

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

| ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates) | | | | |
|---|-------------------|---------|-------------------|---------|
| | FY 2015-16 | | FY 2016-17 | |
| | 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.

LB551 creates the Local Government Employees Retirement Plan. The Plan is a cash balance plan administered by the Public Employees Retirement Board. The Nebraska Investment Council is to invest all funds of the Plan. All local governments may elect to, but are not required to join the Plan. Local government is defined as any political subdivision formed and organized under state law and any joint entity or joint public agency created under state law. Dates and contribution rates are not specified.

The fiscal impact is estimated as follows.

Nebraska Public Employees Retirement Board (NPERS)

NPERS is estimating first year start-up costs of \$246,350 from the General Fund for planning, development and implementation. Costs include an actuarial study; administrative expenses; an additional computer developer; contracting with Ameritas for bookkeeping; etc.

NPERS is estimating additional on-going operating costs of \$465,777 from the Cash Fund for five additional staff positions as well as operating costs.

Additional funding will be required for start-up costs from the General Fund for the first year. Additional funding for staffing and operating cost will be required on an on-going basis. The additional amount required will be dependent upon the number of local governmental entities that elect to join the Plan.

Auditor of Public Accounts

The Auditor is estimating an additional .5FTE Auditor position at \$30,636 General Funds.

Nebraska Investment Council

The Investment Council indicates that the initial workload can be absorbed with existing resources. The long-term impact would have to be re-evaluated once the Plan has been established.

State of Nebraska

The impact to the State cannot be determined. The entity responsible for a shortfall in the actuarially required contribution is not specified.

| ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES | | |
|---|---------------|---|
| LB: 551 | AM: | AGENCY/POLT. SUB: Nebraska Investment Council |
| REVIEWED BY: Gary Bush | DATE: 2/19/15 | PHONE: 471-4161 |
| COMMENTS: No basis to disagree with estimate of the impact to the agency. | | |

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

2015

LB⁽¹⁾ 551

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Investment Council

Prepared by: ⁽³⁾ Michael Walden-Newman

Date Prepared: ⁽⁴⁾ 2/17/15

Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2015-16</u> | | <u>FY 2016-17</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> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

Explanation of Estimate:

For fiscal years 2015-2017, Council staff does not feel there is a fiscal impact to the agency. The initial workload required can be absorbed with existing resources. While there is a possible long-term fiscal impact from LB 551, it will depend upon the complexity of the program structure and growth of the assets within the program.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2015-16 EXPENDITURES</u> | <u>2016-17 EXPENDITURES</u> |
|---------------------------|----------------------------|--------------|---------------------------------|---------------------------------|
| | <u>15-16</u> | <u>16-17</u> | | |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Benefits..... | _____ | _____ | _____ | _____ |
| Operating..... | _____ | _____ | _____ | _____ |
| Travel..... | _____ | _____ | _____ | _____ |
| Capital outlay..... | _____ | _____ | _____ | _____ |
| Aid..... | _____ | _____ | _____ | _____ |
| Capital improvements..... | _____ | _____ | _____ | _____ |
| TOTAL..... | _____ | _____ | _____ | _____ |

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

2015

LB⁽¹⁾ 551

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Auditor of Public Accounts

Prepared by: ⁽³⁾ Mary Avery Date Prepared: ⁽⁴⁾ 1/28/14 Phone: ⁽⁵⁾ 4024713686

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | FY 2015-16 | | FY 2016-17 | |
|--------------------|---------------------|----------------|---------------------|----------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | \$30,636 | | \$30,636 | |
| CASH FUNDS | | | | |
| FEDERAL FUNDS | | | | |
| OTHER FUNDS | | | | |
| TOTAL FUNDS | <u>\$30,636</u> | | <u>\$30,636</u> | |

Explanation of Estimate:

LB 551, as currently written, requires the Auditor of Public Accounts to conduct an annual audit of a newly created local government employee's retirement fund. The audit is to be done on a calendar year basis. This additional work would be run through the Auditor of Public Accounts General Fund. We have based this fiscal note on the amount of time it currently takes to complete the audits of the other retirement plans. Since it has no emergency clause, the plan would start in 2015; thus, the first audit would take place in early 2016.

