

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$515,180		\$288,131	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$515,180		\$288,131	

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

LB478 amends several sections and creates the Cities of the First Class Firefighters Cash Balance Retirement Act.

A retirement system will be established for the purpose of providing a retirement annuity or other benefits for employees as provided by the Cities of the First Class Firefighters Cash Balance Retirement Act. It will be known as the Cash Balance Retirement System for Firefighters in Cities of the First Class.

It is the duty of the Public Employees Retirement Board (PERB) to administer the Cities of the First Class Firefighters Cash Balance Retirement Act as provided in §84-1503. PERB will adopt and promulgate the rules and regulations to carry out LB478. PERB will consist of nine appointed members, seven of the appointed members will be active or retired participants in the retirement systems administered by the board. Of those seven appointed members, one will be a participant in the Cities of the First Class Firefighters Cash Balance Retirement Act. They will serve for a five-year term beginning in 2023.

The State Treasurer will be the custodian of the funds and securities of the retirement system and can deposit the funds and securities in any financial institution approved by the Nebraska Investment Council. All disbursements will be paid only upon vouchers signed by a person authorized by the board. The State Treasurer will transmit monthly to the board a detailed statement showing all credits to and disbursements from the funds in his or her custody belonging to the retirement system.

The Auditor of Public Accounts will make an annual audit of the retirement system and an annual report to the retirement board and to the Clerk of the Legislature of the condition of the retirement system. The report submitted to the Clerk of the Legislature will be submitted electronically. Each member of the Legislature will receive an electronic copy of the report by making a request for such report to either the Auditor of Public Accounts or the retirement board.

Prior to April 1, 2022, the city clerk will submit a list to the board of all employees then eligible for participation in the plan, the list will state the name and address of the employee and his or her gross monthly wage. For any members hired on or after April 1, 2022, the city clerk will submit to the board within ten days of hire, the name and address of the employee and his or her gross monthly wage.

Beginning December 31, 2023, and each calendar year thereafter, the actuary for the board will perform an actuarial valuation of the system using the entry age actuarial cost method.

The Nebraska Public Employees Retirement Systems (NPERS) estimates twelve to fifteen months to do the development work to analyze the software changes and do the programming required for LB478. NPERS will need to hire a contract developer, for the development portion of the project, with a sufficient level of experience and ability to effectively work on an application as complex as Nebraska Public Retirement Information Systems (NPRIS). The estimated cost of hiring a contractor to complete the project is approximately \$199,500. NPERS will need to increase their staffing by adding four FTE's, which will cost \$244,888 and there will also be \$20,000 in operating expenses to cover the start-up costs for FY 2021-22. FY 2022-23 will have salary/benefit expenses \$247,331. An actuarial evaluation will need to be annually with an estimated cost of \$35,000. NPERS will also need to print out new employer/employee handbooks and forms costing \$10,000. With the addition of the new board member, \$5,800 would be used annually for travel, per diems, and continuing education.

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

LB: 478 AM: AGENCY/POLT. SUB: Public Employees Retirement Systems

REVIEWED BY: Neil Sullivan DATE: 2/22/2021 PHONE: (402) 471-4179

COMMENTS: The Public Employees Retirement Systems assessment of fiscal impact from LB 478 indicates cash expenditure. Cash revenue would be received from administrative plan fees, however the plan's accumulated contributions would be insufficient to accommodate the initial cost requirements. The remaining assumptions and assessments appear reasonable.

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

LB: 478 AM: AGENCY/POLT. SUB: State Treasurer

REVIEWED BY: Neil Sullivan DATE: 1/28/2021 PHONE: (402) 471-4179

COMMENTS: The State Treasurer assessment of no fiscal impact from LB 478 appears reasonable.

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

2021

LB⁽¹⁾ 478 -Revised

FISCAL NOTE

Nebraska Public Employees Retirement Systems (NPERS)

State Agency OR Political Subdivision Name: ⁽²⁾ _____

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 2-5-2021 Phone: ⁽⁵⁾ 402-471-7745

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>515,180</u>	_____	<u>288,131</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>515,180</u>	_____	<u>288,131</u>	_____

Explanation of Estimate:

LB 478 adopts a Cash Balance Retirement Plan for the Cities of the First Class Firefighters.

LB 478 would require NPERS to establish a new retirement program in NPRIS. There would be a very large time commitment to analyze the software changes and do the programming. NPERS IT estimates that it would take 12 to 15 months to do the development work. Software changes, technology upgrades and system maintenance would continue for the lifetime of the program. For the development project, NPERS would request to hire a contract developer with a sufficient level of experience and ability to effectively work on an application as complex as NPRIS. The estimated cost of hiring a contractor to complete the project is a range from \$180,500 to \$199,500. NPERS would have to carryover the remaining funds to the next fiscal year.

The current development staff is kept very busy maintaining the existing pension plans. Adding a new plan would create additional programming work for years into the future, because numerous software changes are inevitable when a new plan is implemented, and issues arise over time. Therefore, NPERS would also request an additional full-time senior developer resource to perform maintenance and changes following the initial project development period to support the system on an ongoing basis. The increase to PSL for FY 2021-22 is \$87,360. The increase to benefits for FY 2021-22 would be \$26,208. The start up costs for one additional programmer is \$5,000. The total increase for FY 2021-22 is \$118,568. The total increase to PSL and benefits FY 2022-23 would be \$114,704.

NPERS benefit staff is also very busy tending to the needs of the members of all plans. NPERS would need to request two additional Retirement Specialists I. The increase to PSL for FY 2021-22 for two Retirement Specialist I is \$65,982. The increase to benefits for two Retirement Specialist would be \$19,795. Start up costs for two additional staff would be \$10,000. The total increase for FY 2021-22 is \$95,777. For FY 2022-2023, the increase to PSL and benefits would be \$86,635.

NPERS also requests an Accountant I. The additional increase to PSL would be \$35,029 and an additional \$10,509 for estimated benefit costs. We would also need an additional \$5,000 for operating start-up costs for an additional teammate. For FY 2021-22, the increase would be \$50,538. For FY 2022-2023, the increase to PSL and benefits would be \$45,993.

An annual actuarial evaluation will need to be completed. Additional reports that the actuary will complete will be 5 year and 30 year projection reports and GASB 67 and GASB 68 services and reports. The estimated cost of these reports for FY 2021-22 is \$35,000 and for FY 2022-23 is \$35,000.

With implementing a new plan, NPERS would request a one time \$10,000 for printing of new employer and

employee handbooks and forms. The amount is included in FY 2021-22.

Public Employees Retirement Board would increase by one member. The additional per diem would \$900 annually and the travel reimbursement would be \$900 annually. NPERS would also need \$4,000 annually for continuing education for the new member.

NPERS collects fees from members to pay monthly bills and payroll. Since this is a new plan, NPERS would need monies to pay monthly bills and PSL till participant fees can be collected.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
IT Systems Programmer-Senior	1	1	87,360	88,234
Retirement Specialist I	2	2	65,982	66,642
Accountant I	1	1	35,029	35,379
Benefits.....			56,509	57,076
Operating.....			20,000	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			264,880	247,331

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2021

LB⁽¹⁾ 478

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ State Treasurer

Prepared by: ⁽³⁾ Jason Walters Date Prepared: ⁽⁴⁾ January 26, 2021 Phone: ⁽⁵⁾ 402-471-2793

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</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 State Treasurer's Office doesn't expect any fiscal impact from LB 478 to the office.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____