

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

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2017-18</b>		<b>FY 2018-19</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$89,381			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$89,381			

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

LB415 provides that an employee who is a member of the County, School, Class V School, State Patrol or State Employee Retirement Plan and retires may not be re-employed by an employer associated with any of the retirement plans cited within 120 days (180 days for the school retirement plans). Currently the waiting period for re-employment is within the same plan not across all plans.

The Nebraska Department of Education (NDE) currently hires retirees from the school plans without a waiting period. NDE indicates that this change would increase costs.

LB415 also provides that for members of the School and Class V Plans hired on or after July 1, 2017, the retirement age with full benefits will be 60 with 30 years of service, under the Rule of 90. Currently, members can retire with full benefits at 55 with 30 years of service, under the Rule of 85.

An actuarial study is required to determine the fiscal impact of change in the retirement age.

The Nebraska Public Employees Retirement System (NPERS) indicates one-time costs to be \$89,381 including an actuarial study, programming costs and educational materials.

<b>ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 415	AM:	AGENCY/POLT. SUB: Dept of Education	
REVIEWED BY: Gary Bush	DATE: 1/26/17	PHONE: <a href="tel:4024714161">(402) 471-4161</a>	
COMMENTS: Disagree with the estimate of impact provided by the agency.			

<b>ADMINSTRATAIVE SERVICE STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSE</b>			
LB: 415	AM:	AGENCY/POLT. SUB: NPERS	
REVIEWED BY: Gary Bush	DATE: 1/26/17	PHONE: <a href="tel:4024714161">(402) 471-4161</a>	
COMMENTS: No basis to disagree the estimate of impact provided by the agency. The estimate appears to be reasonable.			

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

**2017**

**LB<sup>(1)</sup> 415**

**FISCAL NOTE**

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

Nebraska Department of Education

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

Joel Scherling

Date Prepared: <sup>(4)</sup>

1/23/17

Phone: <sup>(5)</sup>

402-471-4736

**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	<u>INCREASE</u>	_____	<u>INCREASE</u>	_____

**Explanation of Estimate:**

Currently, School Retirement Plan retirees may be employed by the Nebraska Department of Education (NDE) without a waiting period as long as they participate in the State Retirement Plan upon employment at NDE. This allows NDE to recruit highly educated and experienced individuals to work for NDE at wages much lower than they were making as a public school employee. The proposed change would likely have a chilling effect on our ability to recruit from this market. This could translate into greater pressure to increase salaries to be more comparable with the market in order to attract individuals who have not retired from certain public sector employment. Any additional salary costs cannot be determined at this time.

**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<sup>(1)</sup> 415

FISCAL NOTE

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

Prepared by: <sup>(3)</sup> Randy Gerke Date Prepared: <sup>(4)</sup> 1/24/2017 Phone: <sup>(5)</sup> (402) 471-9495

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	\$89,381.25	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>\$89,381.25</u>	_____	_____	_____

Explanation of Estimate:

LB415 contains provision changes that are designed for plan members that have worked in one of the State administered retirement plans, retired from that plan and then have become re-employed as part of another one of the retirement plans administered by NPERS. This bill changes some termination provisions. The bill creates the rule of 90 for school plan members. It also changes vesting periods in the retirement plans for those that have become re-employed after taking a retirement benefit.

The cost estimate to implement this bill includes one-time costs for actuarial studies and analysis (\$18,000), programming costs (\$66,381.25), and an estimate to update educational materials and handbooks and educate members and staff of (\$5,000).

LB415 will require an actuarial cost projection study for the School Plan that addresses the Rule of 90 for new hires after June 30, 2017. This cost study will show any cost projection changes that the Rule of 90 change will bring to unfunded liability. The study will also address all of the other provision changes included in this bill. These changes will be difficult to quantify but will be discussed in general terms. The estimated timeframe to prepare this study will be 2-3 weeks after receiving formal notification to prepare the study.

The programming costs are estimated to take 817 hours @ \$81.25/hour. The assumptions that were used are:

- 1) Implementation of the definition of termination for all plans:
  - a. Add new edits in the employer reporting validation process to prevent a report from posting if any member reporting contributions has a current **regular** retirement benefit account with termination date within 120 (180 if school) days of the re-hire date.
  - b. Add new edits in the employer reporting validation process to prevent a report from posting if any member reporting contributions has a current **early** retirement benefit account with termination date within 3 years of re-hire date.
  - c. Add new functionality to accept and process re-employment information from the Nebraska Department of Education.
  - d. Add new functionality in self-service allowing retirees to self-report their re-employment information.
  - e. Add new functionality to send letters/emails to all retirees upon completion of the 120 day or 180 day period confirming they did not re-employ.
- 2) A retiree who becomes re-employed receives vesting credit only for service performed upon re-employment and must work 10 years to be vested. This applies to all plans.
  - a. This requires us to modify the vesting credit calculations
- 3) Add the "rule of 90" to retirement eligibility for school employees that start employment or are re-hired on or after 07/01/2017.

- a. Modify the retirement application process
- b. Modify the benefit estimate process
- c. Modify the refund process
- 4) A retiree who becomes re-employed is not eligible for disability retirement. This applies to all plans.
  - a. Modify the retirement application process
  - b. Modify the benefit estimate process
- 5) Thorough testing of all changes

The provisions of this bill affect most of the plans NPERS administers. This will result in updating and reprinting educational materials and handbooks for members, employers and staff. This may require rule and regulation changes which will require publication of Notice for Public Hearing. The cost of printing and publication is estimated based on past costs.

**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.....			\$89,381.25	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
<b>TOTAL.....</b>			<b>\$89,381.25</b>	