Based on our estimates, we believe .5 more staff would be needed to complete the additional work required by the LB, as written.

| | Family |
|--------------|--------------|
| Gross | 20004 |
| Retirement | 1500 |
| FICA | 1362 |
| Life | 6 |
| Insurance | 7764 |
| Total | 30636 |

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| POSITION TITLE | NUMBER OF POSITIONS | | 2015-16 | 2016-17 |
|---------------------------|---------------------|--------------|---------------------|---------------------|
| | <u>15-16</u> | <u>16-17</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Auditor | .5 | .5 | \$20,004 | \$20,004 |
| Benefits..... | | | \$10,632 | \$10,632 |
| Operating..... | | | | |
| Travel..... | | | | |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | <u>\$30,636</u> | <u>\$30,636</u> |

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

2015

LB⁽¹⁾ 551

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Public Employee Retirement Systems (NPERS)

Prepared by: ⁽³⁾ Randy Gerke

Date Prepared: ⁽⁴⁾ 1/30/2015

Phone: ⁽⁵⁾ (402) 471-9495

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

| | <u>FY 2015-16</u> | | <u>FY 2016-17</u> | |
|---------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>EXPENDITURES</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> | <u>REVENUE</u> |
| GENERAL FUNDS | <u>246,350</u> | <u> </u> | <u> </u> | <u> </u> |
| CASH FUNDS | <u> </u> | <u> </u> | <u>465,777</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>246,350</u> | <u> </u> | <u>465,777</u> | <u> </u> |

Explanation of Estimate:

LB 551 creates a new cash balance plan for local governments. The startup costs for this plan cannot come from any of the plans or cash funds that are currently under the administration of NPERS. Starting a new plan is a complex undertaking and will take a considerable amount of planning time in addition to the time that will be needed to implement the provisions for startup. Due to the fact that it is unknown how many of the local governments will opt to join the plan, it is difficult to estimate the costs to implement the provisions of this bill. Also, the implementation dates have not been specified. For fiscal note purposes, FY 2015-16 is considered the year for development and implementation, FY 2016-17 is considered as costs for ongoing operations.

An actuarial study will be needed before implementation with an estimated cost of \$15,000. This is a one-time cost however there will also need to be an actuarial valuation done each year after implementation that is estimated to be \$44,000.

Considerable time will be needed for planning, development and implementation of the startup for this plan. Included is a one-time cost of \$25,350 for these administrative purposes.

After implementation, additional staff will be needed for conducting the day to day operations. Included are the costs for (1) Accountant I, (2) Retirement Specialists, (1) Staff Assistant I and (1) Training Specialist. An estimate of hiring rates and benefits would be \$235,529 annually. (Accountant I-\$47,584, Retirement Specialists-\$90,691, Staff Assistant I-\$43,149, Training Specialist I-\$54,105).

NPERS would need more office space for these additional employees. NPERS is currently paying approximately \$1,929/employee annually for office space. For estimation purposes this number is used to estimate the cost of additional office space needed. 5 employees x \$1,929 for a total additional rent \$9,648 per year. This additional rent would be an ongoing expense.

There would also be computers and office set up for each of the new employees which is estimated to be \$3,000 per employee (\$15,000). This would be a one-time cost.

The current computer developers have reached production capacity. To hire a developer with a sufficient level of experience and ability to effectively work on an application as complex as NPRIS, it will likely be necessary to hire a contractor. The estimated annual cost of hiring a contract resource ranges and is estimated to be \$171,000.

Handbooks, training and member education materials are estimated to be \$10,000 start-up and \$5,000 on going.

NPERS would use Ameritas as record keeper for this plan. Start-up costs for the provisions of this bill would be \$10,000 from Ameritas.

LB 551 provides for a change in the makeup of the Public Employees Retirement Board. It increases the membership by 1 member to 9 voting members. 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.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

| <u>POSITION TITLE</u> | <u>NUMBER OF POSITIONS</u> | | <u>2015-16</u> | <u>2016-17</u> |
|---|----------------------------|--------------|---------------------|---------------------|
| | <u>15-16</u> | <u>16-17</u> | <u>EXPENDITURES</u> | <u>EXPENDITURES</u> |
| Accountant I & Staff Asst I | | 2 | | 62,892 |
| Retire Specialist I & Training Specialist I | | 3 | | 101,892 |
| Benefits..... | | | | 70,745 |
| Operating..... | | | 246,350 | 230,248 |
| Travel..... | | | | |
| Capital outlay..... | | | | |
| Aid..... | | | | |
| Capital improvements..... | | | | |
| TOTAL..... | | | 246,350 | 465,777 |