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DATE PREPARED: March 24, 2011
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LB 509

Revision: 01

FISCAL NOTE

Revised due to amendments adopted through 3-22-11

LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB509, as amended, contains all or portions of LB509, LB246, LB486 and LB532.

1. Allows permanent part-time county and state employees to participate in their respective plans at age 18 versus the current 20. This provision would increase costs to the state and county plans but, is dependent upon the number of permanent part-time employees who choose to enter into the retirement plan at age 18 or 19.

2. Amends the Nebraska State Patrol Retirement Act.

Currently, upon the death of a patrol officer after retirement, the surviving spouse will receive a benefit equal to a certain percentage of the officer's annuity for the remainder of the surviving spouse's life or until the surviving spouse remarries. LB509 allows the surviving spouse the annuity for life by striking the prrase "or until the surviving spouse remarries".

The consulting actuary indicates the annual actuarial valuation assumes any beneficiary receiving this benefit will receive it for their lifetime.

The Nebraska Public Employees Retirement System (NPERS) indicates that they have no recorded instances where the surviving spouse of a retired, deceased Patrol member has remarried and forfeited the retirement benefit.

There would appear to be no fiscal impact.

3. Amends the School Employees Retirement Act.

Currently that part of the member's compensation that exceeds the member's compensation for the preceding year by more than 7% during the 60 months preceding retirement is excluded from the benefit calculation. In addition, currently there are 3 exemptions to the 7% cap.

LB509 would increase the salary cap from 7% to 9% for FY12-13 and eliminate all exemptions. The cap is reduced to 8% for FY13-14.

An actuarial study completed by buckconsultants indicates a range of fiscal impact to the plan depending on the percentage of retiring members that are exempt under the current provision. The impact of a 9% cap with no exemptions is as follows.

a. Assuming 25% of retiring members are exempt under current provisions, the impact to the plan would be a negative $2,968,653.
b. Assuming 50% of retiring members are exempt under the current provisions, the impact would be a positive $1,057,666.

In 2010, 47% of retiring members who had at least 1 year where their salary increase exceeded 7% were exempt. For the period 2006 to 2010, 30% of retired members were eligible for an exemption.

The Nebraska Public Employees Retirement System (NPERS) indicates a one-time programming cost of $3,897. It appears that there would also be an annual cost savings since NPERS would no longer have to track and verify the exemptions. The amount of the cost savings cannot be estimated at this time.

4. LB509 provides that if the Department of Labor's independent retirement plan is terminated, those covered by the plan would become members of the State Employees Retirement Plan and would be granted vesting credit for their years of participation in Labor's independent retirement plan. This is a defined benefit retirement plan that covers employees of the Division of Employment who were employed prior to 1984. It appears that there are approximately 49 active employees in this category.

It would appear that the cost to move approximately 49 people into the State Employee Retirement Plan is minimal as indicated by the fiscal note response from the Nebraska Public Employees Retirement System (NPERS). NPERS estimates a one-time cost of $1,015.

5. LB509 allows a terminated state or county employee, after a grievance has been filed, to receive a distribution of up to $25,000 or the balance of the employee's portion of the account, whichever is less. Currently, the employee is allowed to receive a distribution of the entire amount. Following reinstatement, the employeee is required to repay any amount received. There appears to be minimal if any cost associated with this provision.