

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	See Below		See Below	
CASH FUNDS	See Below		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.**

AM1815 to LB447 makes changes to the Class V School Employees Retirement System as follows.

**Plan Benefit Changes**

For Class V school members hired on and after July 1, 2016:

1. Eliminates the State Service annuity
2. Eliminates the medical cost-of-living-adjustment (COLA)
3. Retirement benefits are unreduced at age 65 rather than the current age 62
4. Normal retirement age is 65 with 6 months of service rather than the current 65 with 5 years of service.
5. Will not be eligible to vest with ½ year service credit if they are at least age 65.
6. Changes early retirement to 5 years of credible service and age 60 rather than the current age 55.

***Fiscal Impact Associated with Plan Benefit Changes***

An actuarial study will be necessary to determine the impact of the plan changes.

**Retirement Plan Investment Changes**

Beginning January 1, 2017 the following would occur.

1. The investment authority is transferred from the Omaha School Employees’ Retirement System (OSERS’) board of trustees and the Omaha Public Schools (OPS) board to the Nebraska Investment Council (NIC).
2. The State Treasurer, rather than the OPS board, becomes the treasurer and custodian of the retirement system.
3. The Nebraska Public Employees Retirement System (NPERS) serves as a “pass through” agency for the purposes of transfer of funds through the State Treasurer for payment of benefits, refunds, and expenses of the Class V retirement system.

***Fiscal Impact Associated with Retirement Plan Investment Changes***

1. The NIC estimates the cost to transfer the investment authority to be \$175,000 Cash Funds for FY2016-17 for start-up costs and \$25,000 Cash Funds for FY2017-18 for on-going costs. Costs would be borne by the OSERS’ plan assets.

2. NPERS indicates minimal fiscal impact - \$2,500 annually. NPERS will bill OSERS for the cost of carrying out its transfer duties.
3. OSERS indicates there would be significant fiscal impact on both expenditures and revenues but is difficult to estimate due to years of integration of duties, software and other resources.
4. Cost to the OPS board will decrease. A request for a fiscal impact statement regarding AM1815 was sent OPS. No response has been received to date. The fiscal note will be updated when the information is received.

#### **Governance Changes for OSERS' Trustees/OPS Board**

1. OSERS's staff would be under the control of the board of trustees versus the OPS board
2. Trustees appoint the OSERS administrator, with the approval of the OPS board.
3. The administrator serves at the pleasure of the OSERS' trustees rather than the OPS board.
4. The administrator hires, dismisses and supervises OSERS' staff
5. OSERS' trustees rather than the OPS board may contract for services with a legal advisor to the trustees.
6. OSERS' trustees contract for an actuary rather than OPS board. OPS board must approve of the contract.

#### ***Fiscal Impact Associated with the Governance Changes***

There appears to be no significant fiscal impact as a result of the governance changes.

#### **State Funding Change**

1. Eliminates the State Service Annuity for Class V school members hired on or after July 1, 2016.
2. If there is an Actuarially Required Contribution (ARC) appropriated for the School Employees Retirement System and the Class V School Employees System also requires an Actuarially Required Contribution (ARC) then, the school district may request an Appropriations Committee hearing to consider appropriating funds to the Class V plan proportionate to the size of the plan.

#### ***Fiscal Impact Associated with the State Funding Change***

1. Elimination of the State Service Annuity for member hired on or after July 1, 2016 is a cost savings to the state.
2. There is a potential for an increase in state costs should the Legislature vote to provide funds for the Class V ARC under certain circumstances.

#### **Other Changes**

OSERS' staff and operating expenses will be charged against the Class V School Employees Retirement Plan assets rather than being paid by the OPS school district General Fund.

#### ***Fiscal Impact Associated with Other Changes***

1. OSERS indicates there would be significant fiscal impact on both expenditures and revenues but is difficult to estimate due to years of integration of duties, software and other resources.
2. Cost to the OPS board will decrease. A request for a fiscal impact statement regarding AM1815 was sent OPS. No response has been received to date. The fiscal note will be updated when the information is received.

**AM1815 TO LB447 makes changes to the School Employee Retirement System as follows.**

For State school plan members hired on and after July, 2016

1. Members will not be eligible to vest with ½ year service credit if they are at least age 65.
2. Eliminates the ability to work fewer than 20 hours per week while receiving disability retirement benefits.

