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PREPARED BY:
DATE PREPARED:
PHONE:

Kathy Tenopir
January 23, 2012
471-0058

LB 1036

Revision: 00

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2012-13		FY 2013-14	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$8,000			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$8,000			

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

LB1036 deals with the State and County Retirement Plans. LB1036 provides an opportunity for state and county employees who are currently enrolled in the defined contribution (DC) retirement plans to switch to the respective cash balance (CB) retirement plans.

DC plan members who elect to participate in the cash balance (CB) benefit on or after October 1, 2012 but before December 1, 2012 shall commence participation on January 2, 2013.

The Nebraska Public Employees Retirement System (NPERS) estimates a one-time operational cost of \$8,000 for member contact and response processing. NPERS also indicates there should be no additional cost associated with the third-party record keeper.

As indicated by NPERS, the actuary has indicated some risk to the cash balance (CB) plan if the markets were to experience a lower rate of return than the long-term return assumption. The actuary also indicated that the CB plan helps mitigate this risk by guaranteeing an interest credit on CB accounts that is lower than the expected long-term investment rate of return, creating a portion of the employer contributions that can be allocated to pay for unfunded liabilities. The actuary indicated that the risk is also further mitigated by new hires coming into the CB plan to replace members who retire.

LB1036 also eliminates the State and County Employer Retirement Expense Funds effective July 1, 2012 and transfers the money in the fund to the respective Cash Balance Retirement Funds, which are created. LB1036 eliminates the use of forfeiture funds to reduce employer contributions.

NPERS indicates that the elimination of the State and County Employer Retirement Expense Funds will likely cause the defined contribution (DC) members to have a 10-point basis fee initially assessed to their account balances to cover DC plan operating expenses. There appears to be minimal impact to the State and County since forfeiture funds are not currently used to reduce employer contributions.

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	1/23/12	PHONE 471-2526
COMMENTS			
PUBLIC EMPLOYEES RETIREMENT BOARD – No basis to disagree with estimate. Agency budget is over \$5 million and the agency would likely be able to internalize these costs.			

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LB⁽¹⁾ 1036 FISCAL NOTE

LEGISLATIVE

State Agency OR Political Subdivision Name: (2) Nebraska Public Employee Retirement Systems

Prepared by: (3) Randy Gerke Date Prepared: (4) 1/23/2012 Phone: (5) 402-471-9495

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2012-2013		FY 2013-2014	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$8,000			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$8,000			

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

Explanation of Estimate:

LB 1036 allows for State & County Defined Contribution plan members to make an election into the Cash Balance plans. It is difficult to estimate the operational costs because of uncertainty as to how many members will make this election. It will be necessary to send all Defined Contribution plan members notification of the window to elect along with some educational materials regarding the Cash Balance plans. It will also be necessary to send those making the election a confirmation that their election has been processed. We have included an estimate of one-time operational costs (\$8,000) for these purposes. The break down would be approximately \$1,800 for printing and \$6,200 for postage. It is possible that it may be necessary to use some staff overtime to complete the processing. We have not included these costs at this time.

There will not be a charge for the record keeper to complete the transfer.

The actuary has stated that there is some risk to the Cash Balance plan if the markets were to experience a lower rate of return than the long term return assumption.

Provisions in this bill will likely cause the Defined Contribution members to have a 10 point basis point fee initially assessed to their account balances to cover Defined Contribution plan operating expenses. It is difficult to predict the long term operating expenses.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2012-2013 EXPENDITURES	2013-2014 EXPENDITURES
	12-13	13-14		
Benefits.....				
Operating.....			\$8,000	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			\$8,000	