

Revised to reflect updated information from NPERS.

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	\$750,000	\$750,000	\$4,275,893	\$4,275,893
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$750,000	\$750,000	\$4,275,893	\$4,275,893

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

REVISED FISCAL IMPACT:

All costs and expenses incurred by NPERS/PERB will be paid by NPERS/PERB and reimbursed by OPS, resulting in cash fund expenditures and corresponding revenue. Once the reimbursements are complete, there will be no fiscal impact to the agency.

LB147 amends several sections concerning the transfer the management of Omaha School Employees Retirement System (OSERS) to the Public Employees Retirement Board (PERB) and creates the Class V School Employees Retirement Fund.

Beginning January 1, 2017, all expenses related to the investment of the assets of the retirement system will be paid in such amounts as the state investment officer determines and approves.

LB 147 establishes the transfer of duties and responsibilities for management of the Omaha Public School (OPS) retirement system to the Public Employees Retirement Board (PERB) effective September 1, 2024.

Beginning September 1, 2024, PERB will:

- Administer the retirement system pursuant to its duties in §84-1503 and the provisions of the Class V School Employees Retirement Act
- Maintain a separate account of each member's retirement account information as indicated in §79-989, which will be available to the member
- Compile such data as may be necessary for the required actuarial valuation
- Consider and pass on all applications for annuities or other benefits
- Have examinations made when advisable of persons receiving disability benefits
- Direct and determine all policies necessary in the administration of the Class V School Employees Retirement Act

Effective September 1, 2024, OSERS will not have any duty or responsibility for the general administration of the retirement system, and the board of trustees and the terms of the members will terminate.

Beginning September 1, 2024, the Nebraska Public Employees Retirement Systems (NPERS) will have the responsibility for the administration of the retirement system, will be deemed fiduciaries with respect to the administration of the retirement system, and will be held to the standard of conduct of a fiduciary. The administrator will be the director of NPERS.

The newly appointed board member will be appointed to serve for a fifty-two month term which will begin September 1, 2024, and his or her successor will then be appointed to serve for a five-year term which will begin in 2029.

All costs, fees, and expenses incurred by NPERS on or after the effective date of this act until September 1, 2026, related to the transfer and transition of the management and general administration of the retirement system to the retirement board will be paid by Omaha Public Schools.

NPERS estimates the need for \$750,000 in FY 2021-22 to get the needed IT planning started for the integration of OSERS to the PERB and NPERS. FY2022-23 will have costs of \$3.45 million to fully stabilize the transition into the NPERS system. NPERS also estimates the need to add 7 FTEs with a total cost of \$392,413 and an additional \$433,480 for operating expenses. As noted above, expenses will be reimbursed by OPS.

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

LB: 147 AM: AGENCY/POLT. SUB: Public Employees Retirement Systems

REVIEWED BY: Neil Sullivan DATE: 4/19/2021 PHONE: (402) 471-4179

COMMENTS: The Public Employees Retirement Systems revised assessment of fiscal impact from LB 147 appears reasonable.

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2021

LB⁽¹⁾ 147 – 2nd Revision

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Public Employees Retirement Systems (NPERS)

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 4-19-2021 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	750,000	750,000	4,275,893	4,275,893
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>750,000</u>	<u>750,000</u>	<u>4,275,893</u>	<u>4,275,893</u>

Explanation of Estimate:

LB 147 will have a significant impact on the operating budget of NPERS.

In the 2019 Legislative Session, LB 31 was passed. This bill provided a work plan relating to a transfer of management of the retirement system operated under the Class V School Employees Retirement Act (OSERS) to the Nebraska Public Employees Retirement Systems (NPERS) and to require a report and provide duties for the Public Employees Retirement Board (PERB). NPERS completed the study and a report was provided to the Nebraska Retirement Systems Committee of the Legislature.

The report provided an analysis of each department within the agency, the estimated needs and how administration would affect these areas. Fiscal Years were not outlined in the report and cost estimates were based on what facts were known while completing the study.

The chart “On-going Operations Costs for 1st and 2nd Year can be found on page 28 of the study. It is a compilation of the identified additional ongoing expenses. NPERS PSL would increase by seven teammates. There is also a need for two staff assistants from the SOS Temporary Program for two years. NPERS’ assumption would be the new hires would be in the second year of the biennium.

NPERS would also need a Contract Applications Developer and additional OCIO hosting. The additional developer will be needed for maintenance, troubleshooting and programming changes that will be necessary for the Nebraska Public Information Retirement Systems (NPRIS). NPERS could use an outside vendor or contract through the OCIO. The estimated cost is \$184,000 annually. There are also additional costs for Enterprise Content Management (ECM) and hosting with the OCIO. The estimate for these ongoing costs is \$27,600 annually.

