>	_____	<u>153,252</u>	_____

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

These fiscal note estimates are very rough due to the short turn around time to meet the deadlines. Further discussion points that might arise regarding these estimates might be if the start up costs can come from the current School Plan cash funds and also if NPERS has the space requirements in the 1526 Building (old Assurity) for the additional staff members.

Legislative bill 638 provides for a Cash Balance Retirement Plan for all school employees hired after the operative date. This bill will need an actuarial study completed. The cost for the study is estimated to be \$3,000. This is a one-time expense. This fiscal note does not contain any estimate for benefit funding needs. This will be determined from an actuarial study.

Adding a new plan is a very complex undertaking. There are potentially 265 new employers that will need to be added as reporting agents to our recordkeeper's system. Therefore there will likely be additional expenses with Ameritas. We do not have an estimate from Ameritas at this time. There are technical mechanics of this bill that would need to be worked out with all parties before a good estimate can be given. This will take a considerable amount of lead time to plan for implementation. There will be additional operating costs for administering a new plan. These would include additional training and materials. The estimate for this is \$5,000. IT programming will need to be done. This includes design work, coding and testing. The estimate for this is 1500 hours @ the OCIO rate of \$76.25 for a total of \$114,375.

LB638 provides for a new School Cash Balance Plan. The bill is silent as to many of the details of this plan. We estimate at this time that it will take three additional staff members for processing of this new plan. The new staff would consist of 2 Retirement Specialist I's and 1 Retirement Specialist II. The estimate of annual salary and benefits for this would be \$135,852. There would also be one time office setup for these new staff members. This is estimated @ \$15,000. NPERS is including \$25,350 as a one-time expense for administration, planning and developing the provisions of this plan. There will be ongoing expenses for actuarial valuations @\$10,000.

LB638 also provides for a change in the makeup of the Public Employees Retirement Board. It increases the membership by 4 members to 12 total. NPERS is requesting an increase of \$2,400 in PSL for program 042 to cover the cost of the increase in per diems paid to the additional Board members.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Board member per diem		2,400		2,400
Retirement Specialist I (2) & II		92,769		92,769
Benefits.....				43,083
Operating.....			162,725	15,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			162,725	153,252