

Revised due to the adoption of AM1555, May 18, 2015

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		See Below	
FEDERAL FUNDS				
OTHER FUNDS	See Below		See Below	
TOTAL FUNDS				

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

LB448 as amended by AM1555 makes changes to the Class V School Employees Retirement System as follows.

Plan Benefit Changes

For employees hired on and after July 1, 2015:

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.

Fiscal Impact Associated with Plan Benefit Changes

Cavanaugh Macdonald Consulting, the actuary for the Omaha School Employees’ Retirement System (OSERS) indicates the following.

1. The net cost impact of the proposed benefit changes to the OSERS’ benefit structure for members hired on or after July 1, 2015 will be a reduction in the ongoing cost.
2. The benefit changes are expected to result in some improvement in the funded status of OSERS over the long term (20 to 30 years).
3. The elimination of the state service annuity will lower the ongoing cost for new hires for the State who funds the state service annuity.

Retirement Plan Investment Changes

Beginning January 1, 2016 the following would occur.

1. The investment authority is transferred from the 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 as follows. Costs would be borne by the OSERS’ plan assets.

		FY 2015-16 One-Time	FY2016-17 On-Going	Total
Legal	Upkeep on OSERS' Assets		25,000	25,000
	Review of LB448	10,000	0	10,000
	Review of existing OSERS' contracts	65,000	0	65,000
Consulting	Asset/liability study	60,000	0	60,000
	Transition OSERS' assets to NIC asset allocation	40,000	0	40,000
NIC	NIC pro rata fee	0	137,000	137,000
Banking	Transfer from OSERS assets to NIC		250,000	250,000
Total		175,000	412,500	587,500

(a) **NIC** pro rata fee of \$137,000 is not an increase in NIC's costs but rather OSERS' share of NIC's total cost.

(b) **Banking** costs are not appropriated costs but are paid directly from plan assets.

2. NPERS indicates minimal fiscal impact
3. The State Treasurer indicates no fiscal impact.
4. Cost to the Class V School Employees Retirement Plan assets will increase as a result of this change. Cost to the OPS board will decrease. A request for a fiscal impact statement regarding AM1555 was sent to OSERS and 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**

In any year that an Actuarially Required Contribution (ARC) is necessary to fund the statewide School Employees Retirement Plan, the payment will be computed as a percent payroll. If OSERS' certifies that it also needs additional funds to meet its ARC in that year, the State will contribute to OSERS the same percent of payroll as was paid to the statewide School Employees Retirement Plan.

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

This change increases the State's liability for the Class V School Employees Retirement Plan. There is no way to determine when any additional funding would be required and in what amount.

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

Cost to the Class V School Employees Retirement Plan assets will increase as a result of this change. Cost to the OPS board will decrease. A request for a fiscal impact statement on AM1555 was sent to OSERS and OPS. No response has been received to date. The fiscal note will be update when information is received.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 448	AM: 1555	AGENCY/POLT. SUB: Nebraska Investment Council	
REVIEWED BY: Gary Bush		DATE: 05/14/15	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimated provided.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 448	AM: 1555	AGENCY/POLT. SUB: Neb. Public Employee Retirement Systems	
REVIEWED BY: Gary Bush		DATE: 05/14/15	PHONE: 471-4161
COMMENTS: No basis to disagree with the estimate provided for NPERS to provide "pass through" support for the Nebraska Investment Council and Class V school districts.			

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES			
LB: 448	AM: 1555	AGENCY/POLT. SUB: State Treasurer	
REVIEWED BY: Gary Bush		DATE: 05/14/15	PHONE: 471-4161
COMMENTS: Concur.			

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

2015

LB⁽¹⁾ AM 1555 to LB448

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Investment Council

Prepared by: ⁽³⁾

Michael Walden-Newman

Date Prepared: ⁽⁴⁾

May 13, 2015

Phone: ⁽⁵⁾

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	175,000		25,000	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>175,000</u>		<u>25,000</u>	

Explanation of Estimate:

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

	<u>FY 2015-16</u>	<u>FY2016-17</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>2015-16 EXPENDITURES</u>	<u>2016-17 EXPENDITURES</u>
	<u>15-16</u>	<u>16-17</u>		
Benefits.....				
Operating.....			175,000	25,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			<u>175,000</u>	<u>25,000</u>

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

2015

LB⁽¹⁾ 448, AM1555

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Public Employee Retirement Systems (NPERS)

Prepared by: ⁽³⁾ Randy Gerke

Date Prepared: ⁽⁴⁾ 5/13/2015

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	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB448, AM1555 changes provisions for Class V schools regarding their retirement plan. This amendment affects the Nebraska Public Employees Retirement Systems (NPERS) by making the agency a pass through for the process of conveying funds between the Nebraska Investment Council (NIC) and the Class V schools for purposes of paying benefits and operating expenses. This will take some NPERS staff time. We estimate that annual time and money spent from the following staff to process Class V:

- Accountant III 24 hours @ \$28.53 for \$684.72 (Salary & benefit estimate)
 - Accountant II 12 hours @ \$27.98 for \$335.76 (Salary & Benefit estimate)
 - Accountant I 24 hours @ \$28.43 for \$682.32 (Salary & Benefit estimate)
 - Accounting Supervisor 12 hours @ \$53.70 for \$644.40 (Salary & Benefit estimate)
- The estimated total would be \$2,347.20.

There would be minimal fiscal impact to NPERS from LB448, AM1555 as written.

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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

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2015

LB⁽¹⁾ 448

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska State Treasurer

Prepared by: ⁽³⁾ Jason Walters

Date Prepared: ⁽⁴⁾ May 14, 2015

Phone: ⁽⁵⁾ 402-471-2793

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>_____</u>	<u>\$0</u>	<u>_____</u>

Explanation of Estimate:

No legislative appropriation is needed to carry out the Treasurer's duties under LB 448

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>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	<u>\$0</u>	<u>\$0</u>