

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2013-14</b>		<b>FY 2014-15</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS			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.**

LB552 creates the Cities of the First Class Firefighters Cash Balance Retirement Act. LB552 creates a Cash Balance Retirement Plan for first class city firefighters hired on or after an unspecified date. The Plan is to be administered by the Public Employees Retirement Board (PERB). Currently, first class city firefighters hired after 1984 are members of defined contribution plans administered by each first class city. Current firefighters would have a one-time option to transfer into the newly created Cash Balance Plan. There are currently approximately 300 firefighters across 30 first class cities.

The Plan is similar to the State and County Cash Balance Plans which guarantee a minimum 5% interest rate of return with the possibility of dividends. The employee and employer contributions remain the same as the current plan. The vesting schedule is the same as the current plan.

A representative of the first class city firefighters would be added to the membership of the PERB.

**The Nebraska Public Employees Retirement System (NPERs) estimates the following costs.** Most of the first year's costs would be assigned to the General Fund depending on timelines.

One-Time Costs

1. An actuarial analysis would be required. The actuary is indicating a cost of \$30,000 (General Funds).
2. NPERs is indicating IT programming cost at \$114,375 which includes 1,500 hours or over 9 months of programming (General Funds).  
**Comment:** The number of hours of programming appears excessive since the State and County Cash Balance plans have already been programmed and are the same as the first class city firefighters with the exception of the contribution rates.
3. One-time expenses for administration, planning and developing the provisions of the plan at \$25,350 (General Funds).  
**Comment:** This amount may be high since the State and County Cash Balance plans are well established and can be used as the blueprint.
4. One-time cost for the office set up for new staff at \$5,000 per employee or \$15,000 (General Funds).

On-Going Costs

5. NPERs is indicating the need for 3.0 FTE additional staff and benefits at \$45,284 per employee or \$135,852 (all or part of the 1<sup>st</sup> year cost would be General Funds, depending on timelines otherwise Cash Funds.)  
**Comment:** It would appear that 3 additional staff for a maximum of 300 additional accounts may be high. The bookkeeping for these accounts is a contracted service.
6. Annual actuarial valuations at \$10,000 (Cash)

**State of Nebraska Additional Costs**

LB552, section 18(3)(b) indicates that if the actuarially required contribution rate exceeds the rate of all contributions required pursuant to the Act, there shall be a supplemental appropriation sufficient to pay for the difference between the actuarially required contribution rate and the rate of all contributions required pursuant to the Act.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES

LB: 552	AM:	AGENCY/POLT. SUB: NPERS	
REVIEWED BY: Gary Bush		DATE: February 5, 2013	PHONE: 471-4161
COMMENTS: Nebraska Public Employees Retirement System has two Office of the Chief Information Officer programmers on staff to maintain and update the record keeping software used for defined benefits plans. Therefore, some of the additional costs listed for programming might be offset by these permanent staff. NPERS' estimate of cost to implement LB552 appears to be reasonable. Concur with the agency's assertion that General Funds would be required for the initial setup of a new plan.			

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

2013

LB<sup>(1)</sup> 552 FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Randy Gerke Date Prepared: <sup>(4)</sup> 1/31/2013 Phone: <sup>(5)</sup> 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	<u>184,725</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
CASH FUNDS	<u>151,452</u>	<u>                    </u>	<u>151,452</u>	<u>                    </u>
FEDERAL FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
OTHER FUNDS	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUNDS	<u>336,177</u>	<u>                    </u>	<u>151,452</u>	<u>                    </u>

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

Explanation of Estimate:

LB552 provides for a new cash balance retirement plan for municipal firefighters of 1<sup>st</sup> class cities. Adding a new plan is a very complex undertaking. There are potentially 30 new employers that will need to be added as reporting agents to our recordkeeper's system. 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 also take considerable time and planning to implement. It is likely that NPERS will need more than a year to get a new plan implemented. At this time, NPERS does not have any relationship with the cities. NPERS does not know what kind of software the cities will use to report what the compatibility with NPERS software might be. There will likely be training and testing needing. The bill currently reads that there is an emergency. If the implementation were extended a year the cash fund expenditures would not be needed in FY2013-14.

Start up costs for implementing a new plan with entirely new membership can not come from NPERS cash funds. There would likely be a startup cost for an actuarial study. The estimate the actuary has given is \$30,000. NPERS estimates a startup cost for programming our IT system of 1500 hours @ the OCIO rate of \$76.25 for \$114,375. NPERS is including \$25,350 as a one-time expense for administration, planning and developing the provisions of this plan. We have put these costs coming from general funds for purpose of reporting on this form. Start-up costs also include \$15,000 for office set up for additional staff.

There will also be ongoing costs for actuarial valuations (\$10,000), additional staff salaries/benefits (\$135,852), possible charges from the Auditor of Public Accounts (unknown), and member educational costs (\$5,000). These items listed are estimates.

LB552 also provides for a change in the makeup of the Public Employees Retirement Board. It increases the membership by 1 member to 10 total. NPERS is requesting an increase of \$600 in PSL for program 042 to cover the cost of the increase in per diems paid to the additional Board member. There likely will be costs associated with education, travel and communication supplies for an additional Board member.

Further discussion points for this LB might include if NPERS has the space requirements needed in the 1526 Building (old Assurity) for the additional staff members.

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**MAJOR OBJECTS OF EXPENDITURE**

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**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 (prog, 042)	1	1	600	600
Retirement Specialist I (2) & II (1)	3	3	92,769	92,769
Benefits.....			43,083	43,083
Operating.....			15,000	15,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			151,452	151,452