

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB30 provides that after some date, metropolitan and primary class cities may only offer a cash balance benefit plan to police officers and firefighters hired on or after that date. The fiscal impact cannot be determined without knowing the specific provisions of the cash balance benefit plan.

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

2017

LB⁽¹⁾ 30

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ City of Lincoln

Prepared by: ⁽³⁾ Jan L. Bolin Date Prepared: ⁽⁴⁾ 1/13/2017 Phone: ⁽⁵⁾ 402-441-8306

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2017-18</u>		<u>FY 2018-19</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

The fiscal impact cannot be determined without first knowing the specifics of the cash balance benefit plan, including contribution percentages and interest credits.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

2017

LB⁽¹⁾ 30

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ CITY OF OMAHA

Prepared by: ⁽³⁾ TYLER LEIMER Date Prepared: ⁽⁴⁾ 1/19/2016 Phone: ⁽⁵⁾ (402) 444-4514

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2017-18		FY 2018-19	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

I have had an opportunity to review LB 30 in response to your request for a fiscal note. Though we know it will have a fiscal impact, based on the vagueness of the bill, I don't think we can say whether the impact will be positive or negative and in what amount.

That bill requires cities of the metropolitan class to have a cash balance plan for new hires in the police and fire service at some unspecified date. The City of Omaha Home Rule Charter contemplates that the City of Omaha create a pension for its sworn personnel. The City has created the City of Omaha Police and Fire Retirement System (COPFRS). The Charter requires that that system be funded jointly in roughly equal amounts. Many years ago, COPFRS was set up as a defined benefit plan with negotiated contributions by the City and employees.

A cash balance plan is a hybrid of a defined benefit pension plan. Generally, a cash balance plan can be written in any number of ways, and the manner in which it is written will have a substantial effect on the amount of pension an employee receives. In this particular instance, the bill does establish that prior to vesting employees will get a pay credit for their contributions and an unspecified interest credit. After the employee is vested, it appears that the employee is to get a pay credit that equals the sum of the employee and the City contributions. If that is in fact the case, I would anticipate some difficulties.

In the case of the COPFRS, the fund is substantially underfunded at this time. If the cash balance plan would go in effect, it would be imperative that the benefits for the City's new hires be substantially less than the total contributions to allow making up some of the underfunding. If all contributions are treated as pay credits then I would anticipate that some amounts would have to be paid into the fund to make up for the existing shortfall. It is difficult to be any more specific than is detailed above without a thorough actuarial analysis.

Respectfully submitted,



Bernard J. in den Bosch
Deputy City Attorney

BJB:de

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2017-18</u>	<u>2018-19</u>
	<u>17-18</u>	<u>18-19</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....			_____	_____
Operating.....			_____	_____
Travel.....			_____	_____
Capital outlay.....			_____	_____
Aid.....			_____	_____
Capital improvements.....			_____	_____
TOTAL			_____	_____