

Revised to reflect AM461

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				
FEDERAL FUNDS				
OTHER FUNDS				See Below
TOTAL FUNDS				See Below

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

LB17 reduces the amortization period from 30 years to 25 years for Defined Benefit Plans based on the Nebraska Public Retirement Systems actuary's recommendations and increases funding by raising several court fees.

Beginning July 1, 2023, and on July 1 each year thereafter, the State Treasurer will transfer an amount equal to five percent of the compensation of all members of the Nebraska Retirement Fund for Judges from the General Fund.

If the funded ratio on the actuary report is at or above one hundred percent for two consecutive years, the actuary will determine if the percentage of the state contribution rate should be adjusted. If the funded ratio on the actuary report has been adjusted to less than five percent and the funded ratio on the actuarial value of assets is below one hundred percent for two consecutive years, the actuary will determine if the percentage of the state contribution rate should be adjusted.

New court fees for the Nebraska Retirement Fund for Judges:

- FY2021: \$6
- FY2022: \$8
- FY2023: \$9
- FY2024: \$10
- FY2025: \$11
- FY2026-thereafter: \$12

FISCAL IMPACT:

Increasing the court fees collected by Nebraska Public Employee Retirement System (NPERS) will have an impact on the Actuarial Required Contribution (ARC) for the Judges Retirement Plan and cannot be determined at this time.

Due to when court fees are received, the full estimated revenue increase will not be realized until the following fiscal year.

The State Supreme Court estimates the following revenue increases to the Nebraska Retirement Fund for Judges:

- FY22-23: \$1,206,979
- FY23-24: \$1,573,846
- FY24-25: \$1,819,641
- FY25-26: \$1,954,526
- FY26-27: \$2,095,051

Beginning in FY 23-24, there will be a General Fund impact due to the transfer to the Nebraska Retirement Fund for Judges from the General Fund.

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

LB: 17 AM: 461 AGENCY/POLT. SUB: Public Employees Retirement Systems

REVIEWED BY: Neil Sullivan DATE: 3/18/2021 PHONE: (402) 471-4179

COMMENTS: The Public Employees Retirement Systems assessment of no operational fiscal impact, indeterminate actuarial required contribution (ARC) General Fund fiscal impact, and delayed percent of payroll contributions General Fund fiscal impact from LB 594 as amended by AM 461 appears reasonable. Actuarial analysis will be needed to determine the full fiscal impact.

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

LB: 17 AM: 461 AGENCY/POLT. SUB: Supreme Court

REVIEWED BY: Neil Sullivan DATE: 3/16/2021 PHONE: (402) 471-4179

COMMENTS: The Supreme Court assessment of fiscal impact from fee increases and General Fund impact from a percent of payroll state contribution from LB 30 as amended by AM 461 appears reasonable. Actuarial analysis will be needed to determine the full General Fund impact to the state's actuarial required contribution (ARC).

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

2021

LB⁽¹⁾ 17 AM461

FISCAL NOTE

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

Prepared by: ⁽³⁾ Teresa Zulauf Date Prepared: ⁽⁴⁾ 3-16-2021 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	0	_____	0	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>0</u>	<u>_____</u>	<u>0</u>	<u>_____</u>

Explanation of Estimate:

No fiscal impact to NPERS Agency 085 operations expenditures.

Legislative Bill 17 AM461 changes the amortization period in the Defined Benefit Plans from 30 years to 25 years based on the recommendation of the actuary.

Changing the amortization periods will have an impact on the Actuarial Required Contribution (ARC) for the Judges Retirement Plan.

The State of Nebraska will provide an amount equal to five percent of the compensation for of all members of the judges retirement plan. This would be for July 1, 2023 and on July 1 each year after. However, if the funded ratio on the actuary report is at or above one hundred percent for two consecutive years, the actuary shall determine if the percentage of the state contribution rate should be adjusted. (The start date is outside the upcoming biennium.)

Increasing the court fees collected by NPERS will have an impact on the Actuarial Required Contribution (ARC) for the Judges Retirement Plan.

NPERS is unable to determine the amount of revenue that would be generated from the increase in fees as the amounts are transferred into the Judges Retirement Fund.

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

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

2021

LB⁽¹⁾ 17, AM461

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ 05 Supreme Court

Prepared by: ⁽³⁾ Eric Asboe Date Prepared: ⁽⁴⁾ 3/11/2021 Phone: ⁽⁵⁾ 402-326-9215

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	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	See Below
TOTAL FUNDS	=====	=====	=====	=====

Explanation of Estimate:

LB17, as amended by AM461, increases funding for the judges retirement plan through:

1. An additional General Fund contribution to the Nebraska Retirement Fund for Judges based on member compensation, beginning FY23-24. AM461 proposes an amount equal to 5% of total annual compensation based on the most recent annual actuarial valuation report. The Actuarial Valuation Report as of July 1, 2020 for the Judges Retirement System estimates 7/1/20 payroll at \$25,249,097. One percent of compensation would result in a contribution of approximately \$252,000. Without factoring in future salary increases, 5% would be \$1,260,000.

2. Increases in several court fees used to fund judges retirement. Fee increases begin 7/1/21 and, for some fees, gradually increase over five years. Although some revenue will accrue beginning 7/1/21, due to when court fees are received the full estimated revenue increase will not be realized until the following fiscal year. For example, the estimated revenue from fee increases effective 7/1/21 is shown in FY22-23.

Estimated revenue increase:

FY22-23	\$1,206,979
FY23-24	1,573,846
FY24-25	1,819,641
FY25-26	1,954,526
FY26-27	2,095,051

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