***Fiscal Impact Associated with Plan Benefit Changes***

An actuarial study will be necessary to determine the impact of the plan changes.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 447 (Revised)	AM: 1815	AGENCY/POLT. SUB: Nebraska Public Employees Retirement System
REVIEWED BY: Gary Bush	DATE: 1/20/16	PHONE: 471-4161
COMMENTS: Agree with agency that there is a cost associated with entering transactions into the accounting system for the Nebraska Investment Council. A monthly cost of \$200 is an hourly rate of \$66.67 and this amount appears to be high.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 447	AM: 1815	AGENCY/POLT. SUB: Nebraska Investment Council
REVIEWED BY: Gary Bush	DATE: 1/20/16	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimated provided.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 447	AM: 1815	AGENCY/POLT. SUB: Nebraska State Treasurer
REVIEWED BY: Gary Bush	DATE: 1/14/16	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimated provided.		

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 447	AM: 1815	AGENCY/POLT. SUB: Omaha School Employees' Retirement System
REVIEWED BY: Gary Bush	DATE: 1/15/16	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimated provided.		

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

**2016**

**LB<sup>(1)</sup> LB 447, AM 1815, REVISED**

**FISCAL NOTE**

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

Prepared by: <sup>(3)</sup> Randy Gerke Date Prepared: <sup>(4)</sup> 01/20/2016 Phone: <sup>(5)</sup> (402) 471-9495

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	2400	_____	2400	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>2400</u>	_____	<u>2400</u>	_____

**Explanation of Estimate:**

LB 447 AM 1815 changes provisions for Class V schools and related investment duties for the Nebraska Investment Council. LB 447 as amended with AM 1815 should have a minimal fiscal impact to NPERS. Pursuant to sections 23,43 & 44 of the bill, NPERS will bill OSERS for NPERS' cost of carrying out the duties of this bill. NPERS estimates that it will take 3 hours of staff time to complete the monthly fund transfers that are referenced in the bill. This would translate to \$200/month (\$2,400 annually) of expense for the agency. This figure is contingent upon NPERS not having to review or audit any of OSERS records. NPERS trust funds should only pay expenses for NPERS plans.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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

**2016**

**LB<sup>(1)</sup> 447, AM1815 – REVISED 1-20-16**

**FISCAL NOTE**

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

Nebraska Investment Council

Prepared by: <sup>(3)</sup> Michael Walden-Newman

Date Prepared: <sup>(4)</sup> 1-20-16

Phone: <sup>(5)</sup> 402-471-2001

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS				
CASH FUNDS	175,000		25,000	
FEDERAL FUNDS				
OTHER FUNDS				
<b>TOTAL FUNDS</b>	<u>175,000</u>	<u>0</u>	<u>25,000</u>	<u>0</u>

**Explanation of Estimate:**

The proposed legislation would result in an increase in expenditures due to the following:

	<u>FY 2016-17</u>	<u>FY2017-18</u>
Legal – legal upkeep on OSERS assets until merged with NIC portfolio	\$ 10,000	
Legal - review of existing OSERS contracts and transfer to NIC	65,000	
Consulting Services – Asset Liability Study	60,000	
Consulting Services – Transition of OSERS assets to NIC asset allocation/ OSERS performance reporting	40,000	
Legal – Recurring legal expense		\$ 25,000
	<u>\$ 175,000</u>	<u>\$ 25,000</u>

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....			175,000	25,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<u>175,000</u>	<u>25,000</u>

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

**2016**

**LB<sup>(1)</sup> 447, AM 1815**

**FISCAL NOTE**

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

Nebraska State Treasurer

Prepared by: <sup>(3)</sup> Jason Walters

Date Prepared: <sup>(4)</sup> January 13, 2016

Phone: <sup>(5)</sup> 402-471-2793

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</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:

No fiscal impact

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17</u>	<u>2017-18</u>
	<u>16-17</u>	<u>17-18</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.

**2016**

**LB<sup>(1)</sup> 447, AM1815**

**FISCAL NOTE**

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

Omaha School Employees' Retirement System

Prepared by: <sup>(3)</sup> James A. Ellis

Date Prepared: <sup>(4)</sup> 1/14/2016

Phone: <sup>(5)</sup> 402 557-2104

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	=====	=====	=====	=====

**Explanation of Estimate:**

There would be significant fiscal impact on both expenditures and revenues, but I am not able to estimate what they will be. Benefit changes made to employees hired after July 1, 2016 should improve funding status over long term, but an actuarial study would be required to give an estimate. Operating cost increase to OSERS plan assets that are currently paid by OPS school district general fund are difficult to estimate due to the years of integration of duties, software and other resources for an efficient operation of services, but could be significant.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>				