

Met

PREPARED BY: Kathy Tenopir
DATE PREPARED: February 28, 2011
PHONE: 471-0058

LB 680

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES * | | | | |
|--|--------------|---------|--------------|---------|
| | FY 2011-12 | | FY 2012-13 | |
| | EXPENDITURES | REVENUE | EXPENDITURES | REVENUE |
| GENERAL FUNDS | See Below | | | |
| CASH FUNDS | See Below | | See Below | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | | | | |

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB680 creates a School Employee Cash Balance Plan for school employees hired after July 1, 2011 except Class V school employees. Member contribution rates are set at 4.8% of compensation with an employer match of 156% or 7.488%. Current member contribution rates are 8.28% of compensation with an employer match of 101% or 8.3628%.

An actuarial study is necessary to determine the fiscal impact to the plans. The cost of the study is estimated by the Nebraska Public Employees Retirement System (NPERS) to be \$40,000.

NPERS is indicating additional costs as follows.

1. One-time operating cost for administration, planning and implementing the provisions of the plan (\$25,350)
2. One-time programming costs (\$177,520)
3. On-going cost for annual actuarial valuations (\$10,000); training and educational expenses (\$4,000)
4. On-going costs for 4.0 FTE staff positions plus associated operating costs (\$206,816)

It is not clear that additional staff would be required on an on-going basis. There is no increase in total school employee membership as a result of LB680 and, record keeping for the Cash Balance Plans is done by a third-party provider. There may be a short-term need for additional staff to get a second retirement system established.

DEPARTMENT OF ADMINISTRATIVE SERVICES

| REVIEWED BY | Gary Bush | DATE | 1/31/11 | PHONE | 471-2526 |
|---|-----------|------|---------|-------|----------|
| COMMENTS | | | | | |
| DEPT. OF EDUCATION – Agency's estimate of impact appears to be reasonable. | | | | | |
| EMPLOYEES RETIREMENT SYSTEM – Agency's estimates appear to be reasonable. Agree with agency that cost of additional office space cannot be determined at this time. | | | | | |

FISCAL NOTE

Nebraska Employee Retirement System

JAN 31 2011 LB680

| | |
|----------------|--------------|
| Prepared By | Gerke, Randy |
| Date Prepared | 1/25/2011 |
| Prepared Phone | 402-471-9495 |

Estimate Provided By State Agency or Political Subdivision

| | FY 2011-2012 | | FY 2012-2013 | |
|--------------------|---------------|---------|---------------|---------|
| | Expenditures | Revenue | Expenditures | Revenue |
| General Funds | 217520 | | | |
| Cash Funds | 252166 | | 206816 | |
| Federal Funds | | | | |
| Other Funds | | | | |
| Total Funds | 469686 | | 206816 | |

Explanation of Estimate:

Legislative Bill 680 provides for a Cash Balance Retirement Plan for all school employees hired after the operative date. The startup costs to implement a new cash balance retirement plan for the school employees will need to come from the General Fund. These costs can not be taken from any other retirement funds. Operational costs post-startup will come from cash funds. This fiscal note does not take into account any estimates for benefit funding needs. This would be determined from an actuarial study. The estimate for the study is \$40,000. There will be programming changes which will require contracting with our software vendor Saber that will be necessary for NPERS computer system that would be included in start up costs. The estimate for this is \$177,520.

Adding a new plan is a very complex undertaking. There are potentially 274 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. It will take a considerable amount of lead time to plan, design and prepare for implementation. Realistically this can not be done by the operative date of this Bill.

It is estimated that each year there may be approximately 4000 new employees in this plan each year. NPERS estimates that we will need 4 additional staff to administer a new plan of this size and magnitude. The additions are as follows:

- (1) Retirement Specialist I
- (1) Retirement Specialist II
- (1) Accountant I
- (1) Training Specialist I

Benefits for the above are calculated at 50% of salary. There would be one time operating costs for office set up (\$20,000). NPERS has also included in additional operating costs one time expenses for administration, planning and developing the provisions of this plan (\$25,350). There will be ongoing expenses for actuarial valuations (\$10,000). NPERS also estimates increased expenses for training and educational materials (\$4,000). Adding the additional staff will bring about the need for more square footage of office space as NPERS has exhausted its current space for expansion. We are unable to determine what that additional cost will be at this time.

Major Objects of Expenditure

| Position Title | Number of Positions | | FY 2011-2012 | FY 2012-2013 |
|------------------------|---------------------|--------------|--------------|--------------|
| | FY 2011-2012 | FY 2012-2013 | Expenditures | Expenditures |
| Acct I, Train Spec. | 2 | 2 | 66408 | 66408 |
| Retirement Specialists | 2 | 2 | 62136 | 62136 |
| | | | 64272 | 64272 |
| | | | 59350 | 14000 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | 252166 | 206816 |

LB 680 FISCAL NOTE

RECEIVED
JAN 31 2011 2011
LEGISLATIVE FISCAL

State Agency OR Political Subdivision Name: Nebraska Department of Education

Prepared by: Joel Scherling Date Prepared: 1/28/11 Phone: 471-4736

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2011-12</u> | | <u>FY 2012-13</u> | |
|---------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | _____ | _____ | _____ | _____ |
| CASH FUNDS | _____ | _____ | _____ | _____ |
| FEDERAL FUNDS | _____ | _____ | _____ | _____ |
| OTHER FUNDS | _____ | _____ | _____ | _____ |
| TOTAL FUNDS | _____ | _____ | _____ | <u>0</u> |

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

Explanation of Estimate:

The decrease in the contribution rate for new School Plan participants would result in a decrease in employer contributions, even at the higher matching rate. Under the current system, an employee with a gross salary of \$50,000 would contribute \$4,140 (8.28%) and NDE would match the contribution with \$4,181.40 (101%). Under the proposed system, an employee with a gross salary of \$50,000 would contribute \$2,400 (4.8%) and NDE would match the contribution with \$3,744 (156%). As the bill would not affect NDE employees currently participating in the School Plan, the fiscal impact on NDE cannot be determined.

(Continued on page 2.)

MAJOR OBJECTS OF EXPENDITURES

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2011-12</u> | <u>2012-13</u> |
|----------------------------|----------------------------|--------------|---------------------|---------------------|
| | <u>11-12</u> | <u>12-13</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Benefit | _____ | _____ | _____ | _____ |
| Operating | _____ | _____ | _____ | _____ |
| Travel | _____ | _____ | _____ | _____ |
| Capital outlay | _____ | _____ | _____ | _____ |
| Aid | _____ | _____ | _____ | _____ |
| Capital improvements | _____ | _____ | _____ | _____ |
| TOTAL | _____ | _____ | _____ | _____ |

School districts would be able to increase expenditures for the amount of the increase to the School Employees Cash Balance Retirement System. Removing these funds from GFOE would reduce basic funding. A reduction in a school district's need may also reduce basic funding for the other school districts in its comparison group. How this decrease in basic funding will be reflected will depend on: (a) if the school district with the lobbying fees is the high or low spender in the array, (the expenditures are excluded from the average mechanism that determines basic funding); and (b) the size of the decrease will change the average for the comparison group if the school district is not the high or low spender. An individual school district may also have its reduction in needs offset by the needs stabilization component or the average adjustment component. Because of these interactions with TEEOSA state aid to schools components, a dollar amount is unknown at this time.