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 DATE PREPARED: May 06, 2021
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LB 147

Revision: 02

Revised to reflect AM926

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	\$809,158	\$750,000	\$4,330,593	\$4,275,893
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$809,158	\$750,000	\$4,330,593	\$4,275,893

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

AM926 incorporates the provisions of LB 145, 146, and 582 into LB 147.

AM926 amends LB147 by requiring the Nebraska Auditor of Public Accounts (APA) to audit the Omaha Public Employees Retirement Systems (OSERS) in 2021. AM926 updates the “termination of employment” definition in the School Plan to define intermittent substitute and voluntary service during the 180 days following retirement to be more than eight days in a calendar month. Any amount of service on a day will equal one day when counting towards those eight days. Finally, AM926 also reinstates the Omaha Board of Education as the primary party responsible for administration of OSERS, with the Trustees as a subset of the Board of Education.

FISCAL IMPACT:

Nebraska Public Employees Retirement Systems (NPERS) will need to add an Internal Auditor to review and verify that retirees are not providing service to a school employer for more than eight days allowed in a calendar month. FY2021-22 will have expenses of \$41,660 for salary, \$12,498 for benefits, and \$5,000 in operating expenses. FY2022-23 will have expenses of \$42,077 for salary, and \$12,623 for benefits.

The remaining 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, the only fiscal impact to the agency will be the addition of the Internal Auditor listed above.

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2021

LB⁽¹⁾ 147 AM926

FISCAL NOTE

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

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 5-10-2021 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	\$809,158	\$750,000	\$4,330,593	\$4,275,893
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	<u>\$809,158</u>	<u>\$750,000</u>	<u>\$4,330,593</u>	<u>\$4,275,893</u>

Explanation of Estimate:

LB 147 AM926 will have a significant impact on the operating budget of NPERS. AM926 brings in LB 145, LB 146, LB 147 and LB 582.

LB 145 requires the Auditor of Public Accounts (APA) to audit the Omaha Public Employees Retirement Systems (OSERS) Plan in 2021. The OSERS board of trustees must file a copy of the annual actuarial investigation with the Nebraska Retirement Systems Committee of the Legislature and the APA. Authorizes the PERB to address additional issues with the transfer and obtain payment from OPS.

OSERS is to undergo a compliance audit in 2021. OSERS board of trustees to file the audit with the Clerk of the Legislature, Board of Education, Governor, Nebraska Retirement Systems Committee of the Legislature and the PERB.

Omaha Public Schools would be responsible for the cost of the audits. No fiscal impact on the operating to NPERS Agency 085 operations expenditures.

LB 146 amends "termination of employment" definition in the School Plan to define intermittent substitute and voluntary service during the 180 days following retirement to be more than eight days in a calendar month. Any amount of service on a day will equal one day when counting towards the eight days.

LB 146 also amends multiple definitions in the Omaha School Employees Retirement System (OSERS) Plan, including "termination of employment". OSERS Plan definition of termination of employment is different than the School Plan definition. Other definitions are added or amended in LB 146. Some of those are the definition of employee, participation, regular employee, etc.

NPERS requests an Auditor (one) to review and verify retirees are not providing service to a school employer for more than eight days in a calendar month. The additional increase to PSL would be \$41,660.32 and an additional \$12,498.10 for estimated benefit costs. We would also need an additional \$5,000 for operating start-up costs for an additional teammate.

Fiscal Year 23 includes a 1% increase (\$41,660.32 x 1.01=\$42,076.92, 12,498.10 x 1.01= \$12,623.08) \$54,700.00

The total request for FY 22 is \$59,158.00 and FY 23 the total request is \$54,700.00. There will be an impact to the staffing level at NPERS. An increase in PSL is requested.

LB 147

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.

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.

The costs for LB 147 will be covered by Omaha Public Schools.

LB 582 changes the administration of the retirement system under the Class V School Employees Retirement Act.

This will reinstate the Omaha Board of Education as the primary party responsible for administration of Omaha School Employees Retirement System (OSERS), with the Trustees as a subset of the Board of Education. There is also a requirement the Auditor of Public Accounts conduct audits.

No fiscal impact to NPERS Agency 085 operations expenditures.

LB146

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>
Auditor	1	1	41,660.00	42,077.00
Benefits.....			12,498.00	12,623.00
Operating.....			5,000.00	
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....			59,158.00	54,700.00

LB147

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u> <u>EXPENDITURES</u>	<u>2022-23</u> <u>EXPENDITURES</u>
	<u>21-22</u>	<u>22-23</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
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Benefits.....				82,480
Operating.....				35,000
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				392,413