NPERS Education Services will need to update forms and publications. The first-year cost is \$7,000. All subsequent years will be \$3,000. Retirement seminars will need to be held in Omaha with an annual cost of \$1,000 for travel expenses.

The State Auditor of Public Accounts (APA) provides an annual independent audit of all the NPERS retirement plans. The APA provided cost estimates for auditing the OSERS plan. The first-year estimate is \$35,880. The second-year estimate is \$27,040.

NPERS would also need to remodel the office space to accommodate up to ten additional staff. The additions will also need equipment and supplies. The one-time cost to remodel is \$7,200 and the one-time cost for office equipment and supplies would be \$50,000. (\$35,000 is for the seven permanent full-time staff for NPERS and \$15,000 for the two SOS staff assistants and one contract applications developer.)

It would be assumed that OSERS would have at least one representative to the voting body of the PERB. 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 and OSERS both utilize the actuarial firm of Cavanaugh MacDonald. Actuarial costs for the OSERS plan are \$50,000 per year.

NPERS also has added \$100,000 for any unanticipated costs.

On-going Operational Costs for 1st and 2nd Year					
Description	Department	PSL Year 1	PSL Year 2 (2% increase)	Operations Cost Year 1	Operations Cost Year 2
Paralegal	Legal	\$40,982.24	\$41,801.88	\$12,294.67	\$12,540.56
Retirement Specialist I (2)	Benefits	\$65,977.60	\$67,297.15	\$19,793.28	\$20,189.15
Retirement Specialist II	Benefits	\$38,126.40	\$38,888.93	\$11,437.92	\$11,666.68
Retirement Plan Manager	Benefits	\$51,667.20	\$52,005.44	\$15,500.16	\$15,601.63
Staff Assistant I (SOS-2)	Data Services			\$79,339.00	\$79,339.00
Retirement Specialist I	Call Center	\$32,988.80	\$33,648.58	\$9,896.64	\$10,094.57
Accountant II	Accounting	\$40,480.96	\$41,290.58	\$12,144.29	\$12,387.17
Contract Applications Dev.	IT			\$184,000.00	\$184,000.00
Additional OCIO Hosting				\$27,600.00	\$27,600.00
Forms and Publications	Education			\$7,000.00	\$3,000.00
Member Seminar Travel Exp.	Education			\$1,000.00	\$1,000.00
Auditor of Public Accounts	Administrative			\$35,880.00	\$27,040.00
Office Remodel	Administrative			\$7,200.00	
Equipment and Supplies	Administrative			\$50,000.00	
Actuarial Services	Administrative			\$50,000.00	\$50,000.00
PERB additional member	Administrative	\$900.00	\$900.00		
PERB Travel Reimbursement	Administrative			\$900.00	\$900.00
PERB Continuing Education	Administrative			\$4,000.00	\$4,000.00
Unanticipated Costs				\$100,000.00	\$100,000.00
		\$271,123.20	\$275,832.56	\$627,985.96	\$559,358.76
Year 1 Total	\$899,109.16				
Year 2 Total	\$835,191.32				
*ongoing spending authority request-does not include implementation or initial costs					

NPERS contracted with an outside consulting company, Linea Solutions Inc., to aid in the work plan study. Linea Solutions is a management and IT consulting firm that specializes in the pension business concentrating on strategic planning, IT assessments, project management, and business process improvement. Linea was engaged to evaluate both the system and data transfer requirements of the NPERS and Omaha School Employees Retirement System (OSERS) systems. Linea Solutions provided timelines and cost estimates to accomplish the transfer of administration of OSERS to the PERB and NPERS. The study completed by Linea Solutions estimated it would take 23 months to integrate OSERS into NPRIS. There would be an additional 12 months of support to fully stabilize the system. The cost of estimate was \$4.2 million.

For year one of the biennium, there is an assumption that NPERS will need \$750,000 to get the IT planning started. Year two of the biennium includes the remaining \$3,450,000 for the IT transition and the \$825,893 for PSL and operating expenses.

These costs will be covered by Omaha Public Schools. NPERS will have revenue coming in to pay for the expenses.

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>
Paralegal		1		41,802
Retirement Specialist I		3		100,946
Retirement Specialist II		1		38,889
Retirement Plan Manager		1		52,005
Accountant II		1		41,291
Benefits.....				82,480
Operating.....				35,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				392,413